



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

PHIL BRYANT
State Auditor

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section

CALHOUN COUNTY, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2004**

CALHOUN COUNTY

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CALHOUN COUNTY

FINANCIAL SECTION

CALHOUN COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Calhoun County, Mississippi

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2006, on our consideration of Calhoun 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.

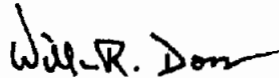
Calhoun County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County, Mississippi's 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 5, 2006

CALHOUN COUNTY

FINANCIAL STATEMENTS

CALHOUN COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 3,981,023	306,156	4,287,179
Property tax receivable	2,303,097		2,303,097
Accounts receivable (net of allowance for uncollectibles of \$109,119)		41,176	41,176
Fines receivable (net of allowance for uncollectibles of \$787,302)	269,109		269,109
Intergovernmental receivables	115,292	43,336	158,628
Other receivables	32,249		32,249
Internal balances	43,337	(43,337)	
Prepaid item	36,857		36,857
Capital assets, net	4,889,670	182,271	5,071,941
Total Assets	11,670,634	529,602	12,200,236
LIABILITIES			
Claims payable	326,195	30,927	357,122
Claims and judgements payable	72,894		72,894
Intergovernmental payables	91,092		91,092
Accrued interest payable	9,334	217	9,551
Unearned revenue	2,303,097	37,937	2,341,034
Other payables	751		751
Long-term liabilities			
Due within one year:			
Capital debt	300,396	38,916	339,312
Non-capital debt	55,000		55,000
Due in more than one year:			
Capital debt	738,825	128,275	867,100
Non-capital debt	247,336	8,119	255,455
Total Liabilities	4,144,920	244,391	4,389,311
NET ASSETS			
Invested in capital assets, net of related debt	3,850,449	15,080	3,865,529
Restricted:			
Expendable:			
General government	41,044		41,044
Debt service	327,623		327,623
Public safety	104,605		104,605
Public works	638,139	270,131	908,270
Conservation of natural resources	9,875		9,875
Capital projects	9,362		9,362
Other purposes	33,228		33,228
Unrestricted	2,511,389		2,511,389
Total Net Assets	\$ 7,525,714	285,211	7,810,925

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,900,048	512,543			(1,387,505)		(1,387,505)
Public safety	995,115	292,806	96,422	4,358	(601,529)		(601,529)
Public works	2,067,737		560,237	1,023,827	(483,673)		(483,673)
Health and welfare	131,838		32,890		(98,948)		(98,948)
Culture and recreation	16,203				(16,203)		(16,203)
Conservation of natural resources	58,624				(58,624)		(58,624)
Economic development and assistance	20,258				(20,258)		(20,258)
Interest on long-term debt	39,566				(39,566)		(39,566)
Total Governmental Activities	<u>5,229,389</u>	<u>805,349</u>	<u>689,549</u>	<u>1,028,185</u>	<u>(2,706,306)</u>	<u>0</u>	<u>(2,706,306)</u>
Business-type activities:							
Garbage and Solid waste	558,484	500,360	9,600			(48,524)	(48,524)
Total Business-type Activities	<u>558,484</u>	<u>500,360</u>	<u>9,600</u>	<u>0</u>	<u>0</u>	<u>(48,524)</u>	<u>(48,524)</u>
Total Primary Government	<u>\$ 5,787,873</u>	<u>1,305,709</u>	<u>699,149</u>	<u>1,028,185</u>	<u>(2,706,306)</u>	<u>(48,524)</u>	<u>(2,754,830)</u>
General revenues:							
Property taxes					\$ 3,189,452		3,189,452
Road & bridge privilege taxes					160,511		160,511
Grants and contributions not restricted to specific programs					305,998		305,998
Unrestricted interest income					66,087	4,458	70,545
Miscellaneous					57,254		57,254
Total General Revenues					<u>3,779,302</u>	<u>4,458</u>	<u>3,783,760</u>
Changes in Net Assets					<u>1,072,996</u>	<u>(44,066)</u>	<u>1,028,930</u>
Net Assets - Beginning					6,440,466	329,277	6,769,743
Prior period adjustment					12,252		12,252
Net Assets - Beginning, as restated					<u>6,452,718</u>	<u>329,277</u>	<u>6,781,995</u>
Net Assets - Ending					<u>\$ 7,525,714</u>	<u>285,211</u>	<u>7,810,925</u>

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

CALHOUN COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2004

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	District 3 Road Maintenance Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 2,634,601	323,531	1,022,891	3,981,023
Property tax receivable	1,562,815	100,923	639,359	2,303,097
Fines receivable (net of allowance for uncollectibles of \$787,302)	269,109			269,109
Intergovernmental receivables	87,035	262	27,995	115,292
Other receivables	21,546		10,703	32,249
Due from other funds	10,109	5,811	31,788	47,708
Advances to other funds	33,228			33,228
Total Assets	\$ 4,618,443	430,527	1,732,736	6,781,706
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 79,233	13,173	233,789	326,195
Claims and judgements payable	72,894			72,894
Intergovernmental payables	86,422			86,422
Due to other funds	42,269			42,269
Deferred revenue	269,109			269,109
Unearned revenue	1,562,815	100,923	639,359	2,303,097
Other payables	751			751
Total Liabilities	2,113,493	114,096	873,148	3,100,737
Fund balances:				
Reserved for:				
Debt service			336,957	336,957
Advances	33,228			33,228
Unreserved, reported in:				
General Fund	2,471,722			2,471,722
Special Revenue Funds		316,431	513,269	829,700
Capital Project Funds			9,362	9,362
Total Fund Balances	2,504,950	316,431	859,588	3,680,969
Total Liabilities and Fund Balances	\$ 4,618,443	430,527	1,732,736	6,781,706

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

CALHOUN COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,680,969
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,245,024.	4,889,670
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	269,109
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(1,341,557)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(9,334)
Some accrued receivables are not available to pay for current period expenditures and, therefore, are not reported in the funds:	
Prepaid insurance	<u>36,857</u>
Total Net Assets - Governmental Activities	<u>\$ 7,525,714</u>

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

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

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	District 3 Road Maintenance Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 2,136,871	126,761	925,820	3,189,452
Road and bridge privilege taxes		33,707	126,804	160,511
Licenses, commissions and other revenue	133,018			133,018
Fines and forfeitures	192,565		22,586	215,151
Intergovernmental revenues	381,499	545,813	1,142,455	2,069,767
Charges for services	132,132		125,703	257,835
Interest income	49,926	3,449	12,712	66,087
Miscellaneous revenues	18,084	33,751	5,419	57,254
Total Revenues	<u>3,044,095</u>	<u>743,481</u>	<u>2,361,499</u>	<u>6,149,075</u>
EXPENDITURES				
Current:				
General government	1,771,508		120,548	1,892,056
Public safety	655,217		342,357	997,574
Public works	1,195	525,769	1,667,612	2,194,576
Health and welfare	131,838			131,838
Culture and recreation	2,500		13,703	16,203
Conservation of natural resources	46,215		12,409	58,624
Economic development and assistance	20,258			20,258
Debt service:				
Principal			349,291	349,291
Interest			38,865	38,865
Total Expenditures	<u>2,628,731</u>	<u>525,769</u>	<u>2,544,785</u>	<u>5,699,285</u>
Excess of Revenues over (under) Expenditures	<u>415,364</u>	<u>217,712</u>	<u>(183,286)</u>	<u>449,790</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			121,940	121,940
Transfers in			150,000	150,000
Transfers out	(150,000)			(150,000)
Total Other Financing Sources and Uses	<u>(150,000)</u>	<u>0</u>	<u>271,940</u>	<u>121,940</u>
Net Changes in Fund Balances	265,364	217,712	88,654	571,730
Fund Balances - Beginning	<u>2,239,586</u>	<u>98,719</u>	<u>770,934</u>	<u>3,109,239</u>
Fund Balances - Ending	<u>\$ 2,504,950</u>	<u>316,431</u>	<u>859,588</u>	<u>3,680,969</u>

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

CALHOUN 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, 2004

Exhibit 4-1

	Amount
Net Changes in Fund Balances - Governmental Funds	\$ 571,730
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>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 \$355,613 exceeded depreciation of \$334,949 in the current period.</p>	20,664
<p>In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balance by the amount of the loss on disposal of assets in the current period.</p>	(7,699)
<p>Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.</p>	201,548
<p>Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$349,291 exceeded debt proceeds of \$121,940.</p>	227,351
<p>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:</p>	
Compensated absences	22,672
Prepaid insurance	36,857
Accrued interest payable	(701)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues.</p>	574
Change in Net Assets of Governmental Activities	\$ 1,072,996

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

CALHOUN COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2004

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u> Garbage and <u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 306,156
Accounts receivable (net of allowance for uncollectibles of \$109,119)	41,176
Intergovernmental receivables	43,336
Total Current Assets	<u>390,668</u>
Noncurrent assets:	
Capital assets, net	182,271
Total Noncurrent Assets	<u>182,271</u>
Total Assets	<u>572,939</u>
LIABILITIES	
Current liabilities:	
Claims payable	30,927
Due to other funds	10,109
Advances from other funds	33,228
Accrued interest payable	217
Unearned revenue	37,937
Capital debt:	
Capital leases payable	38,916
Total Current Liabilities	<u>151,334</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	128,275
Non-capital debt:	
Compensated absences payable	8,119
Total Noncurrent Liabilities	<u>136,394</u>
NET ASSETS	
Invested in capital assets, net of related debt	15,080
Restricted:	
Public works	270,131
Total Net Assets	<u>\$ 285,211</u>

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

CALHOUN COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Fund
For the Year Ended September 30, 2004

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u> Garbage and <u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 500,360
Miscellaneous	9,600
Total Operating Revenues	<u>509,960</u>
Operating Expenses	
Personal services	177,049
Contractual services	222,963
Materials and supplies	97,895
Depreciation expense	40,616
Indirect administrative cost	10,109
Total Operating Expenses	<u>548,632</u>
Operating Income (Loss)	<u>(38,672)</u>
Nonoperating Revenues (Expenses)	
Interest income	4,458
Gain (loss) on sale of capital assets	(4,960)
Interest expense	(4,892)
Net Nonoperating Revenue (Expenses)	<u>(5,394)</u>
Changes in Net Assets	(44,066)
Net Assets - Beginning	<u>329,277</u>
Net Assets - Ending	<u>\$ 285,211</u>

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

CALHOUN COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2004

Exhibit 7

	Business-type Activities - Enterprise Fund Garbage and Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 528,503
Payments to suppliers	(296,158)
Payments to employees	(175,084)
Other operating cash receipts	9,600
Net Cash Provided (Used) by Operating Activities	<u>66,861</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Repayment of interfund loan	9,135
Net Cash Provided (Used) by Noncapital Financing Activities	<u>9,135</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	2,520
Acquisition and construction of capital assets	(4,924)
Principal paid on long-term debt	(34,561)
Interest paid on debt	(4,675)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(41,640)</u>
Cash Flows From Investing Activities	
Interest on deposits	4,458
Net Cash Provided (Used) by Investing Activities	<u>4,458</u>
Net Increase (Decrease) in Cash and Cash Equivalents	38,814
Cash and Cash Equivalents at Beginning of Year	<u>267,342</u>
Cash and Cash Equivalents at End of Year	<u>\$ 306,156</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (38,672)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	40,616
Provision for uncollectible accounts	70,587
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(36,966)
(Increase) decrease in other receivables	29,721
(Increase) decrease in intergovernmental receivables	(26,553)
Increase (decrease) in claims payable	24,856
Increase (decrease) in compensated absences liability	1,809
Increase (decrease) in unearned revenue	(8,646)
Increase (decrease) in interfund payables	10,109
Total Adjustments	<u>105,533</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 66,861</u>

Noncash Capital Financing Activity:

Calhoun County lease purchased mobile equipment for \$ 99,750 for 5 years at 2.90% interest.
Principal payments of \$6,280 were made on the lease during the year.

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

CALHOUN COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 62,461
Intergovernmental receivables	5,410
Due from other funds	4,670
Other receivables	1,800
Total Assets	<u>\$ 74,341</u>
LIABILITIES	
Amounts held in custody for others	\$ 14,105
Intergovernmental payables	60,236
Total Liabilities	<u>\$ 74,341</u>

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

CALHOUN COUNTY

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

Notes to Financial Statements

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

CALHOUN COUNTY

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The revenues and expenses of the Proprietary Fund 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 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

District 3 Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

CALHOUN COUNTY

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

The county reports the following major Proprietary Fund:

Garbage and Solid Waste Fund - This fund is used to account for activities related to the disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPES

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

D. Account Classifications.

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

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (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.

CALHOUN COUNTY

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Prepaid Items.

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

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Calhoun County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. There have been no general infrastructure assets acquired subsequent to October 1, 2002 and, therefore, none are reported on the government-wide financial statements.

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

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

CALHOUN COUNTY

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

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

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

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

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

Fund Financial Statements:

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

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

CALHOUN COUNTY

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

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 and Proprietary Funds 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) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct error in beginning balance of other loans payable	\$ <u><u>12,252</u></u>

CALHOUN COUNTY

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

(3) Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$4,349,640, and the bank balance was \$4,511,080. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Garbage and Solid Waste	\$ 10,109
District 3 Road Maintenance	General	5,811
Other Governmental Funds	General	31,788
Agency Funds	General	<u>4,670</u>
Total		<u>\$ 52,378</u>

The Garbage and Solid Waste Fund payable is the indirect administrative costs incurred during the year. All other amounts represent the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Garbage and Solid Waste	<u>\$ 33,228</u>

The General Fund receivable represents the indirect administrative costs due from the Garbage and Solid Waste Fund.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>\$ 150,000</u>

These transfers are for operating costs. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

CALHOUN COUNTY

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

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 63,188
Reimbursement for housing prisoners	15,550
Reimbursement for food stamp/welfare	2,263
Motor vehicle license	13,744
Reimbursement for Calhoun County School driveway	3,755
Homeland Security grant	14,998
Other	1,794
Total Governmental Activities	\$ <u>115,292</u>
Business-type Activities:	
Garbage collection fees	\$ <u>43,336</u>

(6) Capital Assets.

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

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u> *	<u>Balance</u> <u>Sept. 30, 2004</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 418,637	1,050			419,687
Construction in progress	309,799				309,799
Total non-depreciable capital assets	<u>728,436</u>	<u>1,050</u>	<u>0</u>	<u>0</u>	<u>729,486</u>
<u>Depreciable capital assets:</u>					
Buildings	4,012,661				4,012,661
Mobile equipment	2,592,014	222,977	76,994	(23,542)	2,714,455
Furniture and equipment	257,438	33,188			290,626
Leased property under capital leases	1,265,526	98,398		23,542	1,387,466
Total depreciable capital assets	<u>8,127,639</u>	<u>354,563</u>	<u>76,994</u>	<u>0</u>	<u>8,405,208</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,497,531	77,393			1,574,924
Mobile equipment	2,028,803	145,430	69,295	(4,238)	2,100,700
Furniture and equipment	167,323	25,111			192,434
Leased property under capital leases	285,713	87,015		4,238	376,966
Total accumulated depreciation	<u>3,979,370</u>	<u>334,949</u>	<u>69,295</u>	<u>0</u>	<u>4,245,024</u>

CALHOUN COUNTY

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

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
Total depreciable capital assets, net	4,148,269	19,614	7,699	0	4,160,184
Governmental activities capital assets, net	\$ 4,876,705	20,664	7,699	0	4,889,670

* Asset was placed on capital assets in September, 2003. The lease purchase agreement began in October, 2003.

Business-type activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments **	Balance Sept. 30, 2004
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 258,540		74,799	44,412	228,153
Furniture and equipment	65,019	4,924			69,943
Leased property under capital leases	146,013	99,750		(44,412)	201,351
Total depreciable capital assets	<u>469,572</u>	<u>104,674</u>	<u>74,799</u>	<u>0</u>	<u>499,447</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	235,167		67,319	39,971	207,819
Furniture and equipment	50,453	4,373			54,826
Leased property under capital leases	58,259	36,243		(39,971)	54,531
Total accumulated depreciation	<u>343,879</u>	<u>40,616</u>	<u>67,319</u>	<u>0</u>	<u>317,176</u>
Total depreciable capital assets, net	<u>125,693</u>	<u>64,058</u>	<u>7,480</u>	<u>0</u>	<u>182,271</u>
Business-type activities capital assets, net	\$ <u>125,693</u>	<u>64,058</u>	<u>7,480</u>	<u>0</u>	<u>182,271</u>

** Adjustments are the reclassification of paid out capital leases from leased property under capital lease to mobile equipment.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 109,267
Public safety	50,543
Public works	175,139
Total governmental activities depreciation expense	\$ <u>334,949</u>
<u>Business-type activities:</u>	
Solid waste	\$ <u>40,616</u>

CALHOUN COUNTY

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

Commitments with respect to unfinished capital projects at September 30, 2004, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Airport improvement project (Phase 1)	\$ 9,394	December, 2006
Airport improvement project (Phase 2)	13,811	December, 2006

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. Claims expenses 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). The following table provides changes in the balances of claims liabilities for fiscal years 2003 and 2004:

	<u>2,003</u>	<u>2,004</u>
Unpaid Claims, Beginning of Fiscal Year	\$ 0	48,812
Plus: Incurred Claims (Including IBNRs)	747,242	563,500
Less: Claims Payments	<u>698,430</u>	<u>539,418</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 48,812</u>	<u>72,894</u>

CALHOUN COUNTY

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

(8) Capital Leases.

As Lessee:

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

Classes of Property	Governmental Activities	Business-type Activities
Buildings	\$ 775,000	
Mobile equipment	517,975	201,351
Furniture and equipment	94,491	
Total	1,387,466	201,351
Less: Accumulated depreciation	376,966	54,531
Leased Property Under Capital Leases	\$ <u>1,010,500</u>	<u>146,820</u>

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

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2005	\$ 196,893	15,481	38,916	4,649
2006	170,441	6,330	40,161	3,403
2007	31,941	1,712	41,448	2,117
2008	27,254	845	32,527	874
2009	14,841	159	14,139	154
Total	\$ <u>441,370</u>	<u>24,527</u>	<u>167,191</u>	<u>11,197</u>

(9) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
District 1 road and bridge	\$ 30,000	5.50/6.25%	10/07
District 4 road and bridge	45,000	5.50/6.25%	10/07
District 5 road and bridge	45,000	5.50/6.25%	10/07
Jail construction	350,000	4.70/5.20%	08/08
District 5 road and bridge	115,000	4.70%	07/11
Total General Obligation Bonds	\$ <u>585,000</u>		

CALHOUN COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
E-911 equipment	\$ 38,779	4.33%	08/06
John Deere tractor and mower - District 1	9,477	5.54%	05/05
Chevy truck with dump body - District 1	16,138	4.99%	07/06
Tiger mower - District 2	11,115	4.09%	06/06
New Holland tractor - District 2	19,460	3.09%	09/08
Double drum roller - District 3	22,320	4.04%	03/07
Tiger mower - District 4	8,436	4.95%	09/06
Case 580L backhoe - District 4	5,511	5.34%	03/05
Lee Boy Model 300 roller - District 4	9,594	3.37%	05/08
John Deere tractor - District 4	53,412	2.83%	06/09
Kenworth truck - District 5	39,299	3.04%	04/09
Roscoe chip spreader	12,829	5.89%	06/05
Health building	<u>195,000</u>	5.63%	12/05
Total Capital Leases	<u>\$ 441,370</u>		

C. Other Loans:			
Feeder pig facility CAP loan	\$ 97,557	4.00%	07/13
Feeder pig facility CAP loan #2	92,032	4.95%	07/14
Horse arena CAP loan	<u>58,262</u>	3.00%	07/14
Total Other Loans	<u>\$ 247,851</u>		

Business-type Activities:

A. Capital Leases:			
2003 GMC truck with refuse loader	\$ 34,870	3.20%	01/08
2003 GMC truck with refuse loader	38,851	3.20%	06/08
Freightliner garbage truck	<u>93,470</u>	2.90%	05/09
Total Capital Leases	<u>\$ 167,191</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2005	\$ 135,000	29,076	23,503	10,489
2006	140,000	22,181	24,494	9,380
2007	145,000	14,776	25,527	8,467
2008	110,000	8,230	26,606	7,390

CALHOUN COUNTY

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

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	15,000	2,584	27,732	6,236
2010 - 2014	40,000	2,820	119,989	12,872
Total	<u>\$ 585,000</u>	<u>79,667</u>	<u>247,851</u>	<u>54,834</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2004, the amount of outstanding debt was equal to 0.84% of the latest property assessments.

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

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments *</u>	<u>Sept. 30, 2004</u>	<u>within one</u>
						<u>year</u>
Governmental Activities:						
Compensated absences	\$ 90,008		22,672		67,336	
Claims and judgments	48,812			(48,812)	0	
General obligation bonds	705,000		120,000		585,000	135,000
Capital leases	523,806	121,940	204,376		441,370	196,893
Other loans	285,018		24,915	(12,252)	247,851	23,503
Total	<u>\$ 1,652,644</u>	<u>121,940</u>	<u>371,963</u>	<u>(61,064)</u>	<u>1,341,557</u>	<u>355,396</u>
Business-type Activities:						
Compensated absences	\$ 6,310	1,809			8,119	
Capital leases	102,002	99,750	34,561		167,191	38,916
Total	<u>\$ 108,312</u>	<u>101,559</u>	<u>34,561</u>	<u>0</u>	<u>175,310</u>	<u>38,916</u>

* Adjustments were to reclassify claims and judgment from long-term debt to short-term liability and to correct prior year error in other loans payable.

(10) 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.

CALHOUN COUNTY

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

(11) 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:

<u>Description</u>	<u>Balance at Sept. 30, 2004</u>
Industrial revenue bonds	\$ 3,600,000
Nursing home notes	<u>413,228</u>
Total	<u>\$ 4,013,228</u>

(12) Related Organizations.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosascoona Drainage District, but the county's accountability for this organization does not extend beyond making appointments. During the year, the county levied a fifty cent per acre tax for the district.

(13) Joint Venture.

The county participates in the following joint venture:

Calhoun County is a participant with Chickasaw and Pontotoc Counties in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The Regional Library was created to provide free public library service for the respective counties. The Regional Library is governed by a five-member board appointed by the Boards of Supervisors: two from the Library Board of Calhoun County, one from the Library Board of Chickasaw County, and two from the Library Board of Pontotoc County. The county appropriated \$62,421 to the library in fiscal year 2004. Complete financial statements for the Regional Library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi 38863.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints five of the 40 members of the board of directors. The county appropriated \$18,700 for support of the district in fiscal year 2004.

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Calhoun County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$22,727 for support of the organization in fiscal year 2004.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Calhoun County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$126,208 for maintenance and support of the college in fiscal year 2004.

CALHOUN COUNTY

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

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints one of the seven members of the board. The county did not appropriate any funds for support of the authority in fiscal year 2004. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited.

(15) Defined Benefit Pension Plan.

Plan Description. Calhoun County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003 and 2002 were \$164,248, \$161,077 and \$153,926, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/12/04	3.19%	\$ 76,416	Lease purchase	Ad valorem taxes
11/12/04	3.19%	22,022	Lease purchase	Ad valorem taxes
04/04/05	3.19%	79,169	Lease purchase	Ad valorem taxes
02/23/05	3.19%	76,416	Lease purchase	Ad valorem taxes
02/23/05	3.19%	22,022	Lease purchase	Ad valorem taxes
04/10/05	3.39%	79,169	Lease purchase	Ad valorem taxes
07/15/05	2.00%	60,000	CAP loan	Reimbursement from volunteer fire department
08/01/05	3.19%	82,770	Lease purchase	Ad valorem taxes
08/01/05	3.19%	82,770	Lease purchase	Ad valorem taxes
08/01/05	3.19%	82,760	Lease purchase	Ad valorem taxes
08/01/05	3.19%	82,770	Lease purchase	Ad valorem taxes
08/11/05	3.49%	67,500	Lease purchase	Ad valorem taxes

CALHOUN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,758,903	2,079,360	2,134,359	54,999
Licenses, commissions and other revenue	71,000	74,793	81,799	7,006
Fines and forfeitures	249,400	244,789	244,789	
Intergovernmental revenues	589,175	755,126	640,760	(114,366)
Charges for services	34,000	47,810	115,532	67,722
Interest income			48,399	48,399
Miscellaneous revenues	341,843	22,507	35,568	13,061
Total Revenues	<u>3,044,321</u>	<u>3,224,385</u>	<u>3,301,206</u>	<u>76,821</u>
EXPENDITURES				
Current:				
General government	1,908,814	1,716,413	1,716,413	
Public safety	671,844	647,478	647,478	
Public works		1,195	1,195	
Health and welfare	133,377	133,948	133,948	
Culture and recreation	1,410	2,500	2,500	
Education	247,000	256,589	256,589	
Conservation of natural resources	63,176	44,314	44,314	
Economic development and assistance	18,700	18,700	18,700	
Total Expenditures	<u>3,044,321</u>	<u>2,821,137</u>	<u>2,821,137</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>403,248</u>	<u>480,069</u>	<u>76,821</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			563	563
Transfers in			10,000	10,000
Transfers out			(150,000)	(150,000)
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>(139,437)</u>	<u>(139,437)</u>
Net Change in Fund Balance	0	403,248	340,632	(62,616)
Fund Balances - Beginning	<u>0</u>	<u></u>	<u>2,239,586</u>	<u>2,239,586</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>403,248</u>	<u>2,580,218</u>	<u>2,176,970</u>

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

CALHOUN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 District 3 Road Maintenance Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 80,000	80,000	126,607	46,607
Road and bridge privilege taxes	27,000	27,000	33,690	6,690
Intergovernmental revenues	80,100	379,100	556,069	176,969
Interest income	2,100	2,100	3,449	1,349
Miscellaneous revenues	1,900	1,900	33,751	31,851
Total Revenues	<u>191,100</u>	<u>490,100</u>	<u>753,566</u>	<u>263,466</u>
EXPENDITURES				
Current:				
Public works	221,100	520,100	518,720	1,380
Total Expenditures	<u>221,100</u>	<u>520,100</u>	<u>518,720</u>	<u>1,380</u>
Excess of Revenues over (under) Expenditures	<u>(30,000)</u>	<u>(30,000)</u>	<u>234,846</u>	<u>264,846</u>
Net Change in Fund Balance	(30,000)	(30,000)	234,846	264,846
Fund Balances - Beginning	<u>30,000</u>	<u>30,000</u>	<u>98,719</u>	<u>68,719</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>333,565</u>	<u>333,565</u>

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

CALHOUN COUNTY

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

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP 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 budgetary basis schedules to the GAAP basis financial statements for the General Fund and the major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	General	District 3 Road Maintenance Fund
	<u>Fund</u>	<u>Fund</u>
Budget (Cash Basis)	\$ 340,632	234,846
Increase (Decrease)		
Net adjustments for revenue accruals	(281,193)	(10,085)
Net adjustments for expenditure accruals	<u>205,925</u>	<u>(7,049)</u>
GAAP Basis	<u>\$ 265,364</u>	<u>217,712</u>

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CALHOUN COUNTY

SPECIAL REPORTS

CALHOUN COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S 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
Calhoun County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Calhoun County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic financial statements and have issued our report thereon dated May 5, 2006. 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 Calhoun County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Calhoun County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 04-1 and 04-2.

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

Compliance and Other Matters

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

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 5, 2006



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Calhoun County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Calhoun County, Mississippi, as of and for the year ended September 30, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Calhoun 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 Calhoun 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, Calhoun 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 Calhoun 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.



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 5, 2006

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

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

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

Our test results did not identify any emergency purchases.

CALHOUN COUNTY

Schedule 3

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

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
01/21/04	Ballots	\$ 3,724	Absolute Printing, Inc.

CALHOUN COUNTY

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CALHOUN COUNTY

SCHEDULE OF FINDINGS

CALHOUN COUNTY

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CALHOUN COUNTY

Schedule of Findings
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

Tax Assessor-Collector.

04-1. Finding

The following deficiencies in internal controls exist in the Tax Assessor-Collector's office:

- a. As reported in the prior year's audit report, there is no separation of duties in the collection, recording, settlement or reconciliation functions.
- b. As reported in the prior year's audit report, deposits are not made on a daily basis.
- c. Deposit slips are not retained after the bookkeeper reconciles the Tax Collector's bank statement.
- d. Cash drawers are not locked when not in use.
- e. Money is placed in the safe at night without a final checkup.

Failure to implement proper controls could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should ensure that duties for collecting receipts, preparing deposits, recording transactions, preparing settlements and reconciling bank accounts are performed by different personnel and/or implement a system in which various functions are reviewed by himself or other personnel. He should also ensure that deposits are made on a daily basis and the deposit slip is retained, all cash drawers are locked when not in use, and a final check up is prepared and a deposit is made at the end of each working day.

Tax Assessor-Collector's Response

I will comply with the above recommendations.

CALHOUN COUNTY

Schedule of Findings
For the Year Ended September 30, 2004

Justice Court Clerk.

04-2. Finding

Control procedures were inadequate for maintaining adequate subsidiary records documenting fines receivable of the Justice Court and the aging of these receivables. It appears that the fines receivable reports are inconsistent from the prior fiscal year to the current fiscal year in the amounts owed by individuals. Failure to maintain complete and accurate records documenting fines receivable could result in inaccurate receivable balances and unpaid fines.

Recommendation

The Justice Court Clerk should establish control procedures to maintain adequate subsidiary fines receivable records documenting the individual fines that comprise the fines receivable balance as well as the aging of these individual fines.

Justice Court Clerk's Response

At the time this report was given to the auditor, I was not the clerk. Therefore, there was nothing I could do. My reports for the next audit are correct and in order to the best of my knowledge.