



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

PHIL BRYANT
State Auditor

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CARROLL COUNTY, MISSISSIPPI

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

CARROLL COUNTY

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CARROLL COUNTY

FINANCIAL SECTION

CARROLL COUNTY

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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
Carroll 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 Carroll 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 Carroll 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 Carroll County, Mississippi, as of September 30, 2005, and the respective changes in its financial position and cash flows, where applicable, 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, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Carroll 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 11, 2006, on our consideration of Carroll 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.

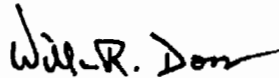
Carroll County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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 Carroll County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



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

September 11, 2006

CARROLL COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

CARROLL COUNTY
Statement of Net Assets
September 30, 2005

Exhibit I

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 4,064,730	2,107,950	6,172,680
Accrued interest receivable	160		160
Property tax receivable	3,700,945		3,700,945
Accounts receivable (net of allowance for uncollectibles of \$175,891)	124,527		124,527
Fines receivable (net of allowance for uncollectibles of \$473,220)	259,422		259,422
Intergovernmental receivables	136,826	116,454	253,280
Other receivables	19,497	4,162	23,659
Special assessments receivable	41,865		41,865
Capital assets, net	6,405,409	4,004,887	10,410,296
Total Assets	14,753,381	6,233,453	20,986,834
LIABILITIES			
Claims payable	221,548	58,461	280,009
Intergovernmental payables	57,834		57,834
Accrued interest payable	16,177	81,637	97,814
Unearned revenue	3,742,810		3,742,810
Long-term liabilities			
Due within one year:			
Capital debt	431,301	271,235	702,536
Due in more than one year:			
Capital debt	1,472,789	4,468,977	5,941,766
Total Liabilities	5,942,459	4,880,310	10,822,769
NET ASSETS			
Invested in capital assets, net of related debt	4,501,319	(735,325)	3,765,994
Restricted:			
Expendable:			
General government	624,120		624,120
Debt service	210,760	507,568	718,328
Public safety	410,590	1,580,900	1,991,490
Public works	1,707,568		1,707,568
Culture and recreation	183,675		183,675
Unrestricted	1,172,890		1,172,890
Total Net Assets	\$ 8,810,922	1,353,143	10,164,065

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

CARROLL 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	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,020,127	343,636			(1,676,491)		(1,676,491)
Public safety	1,050,303	100,734	1,902	236,356	(711,311)		(711,311)
Public works	1,506,163	435,438	593,690	174,572	(302,463)		(302,463)
Health and welfare	144,378		25,136	7,912	(111,330)		(111,330)
Culture and recreation	55,878		34,321		(21,557)		(21,557)
Conservation of natural resources	70,546				(70,546)		(70,546)
Economic development and assistance	12,981				(12,981)		(12,981)
Interest on long-term debt	88,009				(88,009)		(88,009)
Total Governmental Activities	<u>4,948,385</u>	<u>879,808</u>	<u>655,049</u>	<u>418,840</u>	<u>(2,994,688)</u>	<u>0</u>	<u>(2,994,688)</u>
Business-type activities:							
Regional jail	<u>2,523,082</u>	<u>2,835,782</u>	<u>61,639</u>			<u>374,339</u>	<u>374,339</u>
Total Business-type Activities	<u>2,523,082</u>	<u>2,835,782</u>	<u>61,639</u>	<u>0</u>	<u>0</u>	<u>374,339</u>	<u>374,339</u>
Total Primary Government	<u>\$ 7,471,467</u>	<u>3,715,590</u>	<u>716,688</u>	<u>418,840</u>	<u>(2,994,688)</u>	<u>374,339</u>	<u>(2,620,349)</u>
General revenues:							
Property taxes					\$ 3,589,280		3,589,280
Road & bridge privilege taxes					130,251		130,251
Grants and contributions not restricted to specific programs					184,132		184,132
Unrestricted gifts and donations					3,000		3,000
Unrestricted interest income					56,020	46,910	102,930
Miscellaneous					253,882		253,882
Total General Revenues					<u>4,216,565</u>	<u>46,910</u>	<u>4,263,475</u>
Changes in Net Assets					<u>1,221,877</u>	<u>421,249</u>	<u>1,643,126</u>
Net Assets - Beginning					7,588,245	932,694	8,520,939
Prior period adjustment					800	(800)	0
Net Assets - Beginning, as restated					<u>7,589,045</u>	<u>931,894</u>	<u>8,520,939</u>
Net Assets - Ending					<u>\$ 8,810,922</u>	<u>1,353,143</u>	<u>10,164,065</u>

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

CARROLL COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2005

Exhibit 3

	<u>Major Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Bridge Fund</u>	<u>Other Governmental Funds</u>	
ASSETS				
Cash	\$ 976,470	741,706	2,346,554	4,064,730
Accrued interest receivable	25	38	97	160
Property tax receivable	2,473,645	415,000	812,300	3,700,945
Accounts receivable (net of allowance for uncollectibles of \$175,891)			124,527	124,527
Fines receivable (net of allowance for uncollectibles of \$473,220)	259,422			259,422
Intergovernmental receivables	82,302		54,524	136,826
Other receivables	12,048		7,449	19,497
Due from other funds		10,593	32,259	42,852
Special assessments receivable			41,865	41,865
Total Assets	<u>\$ 3,803,912</u>	<u>1,167,337</u>	<u>3,419,575</u>	<u>8,390,824</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 56,691	16,390	148,467	221,548
Intergovernmental payables	57,834			57,834
Due to other funds	42,852			42,852
Deferred revenue	259,422		124,527	383,949
Unearned revenue	2,473,645	415,000	854,165	3,742,810
Total Liabilities	<u>2,890,444</u>	<u>431,390</u>	<u>1,127,159</u>	<u>4,448,993</u>
Fund balances:				
Reserved for:				
Debt service			226,937	226,937
Unreserved, reported in:				
General Fund	913,468			913,468
Special Revenue Funds		735,947	2,065,479	2,801,426
Total Fund Balances	<u>913,468</u>	<u>735,947</u>	<u>2,292,416</u>	<u>3,941,831</u>
Total Liabilities and Fund Balances	<u>\$ 3,803,912</u>	<u>1,167,337</u>	<u>3,419,575</u>	<u>8,390,824</u>

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

CARROLL 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	\$ 3,941,831
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$3,928,699.	6,405,409
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	383,949
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(1,904,090)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(16,177)</u>
Total Net Assets - Governmental Activities	<u>\$ 8,810,922</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		Other Governmental Funds	Total Governmental Funds
	General Fund	Bridge Fund		
REVENUES				
Property taxes	\$ 2,325,219	427,181	836,880	3,589,280
Road and bridge privilege taxes			130,251	130,251
Licenses, commissions and other revenue	73,825		816	74,641
Fines and forfeitures	172,466		3,694	176,160
Special assessments			15,114	15,114
Intergovernmental revenues	332,001	1,319	912,587	1,245,907
Charges for services			513,417	513,417
Interest income	21,326	11,777	22,917	56,020
Miscellaneous revenues	9,927		235,665	245,592
Total Revenues	<u>2,934,764</u>	<u>440,277</u>	<u>2,671,341</u>	<u>6,046,382</u>
EXPENDITURES				
Current:				
General government	1,876,143		132,247	2,008,390
Public safety	813,071		448,507	1,261,578
Public works		241,386	1,839,374	2,080,760
Health and welfare	135,321		3,767	139,088
Culture and recreation	60,500		33,928	94,428
Conservation of natural resources	68,953			68,953
Economic development and assistance	12,606		375	12,981
Debt service:				
Principal	7,676	24,098	452,678	484,452
Interest	551	2,447	83,366	86,364
Total Expenditures	<u>2,974,821</u>	<u>267,931</u>	<u>2,994,242</u>	<u>6,236,994</u>
Excess of Revenues over (under) Expenditures	<u>(40,057)</u>	<u>172,346</u>	<u>(322,901)</u>	<u>(190,612)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			141,220	141,220
Transfers in	25		425,291	425,316
Transfers out	(175,000)	(250,000)	(316)	(425,316)
Total Other Financing Sources and Uses	<u>(174,975)</u>	<u>(250,000)</u>	<u>566,195</u>	<u>141,220</u>
Net Changes in Fund Balances	(215,032)	(77,654)	243,294	(49,392)
Fund Balances - Beginning	<u>1,128,500</u>	<u>813,601</u>	<u>2,049,122</u>	<u>3,991,223</u>
Fund Balances - Ending	<u>\$ 913,468</u>	<u>735,947</u>	<u>2,292,416</u>	<u>3,941,831</u>

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

CARROLL 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	\$ (49,392)
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 \$1,214,035 exceeded depreciation of \$393,233 in the current period.	820,802
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 loss on disposal of assets in the current period.	(6,710)
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.	107,245
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.	8,345
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 \$484,452 exceeded debt proceeds of \$141,220.	343,232
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 the amount of the increase in accrued interest payable.	<u>(1,645)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,221,877</u>

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

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

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>CMRCF</u> <u>Fund</u>
ASSETS	
Current assets:	
Cash	\$ 2,107,950
Intergovernmental receivables	116,454
Other receivables	4,162
Total Current Assets	<u>2,228,566</u>
Noncurrent assets:	
Capital assets, net	4,004,887
Total Noncurrent Assets	<u>4,004,887</u>
Total Assets	<u>6,233,453</u>
LIABILITIES	
Current liabilities:	
Claims payable	58,461
Accrued interest payable	81,637
Current portions of long-term capital-related debt:	
Capital leases payable	11,235
Current portions of other long-term liabilities	260,000
Total Current Liabilities	<u>411,333</u>
Noncurrent liabilities:	
Capital-related debt:	
Capital leases payable	13,977
Other long-term liabilities	4,455,000
Total Noncurrent Liabilities	<u>4,468,977</u>
NET ASSETS	
Invested in capital assets, net of related debt	(735,325)
Restricted for debt service	507,568
Restricted for public safety	1,580,900
Total Net Assets	<u>\$ 1,353,143</u>

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

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
 For the Year Ended September 30, 2005

	Business-type Activities - Enterprise Funds
	CMRCF Fund
Operating Revenues	
Charges for services	\$ 2,835,782
Miscellaneous	61,639
Total Operating Revenues	<u>2,897,421</u>
Operating Expenses	
Personal services	1,421,744
Contractual services	321,394
Materials and supplies	378,251
Depreciation expense	109,379
Indirect administrative cost	32,420
Total Operating Expenses	<u>2,263,188</u>
Operating Income (Loss)	<u>634,233</u>
Nonoperating Revenues (Expenses)	
Interest income	46,910
Interest expense	(259,894)
Net Nonoperating Revenue (Expenses)	<u>(212,984)</u>
Changes in Net Assets	<u>421,249</u>
Net Assets - Beginning	932,694
Prior period adjustment	(800)
Net Assets - Beginning, as restated	<u>931,894</u>
Net Assets - Ending	<u>\$ 1,353,143</u>

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

CARROLL COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2005

Exhibit 7

	Business-type Activities - Enterprise Funds
	<u>CMRCF</u> <u>Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,775,456
Payments to suppliers	(377,864)
Payments to employees	(1,409,815)
Payments for contractual services	(333,323)
Payments to General Fund for indirect costs	(32,420)
Other operating cash receipts	63,548
Net Cash Provided (Used) by Operating Activities	<u>685,582</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(5,000)
Principal paid on long-term debt	(257,618)
Interest paid on debt	(267,327)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(529,945)</u>
Cash Flows From Investing Activities	
Interest on deposits	46,910
Net Cash Provided (Used) by Investing Activities	<u>46,910</u>
Net Increase (Decrease) in Cash and Cash Equivalents	202,547
Cash and Cash Equivalents at Beginning of Year	<u>1,905,403</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,107,950</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>634,233</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	109,379
Changes in assets and liabilities:	
(Increase) decrease in intergovernmental receivable	(59,311)
(Increase) decrease in other receivables	894
Increase (decrease) in claims payable	387
Total Adjustments	<u>51,349</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 685,582</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 7,802
Total Assets	<u>\$ 7,802</u>
LIABILITIES	
Amounts held in custody for others	\$ 7,802
Total Liabilities	<u>\$ 7,802</u>

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

CARROLL COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Carroll 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 Carroll 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.

- Carroll County Library System

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 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.

CARROLL 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 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.

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

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

CARROLL COUNTY

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

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.

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

The county reports the following major Proprietary Fund:

Carroll-Montgomery Regional Correctional Facility (CMRCF) - This fund is used to account for the county's activities of operating the correctional facility.

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.

CARROLL COUNTY

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

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. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Restricted Assets.

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use nonrestricted assets first.

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. Carroll 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.

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.

CARROLL 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.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

J. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary 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."

CARROLL COUNTY

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

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.

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.

(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.

CARROLL COUNTY

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

(3) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct errors in capital assets, net of accumulated depreciation - governmental activities	\$ 800
To correct errors in capital assets, net of accumulated depreciation - business-type activities	<u>(800)</u>
Total prior period adjustment	<u>\$ 0</u>

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

Explanation	Amount
To correct errors in capital assets, net of accumulated depreciation	<u>\$ (800)</u>

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$6,180,482, and the bank balance was \$6,443,406. 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.

(5) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Bridge	General	\$ 10,593
Other Governmental Funds	General	<u>32,259</u>
Total		<u>\$ 42,852</u>

CARROLL COUNTY

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

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.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 25
Other Governmental Funds	General Fund	175,000
Other Governmental Funds	Bridge Fund	250,000
Other Governmental Funds	Other Governmental Funds	<u>291</u>
 Total		 \$ <u><u>425,316</u></u>

The purposes of the \$175,000 General Fund transfer was to distribute county escrow funds, to provide for the construction of the ball park and to distribute fire rebate funds. The \$250,000 transfer from the Bridge Fund to other governmental funds was for repayment of culvert, diesel, gasoline and labor costs for the past five years. The other transfers were to transfer the remaining money in funds no longer used. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 72,776
Reimbursement for food stamps	8,789
Timber severance tax	737
Garbage fees	2,000
Motor vehicle tax	18,035
Truck & bus privilege tax	6,340
Harvest permits	985
Overweight fines	2,700
Reimbursement for state aid roads	<u>24,464</u>
 Total Governmental Activities	 \$ <u><u>136,826</u></u>
Business-type Activities:	
Reimbursement for medical services	\$ 318
Reimbursement for housing prisoners	<u>116,136</u>
 Total Business-type Activities	 \$ <u><u>116,454</u></u>

CARROLL COUNTY

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

(7) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments *	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 174,919				174,919
Construction in progress	2,935,025	749,441		(1,287,188)	2,397,278
Total non-depreciable capital assets	<u>3,109,944</u>	<u>749,441</u>	<u>0</u>	<u>(1,287,188)</u>	<u>2,572,197</u>
<u>Depreciable capital assets:</u>					
Infrastructure	17,260	14,800		1,287,188	1,319,248
Buildings	839,774				839,774
Mobile equipment	3,591,970	308,374	32,000	205,296	4,073,640
Furniture and equipment	159,570			7,041	166,611
Leased property under capital leases	1,425,555	141,420		(204,337)	1,362,638
Total depreciable capital assets	<u>6,034,129</u>	<u>464,594</u>	<u>32,000</u>	<u>1,295,188</u>	<u>7,761,911</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	1,208	50,376			51,584
Buildings	348,581	15,430			364,011
Mobile equipment	2,676,484	169,002	25,290	118,654	2,938,850
Furniture and equipment	143,153	3,019		5,069	151,241
Leased property under capital leases	384,130	155,406		(116,523)	423,013
Total accumulated depreciation	<u>3,553,556</u>	<u>393,233</u>	<u>25,290</u>	<u>7,200</u>	<u>3,928,699</u>
Total depreciable capital assets, net	<u>2,480,573</u>	<u>71,361</u>	<u>6,710</u>	<u>1,287,988</u>	<u>3,833,212</u>
Governmental activities capital assets, net	<u>\$ 5,590,517</u>	<u>820,802</u>	<u>6,710</u>	<u>800</u>	<u>6,405,409</u>

Business-type activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments *	Balance Sept. 30, 2005
<u>Depreciable capital assets:</u>					
Buildings	4,575,063				4,575,063
Mobile equipment	91,716	5,000		(8,000)	88,716
Furniture and equipment	211,290				211,290
Leased property under capital leases	48,001				48,001
Total depreciable capital assets	<u>4,926,070</u>	<u>5,000</u>	<u>0</u>	<u>(8,000)</u>	<u>4,923,070</u>

CARROLL 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	549,008	91,501			640,509
Mobile equipment	66,375	9,239		(7,200)	68,414
Furniture and equipment	190,161				190,161
Leased property under capital leases	10,460	8,639			19,099
Total accumulated depreciation	<u>816,004</u>	<u>109,379</u>	<u>0</u>	<u>(7,200)</u>	<u>918,183</u>
 Total depreciable capital assets, net	 <u>4,110,066</u>	 <u>(104,379)</u>	 <u>0</u>	 <u>(800)</u>	 <u>4,004,887</u>
 Business-type activities capital assets, net	 <u>\$ 4,110,066</u>	 <u>(104,379)</u>	 <u>0</u>	 <u>(800)</u>	 <u>4,004,887</u>

The building for the CMRCF is constructed on sixteenth section land that is not owned by the county.

* Adjustments are to correct a prior year error, to reclassify completed construction in progress to infrastructure and to reclassify paid out lease purchases to their proper classifications.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 11,737
Public safety	90,629
Public works	283,984
Health and welfare	5,290
Conservation of natural resources	1,593
 Total governmental activities depreciation expense	 <u>\$ 393,233</u>
 Business-type activities:	
Regional jail	\$ <u>109,379</u>

Commitments with respect to unfinished capital projects at September 30, 2005, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Ball park	\$ 87,420	June 2006
Greenwood-Blackhawk Road	15,349	October 2005
McCarley-Vaiden Road bridge	25,590	October 2005
Vaiden-Kilmichael Road bridge	125,654	April 2006

CARROLL COUNTY

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

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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.

(9) 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
Mobile equipment	\$ 1,362,638	37,882
Other furniture and equipment		10,119
Total	1,362,638	48,001
Less: Accumulated depreciation	423,013	19,099
Leased Property Under Capital Leases	\$ <u>939,625</u>	<u>28,902</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	\$ 275,655	19,245	11,235	629
2007	174,732	10,107	9,800	307
2008	134,550	5,276	4,177	34
2009	66,944	1,575		
2010	7,855	103		
Total	\$ <u>659,736</u>	<u>36,306</u>	<u>25,212</u>	<u>970</u>

CARROLL COUNTY

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

(10) 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. General Obligation Bonds:			
1998 refunding bonds	\$ <u>1,035,000</u>	4.15/4.50%	07/12
B. Special Assessment Debt with Commitments			
Wildridge Estates Road *	\$ 28,498	6.00%	04/16
County Road 313 **	<u>13,367</u>	5.00%	06/14
Total Special Assessment Debt with Commitments	\$ <u>41,865</u>		
C. Capital Leases:			
Garbage cans	\$ 3,465	5.57%	03/06
Garbage cans	11,905	5.57%	03/06
Garbage truck	36,444	3.20%	03/08
Garbage trucks	36,425	4.99%	04/06
2003 Sterling Acterra M8500 truck with body	31,636	3.62%	09/07
1997 Caterpillar motor grader	18,415	4.80%	08/06
John Deere 670B motor grader	17,656	4.34%	10/06
2001 Chevrolet truck	561	4.34%	10/05
Used 690 E excavator	1,230	5.29%	10/05
2001 Ford 350 pickup	1,514	4.99%	04/06
2002 New Holland TS110 tractor with boom mower	8,011	4.40%	03/06
Mita KM 3530 copier	206	3.65%	10/05
John Deere excavator model 200 CL	72,153	2.87%	07/08
John Deere 310 SG backhoe	29,719	3.20%	04/08
1995 John Deere excavator	16,665	2.96%	05/08
315C excavator	49,353	2.87%	09/08
2004 F250 Ford pickup	12,418	3.25%	12/07
2001 Linkbelt excavator model 210 LX	71,281	3.14%	08/09
2000 Ford pickup 4X4	12,187	2.97%	11/08
2000 12H motor grader	66,640	3.29%	10/09
1999 CXL dozer	48,640	3.50%	05/09
1998 Freightliner	52,866	3.95%	07/09
2005 Dodge Ram 4X4	21,448	4.14%	06/10
5610 II 4X4 Ford tractor	9,884	3.81%	12/06
1987 Mack dump truck	9,144	3.25%	11/07
2005 Dodge Ram	<u>19,870</u>	3.91%	04/10
Total Capital Leases	\$ <u>659,736</u>		

CARROLL COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
D. Other Loans:			
CAP loan 242 fire protection	\$ 23,366	3.00%	02/09
CAP loan 299 fire protection	34,665	3.00%	09/10
CAP loan 329 fire protection	45,546	3.00%	11/11
CAP loan - fire protection	<u>63,912</u>	2.00%	05/13
Total Other Loans	<u>\$ 167,489</u>		

Business-type Activities:

A. Limited Obligation Bonds:			
Urban renewal revenue bonds ***	\$ <u>4,715,000</u>	5.00/6.25%	12/17
B. Capital Leases:			
Toshiba digital 550 copier	\$ 1,745	3.29%	03/06
2004 Ford Crown Victoria	12,231	3.22%	02/08
2004 Ford E350 van	<u>11,236</u>	3.22%	02/08
Total Capital Leases	<u>\$ 25,212</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2006	\$ 125,000	45,133
2007	130,000	39,882
2008	140,000	34,358
2009	150,000	28,337
2010	155,000	21,813
2011 - 2015	<u>335,000</u>	<u>22,643</u>
Total	<u>\$ 1,035,000</u>	<u>192,166</u>

CARROLL COUNTY

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

<u>Year Ending September 30</u>	<u>Special Assessment Debt</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 3,116	2,376	27,530	4,040
2007	3,290	2,202	28,290	3,280
2008	3,473	2,019	29,130	2,441
2009	3,670	1,822	25,656	1,721
2010	3,876	1,616	23,352	1,033
2011 - 2015	21,021	4,554	33,531	890
2016 - 2020	3,419	191		
Total	\$ <u>41,865</u>	<u>14,780</u>	<u>167,489</u>	<u>13,405</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 260,000	244,911
2007	275,000	228,193
2008	290,000	212,204
2009	305,000	197,184
2010	320,000	181,399
2011 - 2015	1,880,000	631,067
2016 - 2020	1,385,000	114,084
Total	\$ <u>4,715,000</u>	<u>1,809,042</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 1.49% of the latest property assessments.

Special Assessment Debt with Commitments

- * Special assessment debt of \$35,905 was issued on September 14, 2001, to pave roads under the provisions of Section 65-19-88, Miss. Code Ann. (1972). A special assessment tax was levied against all of the benefitted property owners. The other benefitted owners agreed to share in the levied taxes of one owner who would not participate. The county will levy annually this special assessment tax upon all taxable property in the benefitted area of the Wildridge Estates subdivision adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same falls due over a period of fifteen years. The principal balance outstanding at September 30, 2005 is \$28,498.

CARROLL COUNTY

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

** Special assessment debt of \$14,800 was issued on October 4, 2004, to pave roads under the provisions of Section 65-19-88, Miss. Code Ann. (1972). A special assessment tax was levied against all of the benefitted property owners. The county will levy annually this special assessment tax upon all taxable property in the benefitted area of County Road 313 adequate and sufficient to provide for the payment of the principal and interest on the bonds as the same falls due over a period of ten years. The principal balance outstanding at September 30, 2005, is \$13,367.

Limited Obligation Bonds

*** Limited obligation urban renewal bonds, designed as “qualified tax exempt obligations” for purposes of Section 265 of the Internal Revenue Code of 1986, were issued with a face value of \$5,800,000 for the purpose of financing the construction and equipping of the Carroll-Montgomery Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. The sole source of payment for the revenue bonds is income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners.

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

	Balance Oct. 1, 2004	Additions	Reductions	Adjustments	Balance Sept. 30, 2005	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,155,000		120,000		1,035,000	125,000
Special assessment debt with commitments	48,476	14,800	21,411		41,865	3,116
Capital leases	849,577	126,420	316,261		659,736	275,655
Other loans	194,269		26,780		167,489	27,530
Total	\$ 2,247,322	141,220	484,452	0	1,904,090	431,301
Business-type Activities:						
Limited obligation bonds	\$ 4,960,000		245,000		4,715,000	260,000
Capital leases	37,830		12,618		25,212	11,235
Total	\$ 4,997,830	0	257,618	0	4,740,212	271,235

(11) Contingencies.

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

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

CARROLL COUNTY

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

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Carroll County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$144,765 for maintenance and support of the college in fiscal year 2005.

North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Carroll County Board of Supervisors appoints four of the 28 members of the district board of directors. The county appropriated \$12,606 for support of the district in fiscal year 2005.

Region Six Mental Health/Mental Retardation Center Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Carroll County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$25,000 for support of the center in fiscal year 2005.

Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Carroll County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The county appropriated \$2,686 for the support of the district in fiscal year 2005.

Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Carroll County Board of Supervisors appoints one of the nine members of the board of commissioners. The county did not appropriate for the support of the authority in fiscal year 2005.

(13) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 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 \$292,666, \$262,839 and \$262,537, respectively, equal to the required contributions for each year.

CARROLL COUNTY

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

(14) Subsequent Events.

Subsequent to September 30, 2005, Carroll 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>
10/05	4.25%	\$ 56,000	Lease purchase	Ad valorem taxes
02/06	3.00%	750,000	CAP loan	Capital lease payments

CARROLL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CARROLL COUNTY

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CARROLL 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	\$ 2,448,778	2,225,764	2,315,776	90,012
Road and bridge privilege taxes	55,031	95,000		(95,000)
Licenses, commissions and other revenue	68,745	74,100	74,858	758
Fines and forfeitures	161,969	155,000	172,466	17,466
Intergovernmental revenues	186,193	251,286	330,239	78,953
Interest income	21,062	26,900	21,089	(5,811)
Miscellaneous revenues	3,358	5,020	9,801	4,781
Total Revenues	<u>2,945,136</u>	<u>2,833,070</u>	<u>2,924,229</u>	<u>91,159</u>
EXPENDITURES				
Current:				
General government	1,852,623	1,925,537	1,925,537	
Public safety	660,171	809,885	809,885	
Health and welfare	144,247	135,830	135,830	
Culture and recreation	60,500	60,500	60,500	
Conservation of natural resources	75,089	68,533	68,533	
Economic development and assistance	12,606	12,606	12,606	
Debt service:				
Principal		7,674	7,674	
Interest		553	553	
Total Expenditures	<u>2,805,236</u>	<u>3,021,118</u>	<u>3,021,118</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>139,900</u>	<u>(188,048)</u>	<u>(96,889)</u>	<u>91,159</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets			8,772	8,772
Transfers in			32,445	32,445
Transfers out	(126,000)	(175,000)	(175,000)	
Total Other Financing Sources and Uses	<u>(126,000)</u>	<u>(175,000)</u>	<u>(133,783)</u>	<u>41,217</u>
Net Change in Fund Balance	13,900	(363,048)	(230,672)	132,376
Fund Balances - Beginning	<u>1,035,000</u>	<u>1,300,000</u>	<u>1,128,500</u>	<u>(171,500)</u>
Fund Balances - Ending	<u>\$ 1,048,900</u>	<u>936,952</u>	<u>897,828</u>	<u>(39,124)</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 403,000	383,110	425,674	42,564
Intergovernmental revenues			137,868	137,868
Interest income	<u>5,000</u>	<u>5,000</u>	<u>11,763</u>	<u>6,763</u>
Total Revenues	<u>408,000</u>	<u>388,110</u>	<u>575,305</u>	<u>187,195</u>
EXPENDITURES				
Current:				
Public works	276,973	264,221	264,221	
Debt service:				
Principal		24,098	24,098	
Interest		<u>2,447</u>	<u>2,447</u>	
Total Expenditures	<u>276,973</u>	<u>290,766</u>	<u>290,766</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>131,027</u>	<u>97,344</u>	<u>284,539</u>	<u>187,195</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(250,000)	(250,000)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>0</u>
Net Change in Fund Balance	131,027	(152,656)	34,539	187,195
Fund Balances - Beginning	<u>650,000</u>	<u>657,776</u>	<u>813,601</u>	<u>155,825</u>
Fund Balances - Ending	<u>\$ 781,027</u>	<u>505,120</u>	<u>848,140</u>	<u>343,020</u>

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

CARROLL 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:

	Governmental Fund Types	
	General Fund	Bridge Fund
Budget (Cash Basis)	\$ (230,672)	34,539
Increase (Decrease)		
Net adjustments for revenue accruals	(30,657)	(135,028)
Net adjustments for expenditure accruals	46,297	22,835
GAAP Basis	\$ (215,032)	(77,654)

CARROLL COUNTY

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CARROLL COUNTY

SUPPLEMENTAL INFORMATION

CARROLL COUNTY

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CARROLL COUNTY

Reconciliation of Operating Costs of Solid Waste

For the Year Ended September 30, 2005

Operating Expenditures, Cash Basis:

Salaries	\$	224,993
Expendable Commodities:		
Gasoline and petroleum products		16,473
Repair parts		1,797
Truck rentals		9,000
Repairs and maintenance		24,818
Solid waste disposal fee		80,107
Supplies		<u>11,018</u>
Solid Waste Cash Basis Operating Expenditures		368,206
Full Cost Expenses:		
Indirect administrative costs		7,470
Depreciation on equipment		38,854
Net effect of other accrued expenses		<u>17,519</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>432,049</u></u>

CARROLL COUNTY

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

Members of the Board of Supervisors
Carroll County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Carroll 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 September 11, 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 Carroll 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Carroll County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 05-1, 05-2, 05-3 and 05-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

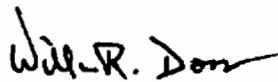
As part of obtaining reasonable assurance about whether Carroll County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which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

However, we noted a certain instance of noncompliance which we have reported to the management of Carroll County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated September 11, 2006, included within this document.

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 11, 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
Carroll County, Mississippi

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

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

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the county to establish and maintain an inventory control system. As reported in the last three years' audit reports, the Inventory Control Clerk did not tag all assets with a property number. In addition, these inventory items were never assigned property numbers.

Recommendation

The Inventory Control Clerk should assign a unique property number to each asset and properly tag all items with the property number listed in the capital assets ledger.

Inventory Control Clerk's Response

I will comply.

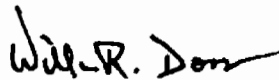
In our opinion, except for the noncompliance referred to in the preceding paragraph, Carroll County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 Carroll 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 11, 2006

CARROLL 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.

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

Schedule 2

Our test results did not identify any emergency purchases.

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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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CARROLL COUNTY

SCHEDULE OF FINDINGS

CARROLL COUNTY

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CARROLL 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 primary government financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the primary government financial statements? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

05-1. Finding

As reported in the prior year's audit report, we noted an internal weakness in the reporting of solid waste aging of accounts receivable. The total accounts receivable does not equal the sum of accounts receivable by aging category.

Recommendation.

The Board of Supervisors should take steps to ensure that the aging of accounts receivable is properly recorded both in total and aging category.

Board of Supervisors' Response

Our software provider is in the process of correcting this. It should be completed by December 31, 2006.

Chancery Clerk.

05-2. Finding

An effective system of internal control includes a separation of duties. As reported in the last twelve years' audit reports, observations revealed that there is not an adequate separation of duties in the accounting functions. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

Accounting functions involving receipting and disbursing of funds, recording transactions and reconciling accounts should be performed by different people.

Chancery Clerk's Response

We are in the process of solving this problem. It should be completed by December 31, 2006.

CARROLL COUNTY

Schedule of Findings
For the Year Ended September 30, 2005

Inventory Control Clerk.

05-3. Finding

As reported in the last three year's audit reports, we noted that certain items were not tagged with an inventory number to identify the asset as property of Carroll County. Failure to properly tag capital assets could result in the loss or misuse of these assets.

Recommendation

The Inventory Control Clerk should properly tag all items with the inventory number listed in the capital assets ledger.

Inventory Control Clerk's Response

I will comply.

Tax Assessor-Collector.

05-4. Finding

An effective system of internal control includes a separation of duties. As reported in the last three year's audit reports, we noted that there was no separation of duties in the collecting, receipting, depositing and disbursing of funds. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of funds.

Recommendation

The Tax Assessor-Collector should separate cash collection, deposit preparation and cash disbursement duties from cash recording responsibilities when practicable.

Tax Assessor-Collector's Response

Because of limited staff, we are trying to separate the duties the best that we can. We are in the process of trying to improve this matter.