



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

**PHIL BRYANT**  
State Auditor

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

**J. SCOTT SPEIGHTS, MBA, CIA, CGAP**  
Director, County Audit Section

**BENTON COUNTY, MISSISSIPPI**

**Audited Primary Government Financial Statements and Special Reports  
For the Year Ended September 30, 2005**







BENTON COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION ..... 1

INDEPENDENT AUDITOR'S REPORT ..... 3

PRIMARY GOVERNMENT FINANCIAL STATEMENTS ..... 5

    Statement of Net Assets ..... 6

    Statement of Activities ..... 7

    Balance Sheet - Governmental Funds ..... 8

    Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets ..... 9

    Statement of Revenues, Expenditures and Changes in Fund Balances -  
        Governmental Funds ..... 10

    Reconciliation of the Statement of Revenues, Expenditures and Changes in  
        Fund Balances of Governmental Funds to the Statement of Activities ..... 11

    Statement of Fiduciary Assets and Liabilities ..... 12

    Notes to Financial Statements ..... 13

REQUIRED SUPPLEMENTARY INFORMATION ..... 27

    Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)

        General Fund ..... 29

        Road and Bridge Maintenance Fund ..... 30

    Notes to the Required Supplementary Information ..... 31

SUPPLEMENTAL INFORMATION ..... 33

    Schedule of Expenditures of Federal Awards ..... 35

SPECIAL REPORTS ..... 37

    Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
        and Other Matters Based on an Audit of the Primary Government Financial Statements  
        Performed in Accordance with *Government Auditing Standards* ..... 39

    Independent Auditor's Report on Compliance with Requirements Applicable to Each Major  
        Program and Internal Control Over Compliance in Accordance with OMB  
        Circular A-133 ..... 41

    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)) ..... 43

SCHEDULE OF FINDINGS AND QUESTIONED COSTS ..... 49



BENTON COUNTY

FINANCIAL SECTION

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

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

Members of the Board of Supervisors  
Benton County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Benton County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Benton County, Mississippi, as of September 30, 2005, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Benton County, Mississippi, as of September 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2006, on our consideration of Benton 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.

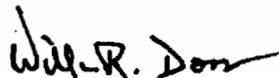
Benton County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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 primary government financial statements that collectively comprise Benton 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.



PHIL BRYANT  
State Auditor



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

October 27, 2006

BENTON COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

BENTON COUNTY  
Statement of Net Assets  
September 30, 2005

Exhibit I

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 2,176,095
Property tax receivable	2,202,802
Accounts receivable (net of allowance for uncollectibles of \$316,358)	88,659
Fines receivable (net of allowance for uncollectibles of \$166,311)	86,029
Loans receivable	94,730
Intergovernmental receivables	82,684
Other receivables	18,484
Capital assets, net	4,085,659
Total Assets	<u>8,835,142</u>
<b>LIABILITIES</b>	
Claims payable	350,020
Amounts held in custody for others	6,045
Intergovernmental payables	61,655
Unearned revenue	2,203,846
Long-term liabilities	
Due within one year:	
Capital debt	81,120
Due in more than one year:	
Capital debt	140,082
Total Liabilities	<u>2,842,768</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	3,864,457
Restricted:	
Expendable:	
General government	141,860
Public safety	255,994
Public works	515,557
Unrestricted	1,214,506
Total Net Assets	<u>\$ 5,992,374</u>

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

BENTON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2005

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 Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,869,865	222,540	13,355		(1,633,970)
Public safety	841,446	76,334	43,790	133,107	(588,215)
Public works	1,287,789	30,328	628,596	98,000	(530,865)
Health and welfare	91,287		27,365	264,945	201,023
Culture and recreation	86,411		10,375	34,205	(41,831)
Conservation of natural resources	91,716				(91,716)
Economic development and assistance	6,000				(6,000)
Interest on long-term debt	9,040				(9,040)
Total Governmental Activities	<u>\$ 4,283,554</u>	<u>329,202</u>	<u>723,481</u>	<u>530,257</u>	<u>(2,700,614)</u>
General revenues:					
Property taxes				\$ 2,295,105	
Road & bridge privilege taxes				96,389	
Grants and contributions not restricted to specific programs				843,133	
Unrestricted interest income				26,963	
Miscellaneous				29,226	
Total General Revenues				<u>3,290,816</u>	
Changes in Net Assets				<u>590,202</u>	
Net Assets - Beginning					5,141,734
Prior period adjustment					260,438
Net Assets - Beginning, as restated					<u>5,402,172</u>
Net Assets - Ending					<u>\$ 5,992,374</u>

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

BENTON COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2005

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Road and Bridge Maintenance Fund		
<b>ASSETS</b>				
Cash	\$ 1,123,347	532,979	519,769	2,176,095
Property tax receivable	1,663,915	288,905	249,982	2,202,802
Accounts receivable (net of allowance for uncollectibles of \$316,358)			88,659	88,659
Fines receivable (net of allowance for uncollectibles of \$166,311)	86,029			86,029
Loans receivable	94,730			94,730
Intergovernmental receivables	71,844	1,689	9,151	82,684
Other receivables	9,267	2,800	6,417	18,484
Due from other funds		14,087	5,634	19,721
<b>Total Assets</b>	<b>\$ 3,049,132</b>	<b>840,460</b>	<b>879,612</b>	<b>4,769,204</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Claims payable	\$ 167,033	143,955	39,032	350,020
Amounts held in custody for others	6,045			6,045
Intergovernmental payables	61,655			61,655
Due to other funds	19,721			19,721
Deferred revenue	86,029		88,659	174,688
Unearned revenue	1,663,915	288,905	251,026	2,203,846
<b>Total Liabilities</b>	<b>2,004,398</b>	<b>432,860</b>	<b>378,717</b>	<b>2,815,975</b>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Loans receivable	94,730			94,730
<b>Unreserved, reported in:</b>				
General Fund	950,004			950,004
Special Revenue Funds		407,600	500,895	908,495
<b>Total Fund Balances</b>	<b>1,044,734</b>	<b>407,600</b>	<b>500,895</b>	<b>1,953,229</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,049,132</b>	<b>840,460</b>	<b>879,612</b>	<b>4,769,204</b>

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

BENTON COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2005

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,953,229
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) 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 \$2,499,368.	4,085,659
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	174,688
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(221,202)</u>
Total Net Assets - Governmental Activities	<u>\$ 5,992,374</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
 For the Year Ended September 30, 2005

	Major Funds			Total Governmental Funds
	General Fund	Road and Bridge Maintenance Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 1,734,143	300,668	260,294	2,295,105
Road and bridge privilege taxes		96,389		96,389
Licenses, commissions and other revenue	150,040		3,001	153,041
Fines and forfeitures	129,367			129,367
Intergovernmental revenues	926,193	746,703	423,975	2,096,871
Charges for services	24,838		117,530	142,368
Interest income	15,594	5,077	6,292	26,963
Miscellaneous revenues	12,379	3,187	212	15,778
Total Revenues	<u>2,992,554</u>	<u>1,152,024</u>	<u>811,304</u>	<u>4,955,882</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,689,670		119,057	1,808,727
Public safety	728,289		170,479	898,768
Public works		1,122,865	253,947	1,376,812
Health and welfare	87,306		264,945	352,251
Culture and recreation	68,797		34,205	103,002
Conservation of natural resources	91,716			91,716
Economic development and assistance	6,000			6,000
Debt service:				
Principal	17,482	74,836		92,318
Interest	3,127	5,913		9,040
Total Expenditures	<u>2,692,387</u>	<u>1,203,614</u>	<u>842,633</u>	<u>4,738,634</u>
Excess of Revenues over (under) Expenditures	<u>300,167</u>	<u>(51,590)</u>	<u>(31,329)</u>	<u>217,248</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued		66,000		66,000
Proceeds from sale of capital assets		75,954		75,954
Total Other Financing Sources and Uses	<u>0</u>	<u>141,954</u>	<u>0</u>	<u>141,954</u>
Net Changes in Fund Balances	<u>300,167</u>	<u>90,364</u>	<u>(31,329)</u>	<u>359,202</u>
Fund Balances - Beginning	580,503	317,236	532,224	1,429,963
Prior period adjustment	164,064			164,064
Fund Balances - Beginning, as restated	<u>744,567</u>	<u>317,236</u>	<u>532,224</u>	<u>1,594,027</u>
Fund Balances - Ending	<u>\$ 1,044,734</u>	<u>407,600</u>	<u>500,895</u>	<u>1,953,229</u>

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

BENTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2005

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 359,202
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 \$665,319 exceeded depreciation of \$294,758 in the current period.	370,561
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$5,649 and the proceeds from the sale of \$75,954 in the current period.	(70,305)
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.	(43,960)
Solid waste 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.	(51,614)
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 \$92,318 exceeded debt proceeds of \$66,000.	<u>26,318</u>
Change in Net Assets of Governmental Activities	<u>\$ 590,202</u>

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

BENTON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 24,534
Total Assets	<u>\$ 24,534</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 12,017
Intergovernmental payables	12,517
Total Liabilities	<u>\$ 24,534</u>

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

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Benton 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 Benton 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 unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Lt. General Robert M. Bond Memorial Public Library

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

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

B. Basis of Presentation.

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

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.

## BENTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2005

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

#### Fund Financial Statements:

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

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

The Government-wide and Fiduciary 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.

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.

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

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

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.

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the 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. 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. Benton 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. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 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.

I. Long-term Liabilities.

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

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws 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.

K. Property Tax Revenues.

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

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustments.

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 revenue accruals	\$ 51,852
To correct error in loans receivable	112,212
To correct errors in capital assets, net	<u>96,374</u>
Total prior period adjustment	<u>\$ 260,438</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances.

<u>Explanation</u>	<u>Amount</u>
To correct error in revenue accruals	\$ 51,852
To correct error in loans receivable	<u>112,212</u>
Total prior period adjustment	<u>\$ 164,064</u>

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$2,200,629, and the bank balance was \$2,511,338. 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.

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

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.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road and Bridge Maintenance	General	\$ 14,087
Other Governmental Funds	General	<u>5,634</u>
Total		<u>\$ 19,721</u>

The receivables represent the tax revenue collected but not settled until October, 2005. All interfund balances are expected to be repaid within one year from the date of the financial statements.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 32,775
Homeland security grant	23,388
Reimbursement from Benton County School	11,355
Community development block grant	9,151
Reimbursement for housing prisoners	2,180
Reimbursement for food stamps/welfare	2,146
Harvest permits	984
Overweight fines	<u>705</u>
Total Governmental Activities	<u>\$ 82,684</u>

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(7) Loans Receivable.

Loans receivable balances at September 30, 2005, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
North Benton County Volunteer Fire Dept.	11/03/99	3.00%	01/01/09	\$ 20,192
Abel's Store Volunteer Fire Department	06/01/01	3.00%	05/01/11	38,080
Northeast Benton County Volunteer Fire Dept.	07/01/01	3.00%	08/01/11	36,458
Total				<u>\$ 94,730</u>

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental activities:

	<u>Balance Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2005</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 40,430			15,000	55,430
Construction in progress	15,763	299,326		(269,795)	45,294
Total non-depreciable capital assets	<u>56,193</u>	<u>299,326</u>	<u>0</u>	<u>(254,795)</u>	<u>100,724</u>
<u>Depreciable capital assets:</u>					
Infrastructure	1,429,800	34,524			1,464,324
Buildings	2,065,103			290,000	2,355,103
Improvements other than buildings	84,184				84,184
Mobile equipment	1,965,225	70,044	171,552	104,333	1,968,050
Furniture and equipment	220,083	97,273	36,656		280,700
Leased property under capital leases	252,956	164,152		(85,166)	331,942
Total depreciable capital assets	<u>6,017,351</u>	<u>365,993</u>	<u>208,208</u>	<u>309,167</u>	<u>6,484,303</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	61,888	40,591			102,479
Buildings	568,466	34,942		(76,100)	527,308
Improvements other than buildings	25,764	3,367			29,131
Mobile equipment	1,510,843	130,776	107,507	47,910	1,582,022
Furniture and equipment	145,788	48,473	30,396		163,865
Leased property under capital leases	71,766	36,609		(13,812)	94,563
Total accumulated depreciation	<u>2,384,515</u>	<u>294,758</u>	<u>137,903</u>	<u>(42,002)</u>	<u>2,499,368</u>

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

	Balance <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	Balance <u>Sept. 30, 2005</u>
Total depreciable capital assets, net	3,632,836	71,235	70,305	351,169	3,984,935
Governmental activities capital assets, net	\$ <u>3,689,029</u>	<u>370,561</u>	<u>70,305</u>	<u>96,374</u>	<u>4,085,659</u>

\* These adjustments are to reclassify completed buildings from construction in progress, to reclassify paid off capital leases and to correct prior year errors.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 53,339
Public safety	102,672
Public works	117,153
Health and welfare	3,980
Culture and recreation	<u>17,614</u>
Total governmental activities depreciation expense	\$ <u>294,758</u>

Commitment with respect to an unfinished capital project at September 30, 2005, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
District 2 recreational park	\$ 89,481	July 31, 2006

(9) 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 \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 331,942
Less: Accumulated depreciation	<u>94,563</u>
Leased Property Under Capital Leases	<u>\$ 237,379</u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 63,106	3,071
2007	29,827	1,568
2008	16,014	818
2009	13,963	361
2010	<u>3,562</u>	<u>19</u>
Total	<u>\$ 126,472</u>	<u>5,837</u>

(11) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Capital Leases:			
1999 Komatsu WA-180 wheel loader	\$ 31,895	5.24%	01-2006
1997 Komatsu WA-180-1 rubber tire loader	21,709	3.35%	12-2007
2004 ½ ton 4-door Ford F-150 truck	16,057	2.52%	06-2007
District 5 Caterpillar 12H motor grader	<u>56,811</u>	3.23%	12-2009
Total Capital Leases	<u>\$ 126,472</u>		

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
B. Other Loans:			
Capital improvements revolving loan	\$ 20,192	3.00%	01-2009
Capital improvements revolving loan	38,080	3.00%	05-2011
Capital improvements revolving loan	<u>36,458</u>	3.00%	08-2011
Total Other Loans	<u>\$ 94,730</u>		

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 18,014	2,596
2007	18,561	2,048
2008	19,126	1,483
2009	15,422	939
2010	13,716	521
2011 - 2015	<u>9,891</u>	<u>120</u>
Total	<u>\$ 94,730</u>	<u>7,707</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, 2005, the county had no outstanding debt limited by the legal debt margin.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance				Balance Sept. 30, 2005	Amount due within one year
	Oct. 1, 2004	Additions	Reductions	Adjustments		
Governmental Activities:						
Equipment notes	\$ 14,992		14,992		0	
Capital leases	120,316	66,000	59,844		126,472	63,106
Other loans	<u>112,212</u>		<u>17,482</u>		<u>94,730</u>	<u>18,014</u>
Total	<u>\$ 247,520</u>	<u>66,000</u>	<u>92,318</u>	<u>0</u>	<u>221,202</u>	<u>81,120</u>

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(12) Contingencies.

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

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

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

The Northwest Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc and Union. The Benton County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$9,600 for the maintenance and support of the commission in fiscal year 2005.

The Northeast Mississippi Planning and Development District operates in a district composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Benton County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$6,000 for the maintenance and support of the district in fiscal year 2005.

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 Benton County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$99,931 for maintenance and support of the college in fiscal year 2005.

The Northeast Mississippi Regional Solid Waste Authority provides solid waste services to the Counties of Benton, Prentiss and Tippah along with the Cities of Ashland, Booneville and Ripley. Currently, Benton County does not receive any direct services from the authority, but rather contracts with a private firm for the collection of solid waste. The authority prepared a five-year solid waste plan for the county. Each member of the authority appoints one member of the six-member commission. The county did not appropriate any funds to the authority in fiscal year 2005.

United Community Action Commission, Inc. was created as a nonprofit organization pursuant to federal community action legislation in the mid-1960's. The commission is governed by a 21-member board, seven of whom are appointed by the Benton County Board of Supervisors. Most of the commission's operating revenue comes from federal sources. The county appropriated \$8,500 to the commission in fiscal year 2005.

BENTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2005

(14) Defined Benefit Pension Plan.

Plan Description. Benton 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 rate at September 30, 2005 was 10.75% 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, 2005, 2004 and 2003 were \$138,699, \$129,220 and \$121,522, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2005, Benton 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>
01/06/06	4.41%	\$ 15,000	Lease purchase	Ad valorem taxes
03/15/06	3.99%	73,650	Lease purchase	Ad valorem taxes
04/15/06	3.25%	94,990	Lease purchase	Ad valorem taxes
04/15/06	3.25%	94,990	Lease purchase	Ad valorem taxes
04/15/06	3.25%	94,990	Lease purchase	Ad valorem taxes
04/15/06	3.25%	94,990	Lease purchase	Ad valorem taxes

BENTON COUNTY

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BENTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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BENTON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 1,657,682	1,728,794	1,728,794	
Licenses, commissions and other revenue	115,022	151,145	151,145	
Fines and forfeitures	155,330	131,496	131,496	
Intergovernmental revenues	516,034	1,525,781	1,525,781	
Charges for services		3,460	3,460	
Interest income	18,163	12,953	12,953	
Miscellaneous revenues	28,019	66,882	66,882	
Total Revenues	<u>2,490,250</u>	<u>3,620,511</u>	<u>3,620,511</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,419,748	2,368,476	2,368,476	
Public safety	705,649	724,402	724,402	
Health and welfare	93,699	69,594	69,594	
Culture and recreation	76,131	68,131	68,131	
Conservation of natural resources	58,049	62,635	62,635	
Economic development and assistance	6,000	6,000	6,000	
Debt service:				
Principal	17,482	17,482	17,482	
Interest	2,818	3,127	3,127	
Total Expenditures	<u>3,379,576</u>	<u>3,319,847</u>	<u>3,319,847</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(889,326)</u>	<u>300,664</u>	<u>300,664</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		2,313	2,313	
Transfers in	458,582	283,232	283,232	
Transfers out		(283,232)	(283,232)	
Total Other Financing Sources and Uses	<u>458,582</u>	<u>2,313</u>	<u>2,313</u>	<u>0</u>
Net Change in Fund Balance	(430,744)	302,977	302,977	0
Fund Balances - Beginning	<u>886,719</u>	<u>723,284</u>	<u>723,284</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 455,975</u>	<u>1,026,261</u>	<u>1,026,261</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 277,749	299,896	299,896	
Road and bridge privilege taxes	91,731	96,079	96,079	
Intergovernmental revenues	676,516	742,214	742,214	
Interest income	3,468	5,077	5,077	
Miscellaneous revenues		3,187	3,187	
<b>Total Revenues</b>	<u>1,049,464</u>	<u>1,146,453</u>	<u>1,146,453</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	987,076	1,032,804	1,032,804	
Debt service:				
Principal	74,838	74,838	74,838	
Interest	7,759	5,911	5,911	
<b>Total Expenditures</b>	<u>1,069,673</u>	<u>1,113,553</u>	<u>1,113,553</u>	<u>0</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(20,209)</u>	<u>32,900</u>	<u>32,900</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	56,000	66,000	66,000	
Proceeds from sale of capital assets	77,000	75,954	75,954	
<b>Total Other Financing Sources and Uses</b>	<u>133,000</u>	<u>141,954</u>	<u>141,954</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	112,791	174,854	174,854	0
<b>Fund Balances - Beginning</b>	<u>380,181</u>	<u>358,125</u>	<u>358,125</u>	<u>0</u>
<b>Fund Balances - Ending</b>	<u>\$ 492,972</u>	<u>532,979</u>	<u>532,979</u>	<u>0</u>

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

BENTON COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2005

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>	
	<u>General</u>	<u>Road &amp; Bridge</u>
	<u>Fund</u>	<u>Maintenance</u>
Budget (Cash Basis)	\$ 302,977	174,854
Increase (Decrease)		
Net adjustments for revenue accruals	(630,270)	5,571
Net adjustments for expenditure accruals	<u>627,460</u>	<u>(90,061)</u>
GAAP Basis	<u>\$ 300,167</u>	<u>90,364</u>

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BENTON COUNTY

SUPPLEMENTAL INFORMATION

BENTON COUNTY

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BENTON COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's program	14.228	1120-03-005-EI-01	\$ 188,965
Community development block grants/state's program	14.228	1116-03-005-EI-01	75,980
Community development block grants/state's program	14.228	02-005-SELF-01	34,205
Community development block grants/state's program	14.228	99-005-ED-IF-01	<u>2,000</u>
Total Expenditures of Major Federal Awards			<u>301,150</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Agriculture - Rural Development			
Community facilities loans and grants	10.766	N/A	<u>98,000</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>1,760</u>
U.S. Department of Homeland Security - Homeland Security Cluster/ Passed-through the Mississippi Emergency Management Agency/			
State domestic preparedness equipment support program	97.004	3SUP-235	24,774
State domestic preparedness equipment support program	97.004	3SSG-3059	33,625
Passed-through the Mississippi Department of Public Safety - Office of Homeland Security			
State domestic preparedness equipment support program	97.004	04HS005	36,043
State domestic preparedness equipment support program	97.004	04CS005	4,916
State domestic preparedness equipment support program	97.004	04LE005	<u>13,677</u>
Total Homeland Security Cluster			<u>113,035</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency			
Emergency management performance grants	97.042	5EMP	7,074
State homeland security program	97.073	2DPG-5	<u>24,988</u>
Total			<u>32,062</u>
Total Expenditures of Other Federal Awards			<u>244,857</u>
Total Expenditures of Federal Awards			<u>\$ 546,007</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

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BENTON COUNTY

SPECIAL REPORTS

BENTON 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 PRIMARY GOVERNMENT FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors  
Benton County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated October 27, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. 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 Benton County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

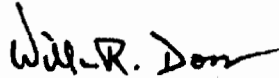
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 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.



PHIL BRYANT  
State Auditor



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

October 27, 2006



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
PHIL BRYANT  
AUDITOR

### INDEPENDENT AUDITOR'S 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  
Benton County, Mississippi

#### Compliance

We have audited the compliance of Benton County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2005. Benton County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Benton County, Mississippi's management. Our responsibility is to express an opinion on Benton 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 Benton 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 Benton County, Mississippi's compliance with those requirements.

In our opinion, Benton County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2005.

#### Internal Control Over Compliance

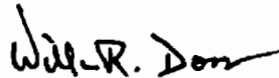
The management of Benton County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Benton County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. 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

October 27, 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  
Benton County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Benton County, Mississippi, as of and for the year ended September 30, 2005. 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 Benton 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 Benton 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.

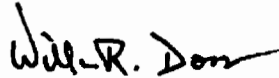
In our opinion, Benton County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Benton 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

October 27, 2006

BENTON COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2005

Schedule 1

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

BENTON COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2005

Schedule 2

Our test results did not identify any emergency purchases.

BENTON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2005

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

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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BENTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

***Financial Statements:***

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

***Federal Awards:***

- |     |   |             |
|-----|---|-------------|
| 4.  | Internal control over major programs:   |             |
| a.  | Material weakness identified?   | No          |
| b.  | Reportable condition identified that is not considered to be a material weakness?   | No          |
| 5.  | Type of auditor's report issued on compliance for major federal programs:   | Unqualified |
| 6.  | Any audit findings reported as required by Section __.510(a) of Circular A-133?   | No          |
| 7.  | Federal program identified as a major program:<br><br>Community development block grants/state's program,<br>CFDA #14.228   |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?  | No          |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No          |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

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.