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ADAMS COUNTY, MISSISSIPPI

Audited Financial Statements and
Special Reports
For the Year Ended September 30, 2007

Switzer, Hopkins & Mange
P O Box 1305
Natchez MS 39121

ADAMS COUNTY, MISSISSIPPI

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITORS' REPORT.....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
PRIMARY GOVERNMENT FINANCIAL STATEMENTS	13
Statement of Net Assets.....	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of revenues, Expenditures and changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Assets – Internal Service Fund	20
Statement of Revenues, Expenses and changes in Fund Net Assets – Internal Service Fund	21
Statement of Cash Flows – Internal Service Fund.....	22
Statement of Fiduciary Assets and Liabilities	23
Notes to Financial Statements	24
REQUIRED SUPPLEMENTARY INFORMATION	41
Budgetary Comparison Schedule – Budget and Actual (Non-GAAP Basis) – General Fund.....	42
Port and Harbor Fund.....	43
Countywide Road Maintenance Fund	44
MRC New Warehouse Fund	45
Notes to the Required Supplementary Information	46
SUPPLEMENTAL INFORMATION	48
Schedule of Expenditures of Federal Awards.....	49
SPECIAL REPORTS.....	50
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 <i>Government Auditing Standards</i>	51
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	53
Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	55
SCHEDULE OF FINDING AND QUESTIONED COSTS	59

ADAMS COUNTY

FINANCIAL SECTION

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

INDEPENDENT AUDITORS' REPORT

Members of the Board of Supervisors
Adams County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of and for the year ended September 30, 2007, 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 do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statement for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units would have been presented as \$48,793,677, \$30,075,693, \$18,717,984, \$44,821,190 and \$46,805,361.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Adams County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

In addition, 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 of Adams County, Mississippi, as of September 30, 2007, and the respective changes in financial position, and, where applicable, cash flows 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 5, 2008, on our consideration of Adams County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 12 and the Budgetary Comparison Schedule and corresponding notes on pages 42 through 47 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Surtzer Hopkirk & Merga

Natchez, Mississippi
August 5, 2008

**ADAMS COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year ended September 30, 2007**

INTRODUCTION

The discussion and analysis of Adams County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2007. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

Adams County is located in southwestern Mississippi along Highway 61. The population, according to the 2000 census is 34,540. The local economic base is driven mainly by a transition from manufacturing to warehouse distribution and a service oriented economy. The service economy consists primarily of tourism, recreation, health and education. Manufacturing still remains an important part of the local economy

FINANCIAL HIGHLIGHTS

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

Adams County is not currently growing economically and in population. The County has maintained a steady growth in tax revenues without a significant tax increase. The County government tax rate has increased an average of only 1% over the last 5 years. This does not include School tax increases. We do not anticipate a steady growth in tax revenues; however, an increase in millage is not anticipated.

Total net assets increased \$1,676,557, which represents a 7% increase from the prior fiscal year. The County's ending cash balance increased by \$82,987, which represents a 2% increase from the prior fiscal year.

The County had \$17,214,240 in total revenues. Tax revenues account for \$10,469,361 or 61% of total revenues. Federal, state and local government revenues in the form of reimbursements, shared revenue or grants, account for \$3,818,341 or 22% of total revenues.

The County had \$20,395,842 in total expenses, which represents an increase of \$1,429,128 or a 7.5% increase from the prior fiscal year. Expenses in the amount of \$3,625,317 were offset by grants, outside contributions or debt being issued. General revenues of \$16,280,091 were not adequate to provide for the remainder of the expenses resulting in a decrease in total governmental fund balances of \$490,434.

Among major funds, the General Fund had \$10,344,440 in revenues and \$11,511,760 in expenditures. The General Fund's fund balance decreased \$578,314 from the prior year.

Among major funds, the Port and Harbor Fund had \$141,860 in revenues and \$233,141 in expenditures. The Port and Harbor Fund's fund balance decreased \$91,281 under the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$1,747,013 in revenues and \$3,474,866 in expenditures. The Countywide Road Maintenance Fund's fund balance decreased \$384,457 from the prior year.

Among major funds, the County-wide bridge maintenance fund had \$945,064 in revenues and \$744,853 in expenditures. The County-wide Bridge maintenance fund balance increased \$606,486 over the prior year.

Among major funds, the Debt Service Fund had \$1,213,830 in revenues and \$1,139,475 in expenditures. The Debt Service Fund's fund balance increased \$74,355 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$1,092,508. This change was primarily due to acquisitions of capital assets, net of depreciation.

Long-term debt decreased by \$1,134,896, primarily due to the payment of long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

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

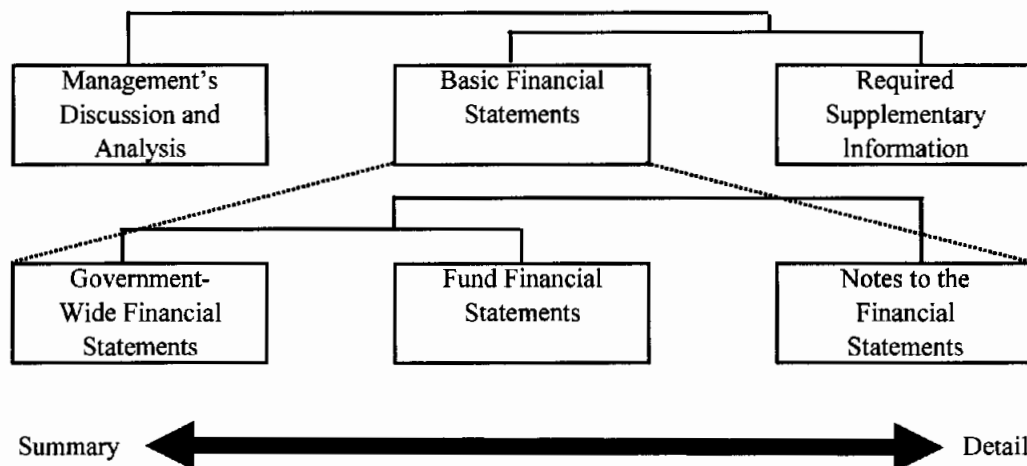


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

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

The Government-wide Financial Statements can be found on pages 14 – 15 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 17 and 19 respectively.

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 16 – 19 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County has no enterprise funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-insurance program for employees' medical benefits. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements can be found on pages 20 – 22 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 23 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 24 – 40 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 42 – 48 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets — Net assets may serve over time as a useful indicator of government's financial position. In the case of Adams County, assets exceeded liabilities by \$26,587,596 as of September 30, 2007.

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2007.

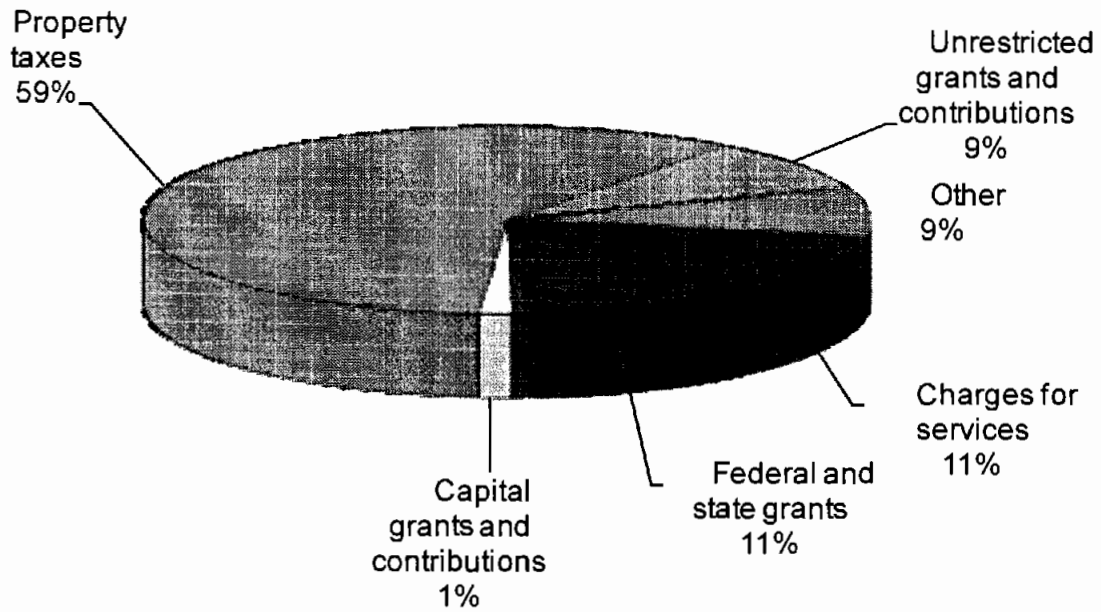
	Governmental Activities		
	2007	2006	2005
Current assets	\$ 16,211,264	\$ 15,525,170	\$ 14,783,804
Capital assets, net	36,432,767	35,340,260	36,284,721
Total assets	52,644,031	50,865,430	51,068,525
Current liabilities	9,887,415	8,650,485	8,913,527
Long-term debt outstanding	16,169,020	17,303,916	18,451,009
Total liabilities	26,056,435	25,954,401	27,364,536
Net assets:			
Invested in capital assets, net of related debt	28,849,446	27,908,691	28,297,358
Restricted	1,371,480	1,206,700	1,264,599
Unrestricted	(3,633,330)	(4,204,362)	(5,857,968)
Total net assets	\$ 26,587,596	\$ 24,911,029	\$ 23,703,989

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

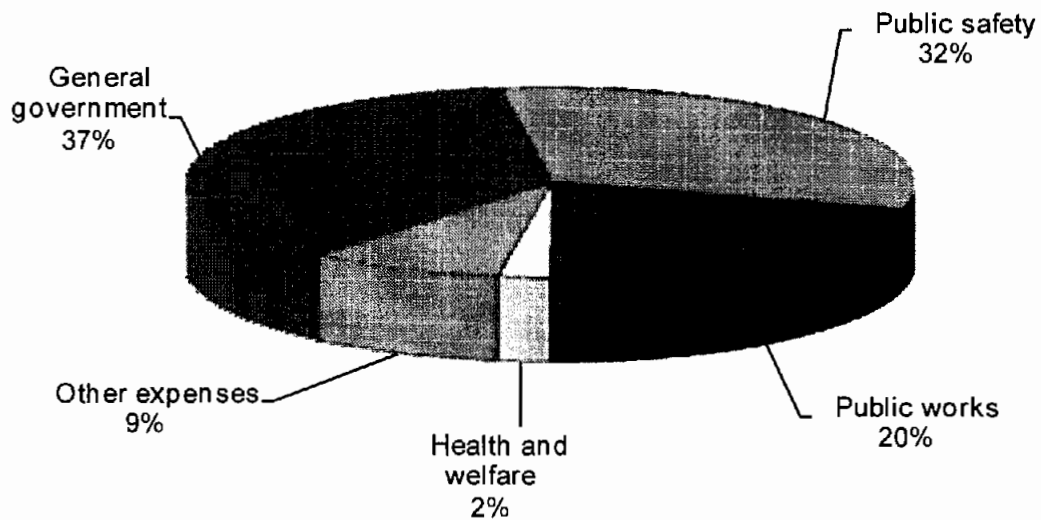
Changes in Net Assets — Adams County's total revenues for the fiscal year ended September 30, 2007 was \$17,804,174. The total cost for all services provided was \$16,127,617. The increase in net assets was \$1,676,557. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2007, 2006 and 2005:

Revenues:	2007	2006	2005
Program revenues			
Charges for services	\$ 1,990,555	\$ 1,845,873	\$ 2,026,619
Federal and state grants	1,936,038	2,434,108	1,476,322
Capital grants and contributions	262,033	1,589,410	811,482
General revenues			
Property taxes	10,469,360	10,266,121	8,322,803
Unrestricted grants and contributions	1,620,270	1,831,509	1,576,962
Other	1,525,918	787,314	1,437,578
Total Revenues	<u>17,804,174</u>	<u>18,754,335</u>	<u>15,651,766</u>
Expenses:			
General government	5,903,880	5,664,347	5,323,001
Public safety	5,138,128	5,046,317	4,765,391
Public works	3,304,058	5,513,935	6,143,945
Health and welfare	372,980	374,815	377,439
Other expenses	1,408,571	1,421,753	1,486,314
Total Expenses	<u>16,127,617</u>	<u>18,021,167</u>	<u>18,096,090</u>
Increase (Decrease) in Net Assets	<u>\$ 1,676,557</u>	<u>\$ 733,168</u>	<u>\$ (2,444,324)</u>

WHERE THE COUNTY GETS ITS REVENUE



HOW THE COUNTY REVENUES ARE USED



Governmental Activities — The following table presents the cost of six major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Economic Development and interest on long-term debt.

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

	Total Costs	Net Costs
General government	\$ 5,903,880	\$ 5,108,957
Public safety	5,138,128	3,489,381
Public works	3,304,058	1,767,504
Health and welfare	372,980	164,578
Economic Development	233,658	233,658
Interest on long-term debt	831,681	831,681
Other	343,232	343,232

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds — At the close of the fiscal year, Adams County's governmental funds reported a combined fund balance of \$5,889,180, a decrease of \$490,434. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- Decrease in revenues from Federal & State governments.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$578,314. This decrease was primarily due to:

- Debt repayment exceeded proceeds from new debt issues.
- Increase in transfers to Self-Funded Health Insurance fund to pay claims in excess of budget.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

Over the course of the year, Adams County amended various line items of the budget on several occasions and amended its final budget to reflect actual revenues received and expenditures paid. The primary reason for the differences in budgeted and actual amounts was because of unanticipated revenues and expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets — As of September 30, 2007, Adams County's total capital assets were \$93,041,484. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$757,792 primarily due to additions to leased property under capital leases in the current year.

Total accumulated depreciation as of September 30, 2007 was \$56,608,717, including \$992,211 of depreciation expense for the year. The balance in total net capital assets was \$36,432,767 at year-end.

Additional information on Adams County's capital assets can be found in note 8 on pages 34 – 35 of this report.

Debt Administration — At September 30, 2007, Adams County had \$16,169,020 in long-term debt outstanding. This includes general obligation bonds, special obligation bonds, other loans and obligations under capital lease. Of this debt, \$3,071,288 is due within one year.

Adams County maintains a "Baa2" bond rating from Moody's Investors Service. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 33 million dollars.

Additional information on Adams County's long-term debt can be found in note 10 on pages 36 – 38 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Adams County is financially stable. The County is proud of its service to its citizens. The County plans to continue sound fiscal management to meet the challenges of the future. The millage will not increase in 2008, and no increase in millage is expected over the next few years.

In July 2007, Corrections Corporation of America began construction of a \$90,000,000 project in Adams County. This 1,500 bed correctional facility will house federal prisoners. It will provide approximately 275 jobs for the people and workforce of our area.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's office at P.O. Box 1008, Natchez, Mississippi 39121-1008.

ADAMS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

ADAMS COUNTY
Statement of Net Assets
September 30, 2007

Exhibit 1

	Primary Government Governmental Activities
ASSETS	
Cash (Note 3)	\$ 2,590,058
Cash with fiscal agent	792,684
Property tax receivable	8,274,290
Accounts receivables - waste collection, net of allowance for doubtful accounts of \$770,006	159,076
Loans receivable (Note 6)	3,257,027
Capital leases receivable (Note 8)	281,893
Intergovernmental receivables (Note 5)	457,874
Other receivables (Note 7)	243,856
Deferred debt issue costs	154,510
Capital assets (Note 9)	36,432,767
Total Assets	52,644,035
LIABILITIES	
Claims payable	451,747
Intergovernmental payables	625,565
Accrued interest payable	143,127
Deferred revenue:	
Property taxes	8,274,290
Other	217,250
Other payables	175,447
Long-term liabilities	
Due within one year:	
Capital related debt	1,482,042
Non-capital debt	1,721,246
Due in more than one year:	
Capital related debt	6,101,279
Non-capital debt	6,864,456
Total Liabilities	26,056,449
NET ASSETS	
Invested in capital assets, net of related debt	28,849,446
Restricted net assets:	
Expendable:	
Debt service	755,398
Unemployment compensation	27,983
Capital projects	588,099
Unrestricted	(3,633,340)
Total Net Assets	\$ 26,587,586

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

ADAMS COUNTY
Statement of Activities
For the Year Ended September 30, 2007

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Primary Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 5,903,880	\$ 779,631	15,292	-	\$ (5,108,957)
Public safety	5,138,128	682,013	962,854	3,880	(3,489,381)
Public works	3,304,058	528,911	749,490	258,153	(1,767,504)
Health and welfare	372,980	-	208,402	-	(164,578)
Culture and recreation	83,201	-	-	-	(83,201)
Education	82,097	-	-	-	(82,097)
Conservation of natural resources	177,934	-	-	-	(177,934)
Economic development and assistance	233,658	-	-	-	(233,658)
Interest on long-term debt	831,681	-	-	-	(831,681)
Total Governmental Activities	16,127,617	1,990,555	1,936,038	262,033	(11,938,991)
General revenues:					
Taxes:					
Property taxes					\$ 10,469,361
Road & bridge privilege taxes					526,704
Grants and contributions not restricted to specific programs					1,620,270
Unrestricted investment income					199,126
Miscellaneous					800,087
Total General Revenues					13,615,548
Changes in Net Assets					1,676,557
Net Assets - Beginning					24,911,029
Net Assets - Ending					\$ 26,587,586

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

ADAMS COUNTY
Balance Sheet - Governmental Funds
September 30, 2007

Exhibit 3

	Major Funds						
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund	Countywide Bridge Maintenance Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash	\$ 930,173	\$ 42,843	\$ 479,362	\$ 143,878	\$ 4,713	\$ 961,368	\$ 2,562,337
Cash with fiscal agent	-	-	-	-	792,684	-	792,684
Property tax receivable	6,383,094	115,805	11,761	605,165	840,442	318,023	8,274,290
Accounts receivable (net)	-	-	-	-	-	48,986	48,986
Loans receivable	-	2,975,000	-	-	-	282,027	3,257,027
Capital lease receivable	-	-	-	-	-	303,696	303,696
Intergovernmental receivables	278,295	-	99,630	-	-	79,949	457,874
Other receivables	33,417	-	-	-	-	206,864	240,281
Due from other funds	53,930	2,596	498,182	1,269,391	21,736	255,501	2,101,336
Advances to other funds	28,735	-	-	8,520	-	-	37,255
Total Assets	<u>\$ 7,707,644</u>	<u>\$ 3,136,244</u>	<u>\$ 1,088,935</u>	<u>\$ 2,026,954</u>	<u>\$ 1,659,575</u>	<u>\$ 2,456,414</u>	<u>\$ 18,075,766</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Claims payable	\$ 257,982	\$ -	\$ 117,176	\$ 8,396	\$ -	\$ 68,193	\$ 451,747
Intergovernmental payables	317,036	-	3,225	-	-	-	320,261
Due to other funds	2,199,397	-	-	10	35,000	172,233	2,406,640
Advances from other funds	-	-	8,520	-	28,735	-	37,255
Deferred revenue:							
Property taxes	6,383,094	115,805	11,761	605,165	840,442	318,023	8,274,290
Capital leases	-	-	-	-	-	303,696	303,696
Other	200,000	-	-	-	-	17,250	217,250
Other payables	175,447	-	-	-	-	-	175,447
Total Liabilities	<u>9,532,956</u>	<u>115,805</u>	<u>140,682</u>	<u>613,571</u>	<u>904,177</u>	<u>879,395</u>	<u>12,186,586</u>
Fund balances:							
Reserved for:							
Debt service	-	-	-	-	755,398	-	755,398
Loans receivable	-	2,975,000	-	-	-	282,027	3,257,027
Advances	-	-	-	8,520	-	-	8,520
Unreserved - undesignated, reported in:							
General fund	(1,825,312)	-	-	-	-	-	(1,825,312)
Special revenue funds	-	45,439	948,253	1,404,863	-	696,178	3,094,733
Capital project funds	-	-	-	-	-	598,814	598,814
Total Fund Balances	<u>(1,825,312)</u>	<u>3,020,439</u>	<u>948,253</u>	<u>1,413,383</u>	<u>755,398</u>	<u>1,577,019</u>	<u>5,889,180</u>
Total Liabilities and Fund Balances	<u>\$ 7,707,644</u>	<u>\$ 3,136,244</u>	<u>\$ 1,088,935</u>	<u>\$ 2,026,954</u>	<u>\$ 1,659,575</u>	<u>\$ 2,456,414</u>	<u>\$ 18,075,766</u>

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

ADAMS COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2007

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 5,889,180
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	
Capital assets net of depreciation as of 9-30-06	35,340,259
Plus capital outlay expenditures made during the year	2,690,814
Less depreciation expense recorded during the year	(992,211)
Less book value of capital assets sold during the year	(606,095)
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.	110,090
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Capital leases	281,893
Deferred debt issue costs	154,510
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(16,169,023)
Accrued interest on bonds	(143,127)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets	31,296
Total net assets - governmental activities (Exhibit 1)	<u>\$ 26,587,586</u>

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

ADAMS COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2007

Exhibit 4

	Major Funds						
	General Fund	Port and Harbor Fund	Countywide Road Maintenance Fund	Countywide Bridge Maintenance Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property taxes	\$ 7,804,132	\$ 141,807	\$ 126,987	765,326	\$ 1,174,599	\$ 456,510	\$ 10,469,361
Road and bridge privilege taxes	-	-	526,704	-	-	-	526,704
Licenses, commissions and other revenue	476,586	-	-	-	-	73,481	550,067
Fines and forfeitures	242,982	-	15,508	-	-	52,875	311,365
Intergovernmental revenues	1,398,469	-	1,055,154	162,839	-	1,201,881	3,818,343
Charges for services	149,845	-	-	-	-	972,158	1,122,003
Interest income	77,887	53	20,439	15,443	39,231	46,073	199,126
Miscellaneous revenues	194,539	-	2,221	1,456	-	19,055	217,271
Total Revenues	10,344,440	141,860	1,747,013	945,064	1,213,830	2,822,033	17,214,240
EXPENDITURES							
Current:							
General government	5,080,677	-	-	-	-	542,185	5,622,862
Public safety	3,525,105	-	-	-	-	1,264,152	4,789,257
Public works	-	-	1,539,182	427,844	-	919,546	2,886,572
Health and welfare	372,980	-	-	-	-	-	372,980
Culture and recreation	64,676	-	-	-	-	18,525	83,201
Education	-	-	82,097	-	-	-	82,097
Conservation of natural resources	177,934	-	-	-	-	-	177,934
Economic development and assistance	30,658	-	-	-	-	203,000	233,658
Capital outlays	897,077	-	1,555,653	162,839	-	75,245	2,690,814
Debt service:							
Principal	924,117	212,462	282,791	148,578	886,597	217,332	2,671,877
Interest	438,536	20,679	15,143	5,592	252,878	51,766	784,594
Total Expenditures	11,511,760	233,141	3,474,866	744,853	1,139,475	3,291,751	20,395,846
Excess of Revenues over (under) Expenditures	(1,167,320)	(91,281)	(1,727,853)	200,211	74,355	(469,718)	(3,181,606)
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	671,483	-	733,983	-	-	21,780	1,427,246
Proceeds from sale of capital assets	160,397	-	609,413	406,275	-	-	1,176,085
Compensation for loss of capital assets	12,825	-	-	-	-	-	12,825
Transfers in	-	-	-	-	-	333,252	333,252
Transfers out	(255,699)	-	-	-	-	(77,553)	(333,252)
Transfers in from component unit	-	-	-	-	-	-	-
Lease principal collections	-	-	-	-	-	75,016	75,016
Total Other Financing Sources and Uses	589,006	-	1,343,396	406,275	-	352,495	2,691,172
Net Changes in Fund Balances	(578,314)	(91,281)	(384,457)	606,486	74,355	(117,223)	(490,434)
Fund Balance - Beginning (Note 2)	(1,246,998)	3,111,720	1,332,710	806,897	681,043	1,694,242	6,379,614
Fund Balances - Ending	\$ (1,825,312)	\$ 3,020,439	\$ 948,253	\$ 1,413,383	\$ 755,398	\$ 1,577,019	\$ 5,889,180

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

Adams County
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, 2007

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4) \$ (490,434)

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 \$2,690,814 exceeded depreciation of \$992,211 in the current period. 1,698,603

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 decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the difference in the amount of the gain of \$569,990 and the proceeds from the sale of \$1,176,085 in the current period. (606,095)

Waste collection revenues recognized on the modified accrual basis in the funds during the current year is increased because current year recognition is required for the statement of activities on the full-accrual basis of accounting. 7,118

In the statement of activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest proceeds increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases. (75,016)

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 \$2,671,877 exceeded debt proceeds of \$1,427,246 1,244,632

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 a combination of the following items:

Capitalize and amortize bond issue costs and deferred interest on refunded bonds	(92,340)
Accrued interest on long-term liabilities	45,252
Decrease in liability for compensated absences	10,014

An internal service fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities. (65,177)

Change in net assets of governmental activities (Exhibit 2) \$ 1,676,557

ADAMS COUNTY
Statement of Net Assets
Self-funded Health Insurance Internal Service Fund
September 30, 2007

Exhibit 5

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets:	
Cash	\$ 27,721
Other receivables	3,575
Total Current Assets	<u>31,296</u>
LIABILITIES	
Current liabilities:	
Current portions of long-term non-capital debt:	
Claims and judgments payable	200,961
Total Current Liabilities	<u>200,961</u>
NET ASSETS	
Unrestricted	(169,665)
Total Net Assets	<u>\$ (169,665)</u>

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

ADAMS COUNTY
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Self-funded Health Insurance Internal Service Fund
For the Year Ended September 30, 2007

Exhibit 6

	Governmental Activities
	Internal Service Fund
Operating Revenues	
Charges for services	\$ 1,590,964
Operating Expenses	
Claims payment	1,308,979
Insurance premiums	347,162
Total Operating Expenses	<u>1,656,141</u>
Operating Income	(65,177)
Nonoperating Revenues (Expenses)	
Interest income	<u>-</u>
Changes in net assets	(65,177)
Net Assets - Beginning	<u>(104,488)</u>
Net Assets Ending	<u><u>\$ (169,665)</u></u>

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

ADAMS COUNTY
Statement of Cash Flows - Proprietary Fund
Self-funded Health Insurance Internal Service Fund
For the Year Ended September 30, 2007

Exhibit 7

Governmental
Activities
Internal
Service
Fund

Cash Flows From Operating Activities	
Receipts for premiums	\$ 1,587,389
Payments for claims	(1,249,502)
Payments for insurance premiums	(347,161)
Net Cash Provided by Operating Activities	(9,274)
Cash Flows From Investing Activities:	
Collection of advances from other funds	9,164
Net Cash Used by Investing Activities	9,164
Net decrease in cash and cash equivalents	(110)
Cash and Cash Equivalents at Beginning of Year	27,831
Cash and Cash Equivalents at End of Year	\$ 27,721
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (65,177)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in other receivables	(3,575)
Increase in claims and judgments liability	59,478
Total Adjustments	55,903
Net Cash Provided by Operating Activities	\$ (9,274)

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

ADAMS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2007

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 283,460
Due from other funds	<u>424,304</u>
Total Assets	<u>\$ 707,764</u>
LIABILITIES	
Due to other funds	\$ 119,000
Held in custody for others	<u>588,764</u>
Total Liabilities	<u>\$ 707,764</u>

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

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Adams 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 Adams 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.

- Adams County Port Commission
- Natchez Regional Medical Center
- Adams County Airport Commission
- Natchez Adams County Development Authority

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

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

B. Blended Component Unit.

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

Adams County Public Improvement Corporation was incorporated as a nonprofit under Section 31-8-3, Miss. Code Ann. (1972) that allows counties to enter into lease agreements with any corporation. The Corporation's three-member board of directors is appointed by the Board of Supervisors. The Corporation produces a financial benefit through its ability to finance the construction of capital facilities for the primary government and imposes a financial burden on the primary government by obligating funds to repay the debt pursuant to a lease agreement.

C. 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.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

C. Basis of Presentation - 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. Internal service fund balances have been eliminated against the expenses and program revenue. 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. 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.

D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Fund and Fiduciary Funds (excluding agency 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 revenue is 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. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty 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.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

D. Measurement Focus and Basis of Accounting – Continued

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.

Port and Harbor Fund – Accounts for monies loaned to the Adams County Port Commission, a component unit.

Countywide road maintenance fund – Accounts for monies from specific revenue sources that are restricted for road maintenance.

Countywide bridge maintenance fund – Accounts for monies from specific revenue sources that are restricted to bridge and culvert maintenance.

Debt service fund - Accounts for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for road projects.

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 TYPES

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The county's internal service fund reports on self-insurance programs for employee medical benefits.

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.

E. 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 2005 by the Government Finance Officers Association.

F. Deposits and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

F. Deposits and Investments - Continued

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.

G. Receivables.

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

H. 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.

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

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

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 and estimated useful lives.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

I. Capital Assets – Continued

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	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 and estimated useful life will correspond with the amounts for the asset classification, as listed above.

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 governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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, constructions or improvements of those assets.

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

K. Equity Classifications - Continued

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.

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. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Fund Reclassification.

Effective October 1, 2006, the Countywide Bridge Maintenance (Bridge) Fund's beginning fund balance of \$806,897 was reclassified from other governmental funds to a beginning balance in the Bridge Fund and the MRC New Warehouse (New Warehouse) Fund's beginning balance of \$326,306 was reclassified to a beginning balance in the other governmental funds because the Bridge fund became a major fund and the New Warehouse fund ceased to be a major fund.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$3,666,087, and the bank balance was \$5,000,100. The collateral for public entities' deposits in financial

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(3) Deposits - Continued

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.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Nonmajor Governmental Funds	\$ 53,930
Port and Harbor Fund	General Fund	2,596
Countywide Road Maintenance Fund	General Fund	451,141
Countywide Road Maintenance Fund	Debt Service Fund	35,000
Countywide Road Maintenance Fund	Nonmajor Governmental Funds	12,041
Countywide Bridge Maintenance Fund	General Fund	1,201,129
Countywide Bridge Maintenance Fund	Nonmajor Governmental Funds	68,262
Debt Service Fund	General Fund	21,736
Nonmajor Governmental Funds	General Fund	217,491
Nonmajor Governmental Funds	Countywide Bridge Maintenance Fund	10
Nonmajor Governmental Funds	Nonmajor Governmental Funds	38,000
Agency Funds	General Fund	305,304
Agency Funds	Agency Funds	119,000
Total		<u>\$ 2,525,640</u>

The purpose of the due from/due to other fund balances was to provide funds for operating purposes

All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Debt Service Fund	\$ 28,735
Countywide Bridge Maintenance Fund	Countywide Road Maintenance Fund	8,520
Total		<u>\$ 37,255</u>

The purpose of the advances from/advances to balances was to provide funds for operating purposes.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(4) Interfund Transactions and Balances - Continued

C. Transfers In/Out

Transfer In	Transfer Out	Amount
Nonmajor Governmental Funds	General Fund	\$ 255,699
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>77,553</u>
Total		<u>\$ 333,252</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007 consisted of the following:

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 167,407
State and local gaming revenues	47,560
State and local for housing inmates	40,657
Oil severance	33,220
Families First Resource Center grant	26,719
Additional privilege tax	26,120
Roads grants	18,137
Emergency Management funds	15,027
Adolescent Offenders Program Grant	13,823
Homeland Security reimbursement	7,721
Other	<u>61,483</u>
Total	<u>\$ 457,874</u>

(6) Loans Receivable

Loans receivable balances at September 30, 2007, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Adams County Port Commission	11/1/1997	5.20%	11/17	\$ 2,975,000
Mississippi River Corporation CDBG loan	6/1/1992	6.25%	1/13	<u>282,027</u>
Total				<u>\$ 3,257,027</u>

The \$2,975,000 balance owed to the County by the Adams County Port Commission is the result of an original \$3,000,000 loan agreement between the County and the Mississippi Development Bank (MDA). The proceeds of the MDA loan agreement were loaned to the Port Commission with payment to be made from revenues of the Port Commission, provided funds were available. Due to a shortage of funds at the Port Commission, the County made

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(6) Loans Receivable – Continued

principal and interest payments totaling \$759,429 before this debt was advance refunded in September, 2003 with the proceeds of this special obligation refunding bonds – Series 2003 (See Note 11). Interest has not been accrued on this loan receivable since inception.

(7) Other Receivables

The following is a summary of other receivables balances at September 30, 2007:

Description	Amount
Industrial prospect	\$ 175,048
Utilities	31,816
Other	36,992
Total	<u>\$ 243,856</u>

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2007:

Classes of Property	Amount
Buildings	<u>\$ 1,452,527</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2007, are as follows:

Year Ended September 30	Principal	Interest	Total
2008	\$ 77,878	\$ 9,389	\$ 87,267
2009	80,849	6,418	87,267
2010	83,934	3,333	87,267
2011	39,232	2,663	41,895
2012	-	-	-
Total	<u>\$ 281,893</u>	<u>\$ 21,803</u>	<u>\$ 303,696</u>

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(8) Capital Leases – Continued

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2007:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Buildings	\$ 1,767,004
Mobile equipment	1,422,760
Other furniture and equipment	<u>1,196,692</u>
Total	4,386,456
Less Accumulated Depreciation	<u>(1,217,718)</u>
Leased Property Under Capital Leases	<u>\$ 3,168,738</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 739,247	\$ 120,375
2009	672,887	88,714
2010	631,062	58,440
2011	314,329	29,522
2012	328,681	15,170
2013	<u>36,553</u>	<u>996</u>
Total	<u>\$ 2,722,759</u>	<u>\$ 313,217</u>

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(9) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007

Governmental activities:

	Balance October 1, 2006	Additions	Deletions	Adjustments	Balance September 30, 2007
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,210,825	\$ -	\$ 58,681	\$ -	\$ 2,152,144
Construction in progress	1,486,756	280,594	-	(344,895)	1,422,455
Option on property		300,000			300,000
Total non-depreciable capital assets	3,697,581	580,594	58,681	(344,895)	3,874,599
<u>Depreciable capital assets:</u>					
Infrastructure	70,320,935	13,816	-	344,895	70,679,646
Buildings	9,249,143	-	-	-	9,249,143
Improvements other than buildings	-	-	-	-	-
Mobile equipment	3,889,633	780,361	1,028,639	-	3,641,355
Furniture and equipment	1,197,585	73,479	60,779	-	1,210,285
Leased property under capital leases	3,928,814	1,242,564	784,922	-	4,386,456
Total depreciable capital assets	88,586,110	2,110,220	1,874,340	344,895	89,166,885
<u>Less accumulated depreciation for:</u>					
Infrastructure	48,333,884	109,398	-	-	48,443,282
Buildings	3,378,388	157,819	-	-	3,536,207
Mobile equipment	3,171,876	193,587	858,351	-	2,507,112
Furniture and equipment	838,704	120,395	54,701	-	904,398
Leased property under Capital leases	1,220,580	411,012	413,874	-	1,217,718
Total accumulated depreciation	56,943,432	992,211	1,326,926	-	56,608,717
Total depreciable capital assets, net	31,642,678	1,118,009	547,414	344,895	32,558,168
Governmental activities capital assets, net	\$ 35,340,259	\$ 1,698,603	\$ 606,095	\$ -	\$ 36,432,767

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(9) Capital Assets - Continued

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General government	\$ 181,206
Public safety	400,377
Public works	<u>410,628</u>
Total governmental activities depreciation expense	<u>\$ 992,211</u>

Commitments with respect to unfinished capital projects as September 30, 2007 consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Excepted Date of Completion</u>
Magco, Inc. - Cannonsburg-Tate Road Bridge	\$ 49,985	10/1/2008
Joe McGee Construction Co., Inc.-Lewis Road	<u>1,549,755</u>	11/1/2008
Total commitments with respect to unfinished capital projects	<u>\$ 1,599,740</u>	

All funds that are committed to the unfinished projects are held by the State Aid Division of the Department of Transportation.

(10) 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 \$1,000,000 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, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in May 1995 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including Adams County, pays the premium on a single coverage policy for its respective employees. Employees desiring

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(10) Claims and Judgments - Continued

additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$45,000, and the aggregate coverage begins when the aggregate claims submitted exceed \$59,600. The Coinsurer is not liable for claims in excess of \$1,000,000 per participant.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2007, the amount of these liabilities was \$200,961. An analysis of claims activities is presented below:

	2006	2007
Unpaid Claims, Beginning of Fiscal Year	\$ 198,655	\$ 141,483
Plus: Current Year Claims and Changes in Estimates	1,237,158	1,308,979
Less: Claims Payments	<u>(1,294,330)</u>	<u>(1,249,501)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 141,483</u>	<u>\$ 200,961</u>

(11) Long-term Debt.

Debt outstanding as of September 30, 2007, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Debt refunding bonds - Series 2002	\$ 2,500,000	3.00/4.40%	08/12
Taxable urban renewal bonds - Series 2002	<u>525,000</u>	6.51%	04/12
Total general obligation bonds	<u>\$ 3,025,000</u>		
B. Limited Obligation Bonds:			
Special obligation refunding bonds - Series 2003	<u>\$ 7,515,000</u>	2.60 - 5.00%	07/24

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(11) Long-term Debt – Continued

C. Capital Leases:

Energy efficient equipment	\$ 364,006	5.10%	07/10
Energy efficient equipment	369,144	4.85%	08/12
Computer equipment	13,451	4.05%	02/08
E-911 equipment	275,000	4.15%	11/09
Road equipment	33,917	2.94%	09/08
Sheriff vehicles	25,126	3.00%	10/07
Road equipment	22,788	3.59%	06/08
Sheriff vehicles	136,469	3.69%	11/08
E-911 tower	98,356	4.69%	12/12
Computer equipment	343,080	4.05%	12/12
Sheriff vehicles	133,029	4.29%	3/10
Voting machines	46,758	4.29%	3/10
Shelving units	129,635	4.23%	7/10
Road equipment	<u>732,000</u>	4.31%	8/12
Total capital leases	<u><u>\$ 2,722,759</u></u>		

D. Other Loans:

CDBG loan	\$ 282,026	6.25%	01/13
CAP loan	285,819	3.75%	04/11
Adams County Port revolving loan	168,239	3.00%	03/09
Capital expenditure loan 2003	116,000	2.60%	08/08
Market Street building renovation	184,453	1.25%	12/12
Lewis Drive capital expenditure loan 2004	126,443	3.63%	09/09
Taxable refunding notes, Series 2005	750,000	6.00%	09/10
Negotiable note, Series 2005	308,593	3.00%	03/10
Industrial Property acquisition - Venco	39,690	3.00%	01/25
Revenue shortfall loan 2006	<u>603,404</u>	4.02%	10/10
Total other loans	<u><u>\$ 2,864,667</u></u>		

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

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 550,000	\$ 139,761	\$ 465,000	\$ 342,225	\$ 964,262	\$ 122,214
2009	575,000	115,502	480,000	328,740	840,363	79,227
2010	605,000	89,399	495,000	312,180	630,841	44,779
2011	630,000	61,313	515,000	293,618	290,435	14,723
2012	665,000	31,792	540,000	273,275	91,434	3,819
2013-2017	-	-	3,130,000	958,000	47,332	558
2018 - 2022	-	-	1,585,000	240,000	-	-
2023 - 2027	-	-	305,000	23,000	-	-
	<u><u>\$ 3,025,000</u></u>	<u><u>\$ 437,767</u></u>	<u><u>\$ 7,515,000</u></u>	<u><u>\$ 2,771,038</u></u>	<u><u>\$ 2,864,667</u></u>	<u><u>\$ 265,320</u></u>

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(11) Long-term Debt – Continued

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, 2007, the amount of outstanding debt was equal to 5.90% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2007, \$7,975,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Balance Sept. 30, 2007	Amount due within one year
Bonds and notes payable:					
General obligation bonds	\$ 3,555,000		\$ 530,000	\$ 3,025,000	\$ 550,000
Limited obligation bonds	7,960,000	-	445,000	7,515,000	465,000
Capital leases	2,101,943	1,427,246	806,430	2,722,759	739,247
Other loans	3,755,114	-	890,447	2,864,667	964,262
	<u>17,372,057</u>	<u>1,427,246</u>	<u>2,671,877</u>	<u>16,127,426</u>	<u>2,718,509</u>
Less deferred amount on refundings	(503,456)	-	(60,274)	(443,182)	-
Total bonds and notes payable	<u>16,868,601</u>	<u>1,427,246</u>	<u>2,611,603</u>	<u>15,684,244</u>	<u>2,718,509</u>
Compensated absences	293,832	-	10,014	283,818	283,818
Claims and judgements	141,483	59,478	-	200,961	200,961
Total	<u>#####</u>	<u>\$ 1,486,724</u>	<u>\$ 2,621,617</u>	<u>#####</u>	<u>\$ 3,203,288</u>

(12) Deficits Fund Balance of Individual Funds.

The following funds had deficit fund balances at September 30, 2007:

Fund	Deficit Amount
General fund	\$1,825,312
Special Revenue Funds:	
Airport	\$ 20,643
Adams County Drug Court	\$ 16,653
NAC Comm & Dev Authority	\$ 14,868

The following fund had a deficit retained earnings balance at September 30, 2007:

Fund	Deficit Amount
Internal Service Fund:	
Self-funded health insurance	\$ 169,665

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(13) 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.

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Natchez Regional Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2007, is \$17,325,483.

Airport Revenue Note Contingencies - The county issued revenue notes to provide funds for constructing and improving capital facilities of the Adams County Airport (the Airport). The revenue notes are reported as a liability of the airport because such debt is payable primarily from the Airport's operations. However, the county remains contingently liable for the retirement of these notes because its state sales tax allocation and homestead exemption reimbursement is secondarily pledged in case of default by the airport. The principal amount of airport revenue notes outstanding at September 30, 2007, is \$44,109.

(14) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2007
Industrial revenue bonds	\$ 7,700,000

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Adams County Board of Supervisors appoints five of the 27 members of the college board of trustees. The county appropriated \$793,322 for maintenance and support of the college in fiscal year 2007.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Adams County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$51,207 for the support of the district in fiscal year 2007.

ADAMS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(15) Jointly Governed Organizations - Continued

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Adams County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$77,143 for its support in fiscal year 2007.

Southwest Mississippi Development Corporation operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The member counties provide only modest financial support for the entity.

(16) Defined Benefit Pension Plan.

Plan Description. Adams 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 11.30% 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, 2007, 2006 and 2005 were \$634,238, \$584,748 and \$509,596, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

In May, 2008, the County closed on the purchase of various properties from an industrial resident for a total price of \$6,750,000. Simultaneously with the aforementioned purchase, the County closed on the sale of certain of those properties for a price of \$9,500,000.

ADAMS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Adams County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 7,639,183	\$ 7,759,478	\$ 7,759,478	\$ -
Road and bridge privilege taxes	-	-	-	-
Licenses, commissions and other revenue	344,400	479,056	479,056	-
Fines and forfeitures	240,000	238,592	238,592	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	2,090,992	1,833,907	1,833,907	-
Charges for services	62,000	237,702	237,702	-
Interest income	55,589	78,921	78,921	-
Miscellaneous revenues	56,425	158,261	158,261	-
Total Revenues	<u>10,488,589</u>	<u>10,785,917</u>	<u>10,785,917</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	4,927,025	4,867,971	4,867,971	-
Public safety	3,963,791	3,878,148	3,878,148	-
Public works	-	-	-	-
Health and welfare	383,307	372,408	372,408	-
Culture and recreation	64,250	63,832	63,832	-
Education	435,482	429,776	429,776	-
Conservation of natural resources	229,575	178,010	178,010	-
Economic development and assistance	33,158	33,158	33,158	-
Debt service:	1,211,489	1,264,638	1,264,638	-
Total Expenditures	<u>11,248,077</u>	<u>11,087,941</u>	<u>11,087,941</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(759,488)</u>	<u>(302,024)</u>	<u>(302,024)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	1,017,363	1,136,753	1,136,753	-
Other financing uses	<u>(324,352)</u>	<u>(1,141,404)</u>	<u>(1,141,404)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>693,011</u>	<u>(4,651)</u>	<u>(4,651)</u>	<u>-</u>
Net Change in Fund Balance	(66,477)	(306,675)	(306,675)	-
Fund Balances - Beginning	594,000	624,364	624,364	-
Fund Balances - Ending	<u>\$ 527,523</u>	<u>\$ 317,689</u>	<u>\$ 317,689</u>	<u>\$ -</u>

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

Adams County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Port and Harbor Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 145,763	\$ 139,777	\$ 139,777	\$ -
Road and bridge privilege taxes	-	-	-	-
Licenses, commissions and other revenue	-	54	54	-
Fines and forfeitures	-	-	-	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	-	25,000	25,000	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Miscellaneous revenues	-	-	-	-
Total Revenues	<u>145,763</u>	<u>164,831</u>	<u>164,831</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	235,763	3,496	3,496	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Debt service:	-	233,141	233,141	-
Total Expenditures	<u>235,763</u>	<u>236,637</u>	<u>236,637</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(90,000)</u>	<u>(71,806)</u>	<u>(71,806)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Other financing uses	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(90,000)	(71,806)	(71,806)	-
Fund Balances - Beginning	90,000	91,225	91,225	-
Fund Balances - Ending	<u>\$ -</u>	<u>\$ 19,419</u>	<u>\$ 19,419</u>	<u>\$ -</u>

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

Adams County
 Budgetary Comparison Schedule -
 Wide Road Maintenance Fund
 County-Wide Road Maintenance Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 221,513	130,570	130,570	-
Road and bridge privilege taxes	599,299	645,695	645,695	-
Licenses, commissions and other revenue	-	-	-	-
Fines and forfeitures	27,000	20,341	20,341	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	1,131,590	1,064,827	1,064,827	-
Charges for services	-	-	-	-
Interest income	9,368	19,422	19,422	-
Miscellaneous revenues	-	38	38	-
Total Revenues	<u>1,988,770</u>	<u>1,880,893</u>	<u>1,880,893</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	1,570,427	3,030,896	3,030,896	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	237,004	218,786	218,786	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Debt service	224,339	297,935	297,935	-
Total Expenditures	<u>2,031,770</u>	<u>3,547,617</u>	<u>3,547,617</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(43,000)</u>	<u>(1,666,724)</u>	<u>(1,666,724)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	93,000	1,345,579	1,345,579	-
Other financing uses	-	-	-	-
Total Other Financing Sources and Uses	<u>93,000</u>	<u>1,345,579</u>	<u>1,345,579</u>	<u>-</u>
Net Change in Fund Balance	50,000	(321,145)	(321,145)	-
Fund Balances - Beginning	250,000	269,946	269,946	-
Fund Balances - Ending	<u>\$ 300,000</u>	<u>(51,199)</u>	<u>(51,199)</u>	<u>-</u>

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

Adams County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 County-Wide Bridges & Culverts Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 774,977	\$ 769,579	\$ 769,579	\$ -
Road and bridge privilege taxes	-	-	-	-
Licenses, commissions and other revenue	-	-	-	-
Fines and forfeitures	-	-	-	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest income	7,531	15,535	15,535	-
Miscellaneous revenues	-	-	-	-
Total Revenues	<u>782,508</u>	<u>785,114</u>	<u>785,114</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	851,940	446,229	446,229	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Debt service	67,568	154,170	154,170	-
Total Expenditures	<u>919,508</u>	<u>600,399</u>	<u>600,399</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(137,000)</u>	<u>184,715</u>	<u>184,715</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	62,000	415,731	415,731	-
Other financing uses	-	-	-	-
Total Other Financing Sources and Uses	<u>62,000</u>	<u>415,731</u>	<u>415,731</u>	<u>-</u>
Net Change in Fund Balance	(75,000)	600,446	600,446	-
Fund Balances - Beginning	275,000	211,717	211,717	-
Fund Balances - Ending	<u>\$ 200,000</u>	<u>\$ 812,163</u>	<u>\$ 812,163</u>	<u>\$ -</u>

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

Adams County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Debt Service Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,186,726	1,176,290	1,176,290	-
Road and bridge privilege taxes	-	-	-	-
Licenses, commissions and other revenue	-	-	-	-
Fines and forfeitures	-	-	-	-
Special assessments	-	-	-	-
Contributions to permanent funds	-	-	-	-
Intergovernmental revenues	-	-	-	-
Charges for services	-	-	-	-
Interest income	5,091	7,985	7,985	-
Miscellaneous revenues	-	-	-	-
Total Revenues	<u>1,191,817</u>	<u>1,184,275</u>	<u>1,184,275</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Education	-	-	-	-
Conservation of natural resources	-	-	-	-
Economic development and assistance	-	-	-	-
Debt service	1,141,817	1,141,565	1,141,565	-
Total Expenditures	<u>1,141,817</u>	<u>1,141,565</u>	<u>1,141,565</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>50,000</u>	<u>42,710</u>	<u>42,710</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	-	-
Other financing uses	-	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	50,000	42,710	42,710	-
Fund Balances - Beginning	-	5,844	5,844	-
Fund Balances - Ending	<u>\$ 50,000</u>	<u>48,554</u>	<u>48,554</u>	<u>-</u>

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

ADAMS COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2007

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).

The following schedule reconciles the net change in cash balances on 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	Port and Harbor Fund	Countywide Road Maintenance Fund	Countywide Bridge Maintenance Fund	Debt Service Fund
Budget (Cash Basis)	\$ (306,675)	\$ (71,806)	\$ (321,145)	\$ 600,446	\$ 42,710
Increase (Decrease)					
Net adjustments for revenue accruals	152,180	(22,971)	(136,063)	150,494	29,555
Net adjustments for expenditure accruals	(423,819)	3,496	72,751	(144,454)	2,090
GAAP Basis	<u>\$ (578,314)</u>	<u>\$ (91,281)</u>	<u>\$ (384,457)</u>	<u>\$ 606,486</u>	<u>\$ 74,355</u>

ADAMS COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2007

D. Excess of Actual Expenditures Over Budget in Individual Funds.

All funds with an excess of expenditures over budget are not in violation of state law since the excesses resulted from auditor adjustments.

ADAMS COUNTY

SUPPLEMENTAL INFORMATION

ADAMS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2007

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	Agency or Pass-through <u>Number</u>	Federal <u>Expenditures</u>
MAJOR FEDERAL AWARDS			
U. S. Department of Agriculture - Forest Service/Passed-through the Mississippi State Treasurer's Office			
National Forest Funds	10.665	N/A	\$ 193,169
Direct Federal Award from U. S. Department of Justice - Office of Justice Programs			
Adult Drug Court Grant	16.585		<u>254,745</u>
U. S. Department of Health and Human Services/Passed-through the Mississippi Department of Human Services			
Promoting Safe and Stable Families	93.558	313D362	<u>171,341</u>
Total expenditures of Major Federal Programs			<u>619,255</u>
OTHER FEDERAL AWARDS			
U. S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety:			
Juvenile accountability incentive block grant	16.523	10703JB101	5,119
CASA - Victims of child abuse	16.547	10705NM101	12,483
Crime Assistance Program - D. A. Victims of Crime	16.575	10704VA11	40,203
Edward Byrne Memorial State and Local Law Enforcement assistance discretionary grants programs - metro narcotics	16.579	10704NM101	<u>63,537</u>
Total U. S. Department of Justice Passed-through the Mississippi Department of Public Safety			<u>121,342</u>
U. S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	<u>3,380</u>
U. S. Department of Health and Human Services/Passed-through the Mississippi Department of Human Services			
Temporary Assistance for Need Families (AOP)	93.558	111W171	166,682
State Court Improvement Program	93.586		<u>21,838</u>
Total U. S. Department of Health and Human Services/ Passed-through the Mississippi Department of Human Services			<u>188,520</u>
Department of Homeland Security (FEMA) Passed through MEMA			
Homeland Security - State Domestic Preparedness - Equipment	97.007	04SH001	41,368
Disaster Grant - Public Assistance	97.036		<u>7,630</u>
Total Department of Homeland Security			<u>48,998</u>
Total Expenditures of Other Federal Awards			<u>362,240</u>
Total expenditures of Federal Awards			<u>\$ 981,495</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - Loan Guarantee

The balance outstanding at September 30, 2007 of a federal award received in a previous year under CFDA #14.228 and expended in the form of a loan made to Mississippi River Corporation is \$282,027.

ADAMS COUNTY

SPECIAL REPORTS

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

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

Members of the Board of Supervisors
Adams County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Adams County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements, and have issued our report thereon dated August 5, 2008. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its 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 Adams County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07-1, 07-5 and 07-6.

We also noted an immaterial instance of noncompliance that we have reported to the management of Adams County, Mississippi, in our Limited Internal Control and Compliance Review Management Report dated August 5, 2008, included within this document.

Adams County's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Adams County's response and, accordingly, we express no opinion on it.

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.

Natchez, Mississippi
August 5, 2008

Surtzger Hopkins & Morgan

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
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JOHN M. JONES, CPA 1921 - 1983

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

Members of the Board of Supervisors
Adams County, Mississippi

Compliance

We have audited the compliance of Adams County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Adams County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Adams County, Mississippi's management. Our responsibility is to express an opinion on Adams 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 Adams 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 Adams County, Mississippi's compliance with those requirements.

In our opinion, Adams County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of Adams 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 Adams County, Mississippi's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in an county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

Natchez, Mississippi
August 5, 2008

Surtze Hopkin & Merga

SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
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INDEPENDENT AUDITORS' 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
Adams County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Adams County, Mississippi, as of and for the year ended September 30, 2007. 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 Adams 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 Adams 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, Adams 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 Adams 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.

Natchez, Mississippi
August 5, 2008



ADAMS COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2007

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other Than the Lowest Bid
5/7/2007	Excavators	\$139,985	Puckett Machinery	\$133,881	Lower buyback in 4 years, lower travel mileage, lower labor rate, and downtime saved because of travel.
5/7/2007	Motor Graders	\$186,577	Puckette Machinery	\$171,745	Lower buyback in 4 years, lower travel mileage, lower labor rate, and downtime saved because of travel.
6/27/2007	Tractor	\$33,918	Ferriday Farm Equipment	\$29,950	Lower bid did not meet specifications and travel time for repairs and parts

ADAMS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2007

Schedule 2

Our test results did not identify any emergency purchases.

ADAMS COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

Date	Item Purchased	Amount Paid	Vendor
2/5/2007	DREA Maps Software and installation	\$ 25,230.00	Smart Data Strategies
2/5/2007	ArcEditor Single Use Unkeyed License Software	\$5,614.22	ESRI, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section 1: Summary of Auditors' Results

Financial Statements:

1. Type of auditors' report issued on the primary government financial statements:

Governmental activities	Unqualified
General Fund	Unqualified
Port and Harbor Fund	Unqualified
Countywide Road Maintenance Fund	Unqualified
Countywide Bridge Maintenance Fund	Unqualified
Debt Service Fund	Unqualified
Aggregate Remaining Fund Information	Unqualified
Aggregate Discretely Presented Component Units	Adverse
2. Internal control over financial reporting:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes
3. Noncompliance material to the primary government financial statements? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified that are not considered to be material weaknesses? No
5. Type of auditors' report issued on compliance for major federal program: Unqualified
6. Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? No
7. Federal programs identified as major programs.
 - a. National Forest Funds, CFDA No. 10.665
 - b. Adult Drug Court grant, CFDA No. 16.585
 - c. Promoting Safe and Stable Families, CFDA No. 93.558
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No
10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315 (b) of OMB Circular A-133? No

Section 2: Financial Statement Findings

Chancery Clerk.

07-1. Finding

As reported in the prior year audit, the county has interfund loans outstanding that are over one year old. These loans were made when the county experienced negative cash flows in various funds. However, the loans were not repaid. The Mississippi Code is silent regarding the authority of the county to make these loans.

Recommendation

Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally restricted funds. As mentioned in the prior year audit, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of the funds for repayment. The Board of Supervisors should ensure these old loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

Chancery Clerk's Response

All interfund loans will be repaid in a timely fashion.

07-2. Finding

The County does not keep a central activity log for Federal Programs/Awards showing details of the Grant, including CFDA number, program name, the original amount of the Grant, amounts received and amounts expended. We found a State grant coded to Federal grants and a Federal grant coded to gifts/donations in the general ledger. The lack of a comprehensive log of Federal programs/awards and the miscoding of grant revenues increases the risk that errors will be made in the preparation of the Schedule of Expenditures of Federal Awards.

Recommendation

We recommend that the County maintain a central activity log for Federal Programs and Awards under the responsibility of one individual.

Chancery Clerk's Response

The County will maintain a central activity log for Federal Programs and Awards with one member of the accounting department being responsible.

07-3. Finding

The Chancery Clerk was overpaid by \$500 due to a clerical error in one of his monthly claim forms, resulting in an improper expenditure of resources and an unnecessary reduction in the County's cash flow.

Recommendation

We recommend that accounting department personnel who review claim forms and process them for payment verify all mathematical calculations.

Chancery Clerk's Response

The accounting department will verify mathematical calculations in the future. The reimbursement to the County shall be made in the August 2008 payroll.

Chancery Clerk - Continued

Auditors' Note

The County was reimbursed for this overpayment in August 2008.

07-4. Finding

The Circuit Clerk was overpaid by \$842 one month when the accounting Clerk paid him for the same claim through both the payroll system and the accounts payable system.

Recommendation

We recommend that accounting department personnel who review claim forms and process them for payment verify all mathematical calculations.

Chancery Clerk's Response

The accounting department shall review all claim forms and make no duplicate payments.

Auditors' Note

The County was reimbursed for this overpayment in September 2008.

Circuit Clerk.

07-5. Finding

Payments to the County in January 2008 to reimburse for December 2007 payroll were deducted on the Circuit Clerk's calendar year 2007 annual report. The annual report has historically been considered to be a cash basis report which reflects revenues and expenses when collected and expended, respectively.

Recommendation

We recommend the preparation of the Circuit Clerk's annual report on the cash basis of accounting.

Circuit Clerk's Response

The preparation of the Circuit Clerk's annual report will be done on the cash basis of accounting.

Inventory Control Clerk/Road Department.

07-6. Finding

A John Deere Loader which had been sold at auction in 1999 was still included on the County's subsidiary records as late as September 30, 2006. Section 31-7-107, Mississippi Code of 1972, as amended, requires a physical inventory of County assets on or before October 1 of each year. The County Accounting Manual, as issued by the Mississippi State Auditor, sets forth the procedures for reconciling each physical inventory to the subsidiary records.

Recommendation

Inventory Control and the Road Department should coordinate their procedures to comply with Section 31-7-107, Mississippi Code of 1972, as amended, and the County Accounting Manual as they relate to physical inventories of County assets.

Inventory Control Clerk/Road Department - Continued

Inventory Control Clerk's Response

I will follow the procedures in the County Accounting Manual, as prescribed by the Mississippi State Auditor, and follow-up with each department to make sure a physical inventory has been taken.

Section 3: Federal Award Findings and Questioned Costs

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

ADAMS COUNTY, MISSISSIPPI
Limited Internal Control and Compliance Review
Management Report
For the Year Ended September 30, 2007

Switzer, Hopkins & Mange
P O Box 1305
Natchez MS 39121

ADAMS COUNTY, MISSISSIPPI

TABLE OF CONTENTS

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT	1
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SWITZER, HOPKINS & MANGE

Certified Public Accountants

DENNIS R. SWITZER, CPA
H. MYLES HOPKINS, CPA
SUSAN L. MANGE, CPA

JOHN M. JONES, CPA 1921 - 1983

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Adams County, Mississippi

In planning and performing our audit of the financial statements of Adams County, Mississippi for the year ended September 30, 2007, we considered Adams County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Adams 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 5, 2008 on the financial statements of Adams County, Mississippi.

Due to the reduced scope, 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 finding and recommendation and your response is disclosed below:

Prior Circuit Clerk.

I. Finding

As reported in the prior year, Section 9-1-45, Mississippi Code Annotated (1972), requires the Circuit Clerk to file by April 15 of each year an Annual Report of revenues and expenses of his office for the preceding calendar year.

The Circuit Clerk did not provide the auditor a copy of the calendar year 2007 Annual Report. We have no record that the annual report required by Section 9-1-45 was filed with the State Auditor by the April 15, 2008 due date or by the date of this report.

Recommendation

We reiterate our prior year recommendation that the Circuit Clerk comply with the law relating to the filing of Annual Reports (Section 9-1-45).

Circuit Clerk's Response

The prior Circuit Clerk alleges that the Annual Reports was filed with the Office of the State Auditor.

Members of the Board of Supervisors
Page 2

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.

Surtzer Hopkins & Morgan

Natchez, Mississippi
August 5, 2008