



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

PHIL BRYANT
State Auditor

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CALHOUN COUNTY, MISSISSIPPI

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

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CALHOUN COUNTY

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CALHOUN COUNTY

FINANCIAL SECTION

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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, 2005, 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, 2005, 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.

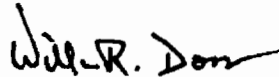
In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of Calhoun County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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.



PHIL BRYANT
State Auditor



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

September 22, 2006

CALHOUN COUNTY

FINANCIAL STATEMENTS

CALHOUN COUNTY
Statement of Net Assets
September 30, 2005

Exhibit 1

| | Governmental Activities | Business-type Activities | Total |
|--|----------------------------|-----------------------------|--------------------------|
| ASSETS | | | |
| Cash | \$ 4,570,840 | 304,384 | 4,875,224 |
| Property tax receivable | 2,402,124 | | 2,402,124 |
| Accounts receivable (net of allowance for uncollectibles of \$123,717) | | 41,085 | 41,085 |
| Fines receivable (net of allowance for uncollectibles of \$606,764) | 395,174 | | 395,174 |
| Intergovernmental receivables | 369,699 | 41,401 | 411,100 |
| Other receivables | 49,367 | 32 | 49,399 |
| Internal balances | 54,473 | (54,473) | |
| Prepaid items | 40,176 | | 40,176 |
| Capital assets, net | 5,230,889 | 199,911 | 5,430,800 |
| Total Assets | <u>13,112,742</u> | <u>532,340</u> | <u>13,645,082</u> |
| LIABILITIES | | | |
| Claims payable | 505,624 | 57,975 | 563,599 |
| Claims and judgments payable | 107,626 | | 107,626 |
| Intergovernmental payables | 97,363 | | 97,363 |
| Accrued interest payable | 13,735 | 166 | 13,901 |
| Deferred revenue | 2,402,124 | | 2,402,124 |
| Unearned revenue | | 39,499 | 39,499 |
| Other payables | 1,895 | | 1,895 |
| Long-term liabilities | | | |
| Due within one year: | | | |
| Capital debt | 425,725 | 56,082 | 481,807 |
| Non-capital debt | 55,000 | | 55,000 |
| Due in more than one year: | | | |
| Capital debt | 866,007 | 151,362 | 1,017,369 |
| Non-capital debt | 197,258 | 9,928 | 207,186 |
| Total Liabilities | <u>4,672,357</u> | <u>315,012</u> | <u>4,987,369</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 3,939,157 | (7,533) | 3,931,624 |
| Restricted: | | | |
| Expendable: | | | |
| General government | 196,679 | | 196,679 |
| Debt service | 421,338 | | 421,338 |
| Public safety | 120,557 | | 120,557 |
| Public works | 898,771 | 224,861 | 1,123,632 |
| Conservation of natural resources | 3,666 | | 3,666 |
| Unrestricted | 2,860,217 | | 2,860,217 |
| Total Net Assets | <u>\$ 8,440,385</u> | <u>217,328</u> | <u>8,657,713</u> |

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

CALHOUN 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 | Governmental Activities | Business-type Activities | Total |
| Governmental activities: | | | | | | | |
| General government | \$ 2,282,140 | 426,242 | | | (1,855,898) | | (1,855,898) |
| Public safety | 1,387,106 | 357,418 | 261,879 | 131,601 | (636,208) | | (636,208) |
| Public works | 2,230,444 | | 618,383 | 989,267 | (622,794) | | (622,794) |
| Health and welfare | 138,237 | | 28,350 | | (109,887) | | (109,887) |
| Culture and recreation | 15,123 | | | | (15,123) | | (15,123) |
| Conservation of natural resources | 73,747 | | | | (73,747) | | (73,747) |
| Economic development and assistance | 19,200 | | | | (19,200) | | (19,200) |
| Interest on long-term debt | 64,188 | | | | (64,188) | | (64,188) |
| Total Governmental Activities | <u>6,210,185</u> | <u>783,660</u> | <u>908,612</u> | <u>1,120,868</u> | <u>(3,397,045)</u> | <u>0</u> | <u>(3,397,045)</u> |
| Business-type activities: | | | | | | | |
| Garbage and solid waste | 612,078 | 527,879 | 32 | | | (84,167) | (84,167) |
| Total Business-type Activities | <u>612,078</u> | <u>527,879</u> | <u>32</u> | <u>0</u> | <u>0</u> | <u>(84,167)</u> | <u>(84,167)</u> |
| Total | <u>\$ 6,822,263</u> | <u>1,311,539</u> | <u>908,644</u> | <u>1,120,868</u> | <u>(3,397,045)</u> | <u>(84,167)</u> | <u>(3,481,212)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | \$ 3,623,264 | 6 | 3,623,270 |
| Road & bridge privilege taxes | | | | | 165,288 | | 165,288 |
| Grants and contributions not restricted to specific programs | | | | | 341,154 | 7,450 | 348,604 |
| Unrestricted interest income | | | | | 91,308 | 6,024 | 97,332 |
| Miscellaneous | | | | | 82,530 | 17,764 | 100,294 |
| Total General Revenues | | | | | <u>4,303,544</u> | <u>31,244</u> | <u>4,334,788</u> |
| Changes in Net Assets | | | | | <u>906,499</u> | <u>(52,923)</u> | <u>853,576</u> |
| Net Assets - Beginning | | | | | 7,525,714 | 285,211 | 7,810,925 |
| Prior period adjustment | | | | | 8,172 | (14,960) | (6,788) |
| Net Assets - Beginning, as restated | | | | | <u>7,533,886</u> | <u>270,251</u> | <u>7,804,137</u> |
| Net Assets - Ending | | | | | <u>\$ 8,440,385</u> | <u>217,328</u> | <u>8,657,713</u> |

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

CALHOUN COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2005

Exhibit 3

| | Major Funds | | | Total Governmental Funds |
|---|---------------------|--|--------------------------------|--------------------------------|
| | General Fund | District 4 Road Maintenance Fund | Other Governmental Funds | |
| ASSETS | | | | |
| Cash | \$ 3,016,121 | 38,207 | 1,516,512 | 4,570,840 |
| Property tax receivable | 1,593,290 | 75,071 | 733,763 | 2,402,124 |
| Fines receivable (net of allowance for uncollectibles of \$606,764) | 395,174 | | | 395,174 |
| Intergovernmental receivables | 138,388 | 48,067 | 183,244 | 369,699 |
| Other receivables | 21,159 | | 28,208 | 49,367 |
| Due from other funds | 11,142 | 5,764 | 72,189 | 89,095 |
| Advances to other funds | 43,337 | | | 43,337 |
| Total Assets | \$ 5,218,611 | 167,109 | 2,533,916 | 7,919,636 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Claims payable | \$ 182,426 | 67,451 | 255,747 | 505,624 |
| Claims and judgments payable | 107,626 | | | 107,626 |
| Intergovernmental payables | 92,199 | | | 92,199 |
| Due to other funds | 73,349 | | 9,774 | 83,123 |
| Deferred revenue | 2,043,760 | 75,071 | 733,763 | 2,852,594 |
| Other payables | 1,895 | | | 1,895 |
| Total Liabilities | 2,501,255 | 142,522 | 999,284 | 3,643,061 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Debt service | | | 435,073 | 435,073 |
| Advances | 43,337 | | | 43,337 |
| Unreserved, reported in: | | | | |
| General Fund | 2,674,019 | | | 2,674,019 |
| Special Revenue Funds | | 24,587 | 1,099,559 | 1,124,146 |
| Total Fund Balances | 2,717,356 | 24,587 | 1,534,632 | 4,276,575 |
| Total Liabilities and Fund Balances | \$ 5,218,611 | 167,109 | 2,533,916 | 7,919,636 |

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, 2005

Exhibit 3-1

| | <u>Amount</u> |
|---|---------------------|
| Total Fund Balance - Governmental Funds | \$ 4,276,575 |
| 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 \$4,541,691. | 5,230,889 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 395,174 |
| Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds. | (1,543,990) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | (13,735) |
| Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds. | 40,176 |
| Some accrued receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. | <u>55,296</u> |
| Total Net Assets - Governmental Activities | <u>\$ 8,440,385</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 | District 4 Road Maintenance Fund | Other Governmental Funds | |
| REVENUES | | | | |
| Property taxes | \$ 2,393,244 | 123,016 | 1,107,004 | 3,623,264 |
| Road and bridge privilege taxes | | 39,670 | 125,618 | 165,288 |
| Licenses, commissions and other revenue | 225,364 | | 230 | 225,594 |
| Fines and forfeitures | 102,529 | | 14,917 | 117,446 |
| Intergovernmental revenues | 384,248 | 419,141 | 1,567,245 | 2,370,634 |
| Charges for services | 121,130 | | 138,129 | 259,259 |
| Interest income | 65,648 | 1,909 | 23,751 | 91,308 |
| Miscellaneous revenues | 11,486 | 6,871 | 64,173 | 82,530 |
| Total Revenues | <u>3,303,649</u> | <u>590,607</u> | <u>3,041,067</u> | <u>6,935,323</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 2,049,585 | | 121,096 | 2,170,681 |
| Public safety | 701,302 | | 687,904 | 1,389,206 |
| Public works | | 594,667 | 2,085,922 | 2,680,589 |
| Health and welfare | 138,237 | | | 138,237 |
| Culture and recreation | 587 | | 14,536 | 15,123 |
| Conservation of natural resources | 56,711 | | 17,036 | 73,747 |
| Economic development and assistance | 19,200 | | | 19,200 |
| Debt service: | | | | |
| Principal | | | 359,495 | 359,495 |
| Interest | | | 59,787 | 59,787 |
| Total Expenditures | <u>2,965,622</u> | <u>594,667</u> | <u>3,345,776</u> | <u>6,906,065</u> |
| Excess of Revenues over (under) Expenditures | <u>338,027</u> | <u>(4,060)</u> | <u>(304,709)</u> | <u>29,258</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term capital debt issued | | | 557,006 | 557,006 |
| Proceeds from sale of capital assets | | 119 | 9,223 | 9,342 |
| Transfers in | | | 112,637 | 112,637 |
| Transfers out | (112,637) | | | (112,637) |
| Total Other Financing Sources and Uses | <u>(112,637)</u> | <u>119</u> | <u>678,866</u> | <u>566,348</u> |
| Net Changes in Fund Balances | <u>225,390</u> | <u>(3,941)</u> | <u>374,157</u> | <u>595,606</u> |
| Fund Balances - Beginning | 2,504,950 | 28,528 | 1,147,491 | 3,680,969 |
| Fund reclassification | (12,984) | | 12,984 | 0 |
| Fund Balances - Beginning, as restated | <u>2,491,966</u> | <u>28,528</u> | <u>1,160,475</u> | <u>3,680,969</u> |
| Fund Balances - Ending | <u>\$ 2,717,356</u> | <u>24,587</u> | <u>1,534,632</u> | <u>4,276,575</u> |

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

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 | \$ 595,606 |
| 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 \$740,052 exceeded depreciation of \$395,972 in the current period. | 344,080 |
| 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 loss of \$1,691 and the proceeds from the sale of \$9,342 in the current period. | (11,033) |
| 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. | 126,065 |
| 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 proceeds of \$557,006 exceeded debt repayments of \$359,495. | (197,511) |
| 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: | |
| The amount of increase in compensated absences | (4,922) |
| The amount of increase in accrued interest payable | (4,401) |
| Under the modified accrual basis of accounting used in the Governmental Funds, prepaid items are reported as expenditures. However, in the Statement of Activities, only the portion of expenses related to the current period are reported. Thus, the change in net assets differs from the change in fund balances by the amount of increase in prepaid items. | 3,319 |
| Under the modified accrual basis of accounting used in the Governmental Funds, only current financial resources are reported as revenues. However, in the Statement of Activities, which is presented on the accrual basis, revenues are reported when earned, regardless of when the revenues are available. Thus, the change in net assets differs from the change in fund balances by the amount of the revenues that were deferred in the Governmental Funds. | <u>55,296</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 906,499</u> |

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

CALHOUN COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2005

Exhibit 5

| | Business-type Activities - <u>Enterprise Fund</u> Garbage and <u>Solid Waste Fund</u> |
|---|---|
| ASSETS | |
| Current assets: | |
| Cash | \$ 304,384 |
| Accounts receivable (net of allowance for uncollectibles of \$123,717) | 41,085 |
| Intergovernmental receivables | 41,401 |
| Other receivables | 32 |
| Due from other funds | 6 |
| Total Current Assets | <u>386,908</u> |
| Noncurrent assets: | |
| Capital assets, net | 199,911 |
| Total Noncurrent Assets | <u>199,911</u> |
| Total Assets | <u>586,819</u> |
| LIABILITIES | |
| Current liabilities: | |
| Claims payable | 57,975 |
| Due to other funds | 11,142 |
| Advances from other funds | 43,337 |
| Accrued interest payable | 166 |
| Unearned revenue | 39,499 |
| Capital debt: | |
| Capital leases payable | 56,082 |
| Total Current Liabilities | <u>208,201</u> |
| Noncurrent liabilities: | |
| Capital debt: | |
| Capital leases payable | 151,362 |
| Non-capital debt: | |
| Compensated absences payable | 9,928 |
| Total Noncurrent Liabilities | <u>161,290</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | (7,533) |
| Restricted: | |
| Public works | 224,861 |
| Total Net Assets | <u>\$ 217,328</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, 2005

Exhibit 6

| | Business-type Activities <u>Enterprise Fund</u> Garbage and <u>Solid Waste Fund</u> |
|---------------------------------------|---|
| Operating Revenues | |
| Charges for services | \$ 527,879 |
| Miscellaneous | 32 |
| Total Operating Revenues | <u>527,911</u> |
| Operating Expenses | |
| Personal services | 214,203 |
| Contractual services | 224,420 |
| Materials and supplies | 111,474 |
| Depreciation expense | 43,368 |
| Indirect administrative cost | 11,142 |
| Total Operating Expenses | <u>604,607</u> |
| Operating Income (Loss) | <u>(76,696)</u> |
| Nonoperating Revenues (Expenses) | |
| Property tax | 6 |
| Interest income | 6,024 |
| Non-capital grants | 7,450 |
| Gain (loss) on sale of capital assets | 15,747 |
| Interest expense | (7,471) |
| Other income (expenses) | 2,017 |
| Net Nonoperating Revenue (Expenses) | <u>23,773</u> |
| Changes in Net Assets | <u>(52,923)</u> |
| Net Assets - Beginning | 285,211 |
| Prior period adjustment | (14,960) |
| Net Assets - Beginning, as restated | <u>270,251</u> |
| Net Assets - Ending | <u>\$ 217,328</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, 2005

Exhibit 7

| | Business-type Activities - Enterprise Fund |
|--|--|
| | <u>Garbage and Solid Waste Fund</u> |
| Cash Flows From Operating Activities | |
| Receipts from customers | \$ 531,467 |
| Payments to suppliers | (98,591) |
| Payments to employees | (212,442) |
| Payments for contractual services | (210,207) |
| Net Cash Provided (Used) by Operating Activities | <u>10,227</u> |
| Cash Flows From Noncapital Financing Activities | |
| Operating grants received | 7,450 |
| Other receipts | 2,017 |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>9,467</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Compensation for loss of capital asset | 18,947 |
| Principal paid on long-term debt | (38,915) |
| Interest paid on debt | (7,522) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(27,490)</u> |
| Cash Flows From Investing Activities | |
| Interest on deposits | 6,024 |
| Net Cash Provided (Used) by Investing Activities | <u>6,024</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (1,772) |
| Cash and Cash Equivalents at Beginning of Year | <u>306,156</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 304,384</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating income (loss) | \$ (76,696) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 43,368 |
| Provision for uncollectible accounts | 14,598 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (14,507) |
| (Increase) decrease in other receivables | (32) |
| (Increase) decrease in intergovernmental receivables | 1,935 |
| Increase (decrease) in claims payable | 27,048 |
| Increase (decrease) in unearned revenue | 1,562 |
| Increase (decrease) in compensated absences liability | 1,809 |
| Increase (decrease) in interfund payables | 1,033 |
| Increase (decrease) in interfund advances | 10,109 |
| Total Adjustments | <u>86,923</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 10,227</u> |

Noncash Capital Financing Activity:

Calhoun County lease purchased mobile equipment for \$79,168 for 5 years at 3.39% interest.

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

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

Exhibit 8

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 70,315 |
| Due from other funds | 5,164 |
| Total Assets | <u>\$ 75,479</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 48,455 |
| Intergovernmental payables | 27,024 |
| Total Liabilities | <u>\$ 75,479</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, 2005

(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 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, 2005

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

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.

CALHOUN 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 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.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the 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.

CALHOUN COUNTY

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

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 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. 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.

CALHOUN COUNTY

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

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.

| | <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 Fund 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 Fund 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, 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.

CALHOUN COUNTY

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

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

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements 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) 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.

CALHOUN COUNTY

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

(3) Fund Reclassification.

The County Airport Maintenance Fund's beginning fund balance of \$875 was reclassified from the General Fund to a beginning fund balance in the Special Revenue Funds. This fund was misclassified in the prior year.

The Inmate Canteen Fund's beginning fund balance of \$12,109 was reclassified from the General Fund to a beginning fund balance in the Special Revenue Funds. This fund was misclassified in the prior year.

(4) 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 an error in the beginning balance of construction in progress in capital assets - governmental activities | \$ 8,172 |
| To correct errors in capital assets, net of accumulated depreciation - business-type activities | <u>(14,960)</u> |
| Total prior period adjustments | <u>\$ (6,788)</u> |

Exhibit 6 - Statement of Revenues, Expenses and Changes in Fund Net Assets.

| <u>Explanation</u> | <u>Amount</u> |
|--|--------------------|
| To correct errors in capital assets, net of accumulated depreciation | \$ <u>(14,960)</u> |
| Total prior period adjustment | <u>\$ (14,960)</u> |

(5) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$4,945,539, and the bank balance was \$5,093,723. 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.

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.

CALHOUN COUNTY

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

(6) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|--------------------------|------------------|
| General | Garbage and Solid Waste | \$ 11,142 |
| District 4 Road Maintenance | General | 3,418 |
| District 4 Road Maintenance | Other Governmental Funds | 2,346 |
| Other Governmental Funds | General | 64,761 |
| Other Governmental Funds | Other Governmental Funds | 7,428 |
| Garbage and Solid Waste | General | 6 |
| Agency Funds | General | 5,164 |
| | | <u>94,265</u> |
| Total | | \$ <u>94,265</u> |

The \$11,142 General Fund interfund receivable is for indirect cost incurred by the Garbage and Solid Waste Fund. The \$9,774 interfund payables for Other Governmental Funds are for a settlement error made by the Tax Collector. All other amounts 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.

B. Advances from/to Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-------------------------|------------------|
| General | Garbage and Solid Waste | \$ <u>43,337</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>112,637</u> |

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

CALHOUN COUNTY

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

(7) Intergovernmental Receivables.

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

| <u>Description</u> | <u>Amount</u> |
|--------------------------------------|---------------------------------|
| Governmental Activities: | |
| Legislative tag credit | \$ 69,897 |
| Motor vehicle license | 5,231 |
| Reimbursement for housing prisoners | 63,986 |
| Homeland Security grant | 14,046 |
| FAA airport grant | 28,386 |
| Reimbursement for state aid roads | 163,663 |
| Harvest permits | 984 |
| Motor vehicle fuel tax | 19,960 |
| Overweight fines | 2,457 |
| Other | 1,089 |
| Total Governmental Activities | \$ <u><u>369,699</u></u> |
| Business-type Activities: | |
| Garbage collection fees | \$ <u><u>41,401</u></u> |

(8) Capital Assets.

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

Governmental activities:

| | <u>Balance</u> <u>Oct. 1, 2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Adjustments *</u> | <u>Balance</u> <u>Sept. 30, 2005</u> |
|---|---------------------------------------|------------------|------------------|----------------------|---|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 419,687 | | | | 419,687 |
| Construction in progress | 309,799 | | | 8,172 | 317,971 |
| Total non-depreciable capital assets | <u>729,486</u> | <u>0</u> | <u>0</u> | <u>8,172</u> | <u>737,658</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Buildings | 4,012,661 | | | | 4,012,661 |
| Mobile equipment | 2,714,455 | 197,447 | 100,996 | | 2,810,906 |
| Furniture and equipment | 290,626 | 45,599 | 9,342 | | 326,883 |
| Leased property under capital leases | 1,387,466 | 497,006 | | | 1,884,472 |
| Total depreciable capital assets | <u>8,405,208</u> | <u>740,052</u> | <u>110,338</u> | <u>0</u> | <u>9,034,922</u> |

CALHOUN COUNTY

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

| | Balance Oct. 1, 2004 | Additions | Deletions | Adjustments * | Balance Sept. 30, 2005 |
|---|-------------------------|--------------------|-------------------|------------------|---------------------------|
| <u>Less accumulated depreciation for:</u> | | | | | |
| Buildings | 1,574,924 | 77,393 | | | 1,652,317 |
| Mobile equipment | 2,100,700 | 159,973 | 90,897 | | 2,169,776 |
| Furniture and equipment | 192,434 | 33,555 | 8,408 | | 217,581 |
| Leased property under capital leases | 376,966 | 125,051 | | | 502,017 |
| Total accumulated depreciation | <u>4,245,024</u> | <u>395,972</u> | <u>99,305</u> | <u>0</u> | <u>4,541,691</u> |
| Total depreciable capital assets, net | <u>4,160,184</u> | <u>344,080</u> | <u>11,033</u> | <u>0</u> | <u>4,493,231</u> |
| Governmental activities capital assets, net | <u>\$ 4,889,670</u> | <u>344,080</u> | <u>11,033</u> | <u>8,172</u> | <u>5,230,889</u> |

* The adjustment is to correct a prior year error.

Business-type activities:

| | Balance Oct. 1, 2004 | Additions | Deletions | Adjustments * | Balance Sept. 30, 2005 |
|--|-------------------------|-------------------|------------------|---------------------|---------------------------|
| <u>Depreciable capital assets:</u> | | | | | |
| Mobile equipment | \$ 228,153 | | 32,000 | | 196,153 |
| Furniture and equipment | 69,943 | | | (54,237) | 15,706 |
| Leased property under capital leases | 201,351 | 79,168 | | | 280,519 |
| Total depreciable capital assets | <u>499,447</u> | <u>79,168</u> | <u>32,000</u> | <u>(54,237)</u> | <u>492,378</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Mobile equipment | 207,819 | | 28,800 | | 179,019 |
| Furniture and equipment | 54,826 | | | (39,277) | 15,549 |
| Leased property under capital leases | 54,531 | 43,368 | | | 97,899 |
| Total accumulated depreciation | <u>317,176</u> | <u>43,368</u> | <u>28,800</u> | <u>(39,277)</u> | <u>292,467</u> |
| Total depreciable capital assets, net | <u>182,271</u> | <u>35,800</u> | <u>3,200</u> | <u>(14,960)</u> | <u>199,911</u> |
| Business-type activities capital assets, net | <u>\$ 182,271</u> | <u>35,800</u> | <u>3,200</u> | <u>(14,960)</u> | <u>199,911</u> |

* The adjustment is to remove garbage dumpsters that are under the threshold from capital assets and the corresponding depreciation.

CALHOUN COUNTY

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

Depreciation expense was charged to the following functions:

| | <u>Amount</u> |
|--|-------------------|
| Governmental Activities: | |
| General government | \$ 113,034 |
| Public safety | 83,357 |
| Public works | <u>199,581</u> |
| Total governmental activities depreciation expense | <u>\$ 395,972</u> |
| Business-type activities: | |
| Solid waste | <u>\$ 43,368</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> |
|---------------------------------------|---|--|
| Airport Improvement Project (Phase 2) | \$ 10,811 | December, 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.

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 2004 and 2005:

| | <u>2004</u> | <u>2005</u> |
|---|------------------|----------------|
| Unpaid Claims, Beginning of Fiscal Year | \$ 48,812 | 72,894 |
| Plus: Incurred Claims (Including IBNRs) | 563,500 | 611,249 |
| Less: Claims Payments | <u>539,418</u> | <u>576,517</u> |
| Unpaid Claims, End of Fiscal Year | <u>\$ 72,894</u> | <u>107,626</u> |

CALHOUN 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:

| Classes of Property | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| Buildings | \$ 775,000 | |
| Mobile equipment | 1,014,981 | 280,519 |
| Furniture and equipment | 94,491 | |
| Total | 1,884,472 | 280,519 |
| Less: Accumulated depreciation | <u>502,017</u> | <u>97,899</u> |
| Leased Property Under Capital Leases | \$ <u>1,382,455</u> | <u>182,620</u> |

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

| Year Ending September 30 | Governmental Activities | | Business-type Activities | |
|--------------------------|--------------------------|----------------------|--------------------------|-----------------------|
| | Principal | Interest | Principal | Interest |
| 2006 | \$ 313,538 | 22,352 | 56,082 | 42,532 |
| 2007 | 179,530 | 13,071 | 56,824 | 43,308 |
| 2008 | 179,647 | 7,396 | 48,432 | 33,858 |
| 2009 | 54,640 | 1,723 | 31,966 | 14,963 |
| 2010 | <u>13,271</u> | <u>233</u> | <u>14,140</u> | <u>220</u> |
| Total | \$ <u>740,626</u> | <u>44,775</u> | <u>207,444</u> | <u>134,881</u> |

(11) Long-term Debt.

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

| Description and Purpose | Amount Outstanding | Interest Rate | Maturity Date |
|---------------------------------------|--------------------------|------------------|------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| District 1 road and bridge | \$ 20,000 | 6.00/6.25% | 10/07 |
| District 4 road and bridge | 30,000 | 6.00/6.25% | 10/07 |
| District 5 road and bridge | 30,000 | 6.00/6.25% | 10/07 |
| Jail construction | 270,000 | 5.00/5.20% | 08/08 |
| District 5 road and bridge | <u>100,000</u> | 4.70% | 07/11 |
| Total General Obligation Bonds | \$ <u>450,000</u> | | |

CALHOUN COUNTY

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

| Description and Purpose | Amount Outstanding | Interest Rate | Maturity Date |
|---|-----------------------|------------------|------------------|
| B. Capital Leases: | | | |
| E-911 equipment | \$ 19,009 | 4.33% | 08/06 |
| Chevy truck with dump body - District 1 | 7,517 | 4.99% | 07/06 |
| Tiger mower - District 2 | 4,861 | 4.09% | 06/06 |
| New Holland tractor - District 2 | 14,918 | 3.09% | 09/08 |
| Double drum roller - District 3 | 13,661 | 4.04% | 03/07 |
| Tiger mower - District 4 | 3,458 | 4.95% | 05/06 |
| Lee Boy Model 300 roller - District 4 | 7,094 | 3.37% | 05/08 |
| John Deere tractor - District 4 | 42,755 | 2.83% | 06/09 |
| Kenworth truck - District 5 | 31,185 | 3.04% | 04/09 |
| Palmer trailer - District 4 | 22,020 | 3.19% | 11/08 |
| Mack truck - District 1 | 82,770 | 3.19% | 08/08 |
| Mack truck - District 2 | 82,770 | 3.19% | 08/08 |
| Mack truck - District 3 | 82,760 | 3.19% | 08/08 |
| Mack truck - District 4 | 82,770 | 3.19% | 08/08 |
| Mack truck - District 4 | 76,416 | 3.19% | 11/08 |
| Lee Boy paver - Districts 1, 4 and 5 | 66,662 | 3.49% | 08/10 |
| Health building | <u>100,000</u> | 5.65% | 12/05 |
| Total Capital Leases | <u>\$ 740,626</u> | | |
| C. Other Loans: | | | |
| Feeder pig facility CAP loan | \$ 88,017 | 4.00% | 07/13 |
| Feeder pig facility CAP loan #2 | 80,914 | 4.95% | 07/14 |
| Horse arena CAP loan | 53,073 | 3.00% | 07/14 |
| Fire truck CAP Loan | <u>59,102</u> | 2.00% | 08/15 |
| Total Other Loans | <u>\$ 281,106</u> | | |
| Business-type Activities: | | | |
| Capital Leases: | | | |
| 2003 GMC truck with refuse loader | \$ 28,941 | 3.20% | 06/08 |
| 2003 GMC truck with refuse loader | 24,844 | 3.60% | 01/08 |
| Freightliner garbage truck | 74,491 | 2.90% | 05/09 |
| International garbage truck | <u>79,168</u> | 3.39% | 07/10 |
| Total Capital Leases | <u>\$ 207,444</u> | | |

CALHOUN COUNTY

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

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>General Obligation Bonds</u> | | <u>Other Loans</u> | |
|---------------------------------|---------------------------------|----------------------|-----------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2006 | \$ 140,000 | 22,181 | 27,187 | 10,521 |
| 2007 | 145,000 | 14,776 | 31,122 | 9,496 |
| 2008 | 110,000 | 8,230 | 32,314 | 8,307 |
| 2009 | 15,000 | 2,584 | 33,554 | 7,037 |
| 2010 | 20,000 | 1,880 | 34,847 | 5,778 |
| 2011 - 2015 | 20,000 | 940 | 122,082 | 9,352 |
| Total | \$ <u>450,000</u> | <u>50,591</u> | <u>281,106</u> | <u>50,491</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 amount of outstanding debt was equal to 0.65% of the latest property assessments.

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

| | <u>Balance</u> | | | | <u>Balance</u> | <u>Amount due</u> |
|----------------------------------|----------------------------|-----------------------|-----------------------|--------------------|-------------------------|-----------------------|
| | <u>Oct. 1, 2004</u> | <u>Additions</u> | <u>Reductions</u> | <u>Adjustments</u> | <u>Sept. 30, 2005</u> | <u>within one</u> |
| | | | | | | <u>year</u> |
| Governmental Activities: | | | | | | |
| Compensated absences | \$ 67,336 | 4,922 | | | 72,258 | |
| General obligation bonds | 585,000 | | 135,000 | | 450,000 | 140,000 |
| Capital leases | 441,370 | 497,006 | 197,750 | | 740,626 | 313,538 |
| Other loans | 247,851 | 60,000 | 26,745 | | 281,106 | 27,187 |
| Total | \$ <u>1,341,557</u> | <u>561,928</u> | <u>359,495</u> | <u>0</u> | <u>1,543,990</u> | <u>480,725</u> |
| Business-type Activities: | | | | | | |
| Compensated absences | \$ 8,119 | 1,809 | | | 9,928 | |
| Capital leases | 167,191 | 79,168 | 38,915 | | 207,444 | 56,082 |
| Total | \$ <u>175,310</u> | <u>80,977</u> | <u>38,915</u> | <u>0</u> | <u>217,372</u> | <u>56,082</u> |

(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.

CALHOUN COUNTY

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

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) 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, 2005</u> |
|--------------------------|--------------------------------------|
| Industrial revenue bonds | \$ 3,600,000 |
| Nursing home notes | <u>369,778</u> |
| Total | <u>\$ 3,969,778</u> |

(14) Related Organizations.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosascoona 1 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.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosascoona 2 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.

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

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

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

CALHOUN COUNTY

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

(15) 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 \$60,508 to the library in fiscal year 2005. Complete financial statements for the Regional Library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi 38863.

(16) 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 \$19,200 for support of the district in fiscal year 2005.

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 \$23,864 for support of the organization 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 Calhoun County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$133,635 for maintenance and support of the college in fiscal year 2005.

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 2005. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited.

(17) 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 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 \$187,244, \$164,248 and \$161,077, respectively, equal to the required contributions for each year.

CALHOUN COUNTY

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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, 2005

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 1,789,628 | 1,789,628 | 2,384,753 | 595,125 |
| Licenses, commissions and other revenue | 52,500 | 52,500 | 88,941 | 36,441 |
| Fines and forfeitures | 203,100 | 203,100 | 240,343 | 37,243 |
| Intergovernmental revenues | 528,000 | 528,000 | 609,945 | 81,945 |
| Charges for services | 90,000 | 90,000 | 129,990 | 39,990 |
| Interest income | 35,000 | 35,000 | 65,397 | 30,397 |
| Miscellaneous revenues | 23,000 | 23,000 | 20,878 | (2,122) |
| Total Revenues | <u>2,721,228</u> | <u>2,721,228</u> | <u>3,540,247</u> | <u>819,019</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,979,490 | 1,958,525 | 1,954,931 | 3,594 |
| Public safety | 710,882 | 694,282 | 693,173 | 1,109 |
| Health and welfare | 137,464 | 113,615 | 113,273 | 342 |
| Culture and recreation | 1,600 | 600 | 587 | 13 |
| Education | 247,000 | 247,000 | 218,969 | 28,031 |
| Conservation of natural resources | 54,092 | 60,092 | 56,999 | 3,093 |
| Economic development and assistance | 18,700 | 19,200 | 19,200 | |
| Total Expenditures | <u>3,149,228</u> | <u>3,093,314</u> | <u>3,057,132</u> | <u>36,182</u> |
| Excess of Revenues over (under) Expenditures | <u>(428,000)</u> | <u>(372,086)</u> | <u>483,115</u> | <u>855,201</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | | 100,000 | 10,000 | (90,000) |
| Transfers out | <u>(60,000)</u> | <u>(112,637)</u> | <u>(112,637)</u> | |
| Total Other Financing Sources and Uses | <u>(60,000)</u> | <u>(12,637)</u> | <u>(102,637)</u> | <u>(90,000)</u> |
| Net Change in Fund Balances | (488,000) | (384,723) | 380,478 | 765,201 |
| Fund Balances - Beginning | <u>534,786</u> | <u>534,786</u> | <u>2,577,844</u> | <u>2,043,058</u> |
| Fund Balances - Ending | <u>\$ 46,786</u> | <u>150,063</u> | <u>2,958,322</u> | <u>2,808,259</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 4 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 | \$ 120,000 | 124,200 | 124,274 | 74 |
| Road and bridge privilege taxes | 26,000 | 39,000 | 39,289 | 289 |
| Intergovernmental revenues | 120,900 | 161,700 | 524,607 | 362,907 |
| Interest income | 950 | 950 | 1,909 | 959 |
| Miscellaneous revenues | 1,400 | 18,400 | 18,473 | 73 |
| Total Revenues | <u>269,250</u> | <u>344,250</u> | <u>708,552</u> | <u>364,302</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 243,250 | 571,850 | 570,983 | 867 |
| Debt service: | | | | |
| Principal | 26,000 | 24,894 | 24,894 | |
| Interest | | 2,206 | 2,117 | 89 |
| Total Expenditures | <u>269,250</u> | <u>598,950</u> | <u>597,994</u> | <u>956</u> |
| Excess of Revenues over (under) Expenditures | <u>0</u> | <u>(254,700)</u> | <u>110,558</u> | <u>365,258</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | | 409,700 | 119 | (409,581) |
| Transfers in | | | 1,475 | 1,475 |
| Transfers out | | (155,000) | (154,708) | 292 |
| Total Other Financing Sources and Uses | <u>0</u> | <u>254,700</u> | <u>(153,114)</u> | <u>(407,814)</u> |
| Net Change in Fund Balances | 0 | 0 | (42,556) | (42,556) |
| Fund Balances - Beginning | <u>0</u> | <u>0</u> | <u>28,528</u> | <u>28,528</u> |
| Fund Balances - Ending | <u>\$ 0</u> | <u>0</u> | <u>(14,028)</u> | <u>(14,028)</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, 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> | |
|--|--------------------------------|---|
| | General | District 4 Road Maintenance Fund |
| | <u>Fund</u> | <u>Fund</u> |
| Budget (Cash Basis) | \$ 380,478 | (42,556) |
| Increase (Decrease) | | |
| Net adjustments for revenue accruals | (246,598) | 35,288 |
| Net adjustments for expenditure accruals | <u>91,510</u> | <u>3,327</u> |
| GAAP Basis | <u>\$ 225,390</u> | <u>(3,941)</u> |

CALHOUN COUNTY

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CALHOUN COUNTY

SPECIAL REPORTS

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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, 2005, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 22, 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. 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 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.

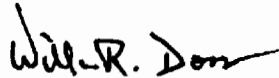
Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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

September 22, 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, 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 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.

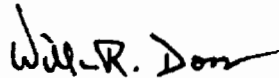
In our opinion, Calhoun County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

September 22, 2006

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

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, 2005

Schedule 2

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, 2005

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|---------------------------|------------------------|-------------------------------|
| 07/01/05 | NCIC machine router | \$ 13,422 | Business Communications, Inc. |

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CALHOUN COUNTY

SCHEDULE OF FINDINGS

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CALHOUN COUNTY

Schedule of Findings
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 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 financial statements? | 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*.