





GRENADA COUNTY, MISSISSIPPI  
AUDITED FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2005



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SEPTEMBER 30, 2005**

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INDEPENDENT AUDITORS' REPORT ON THE  
PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors  
Grenada County, Mississippi

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

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

The financial statements referred to above include only the primary government of Grenada 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 units, 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 Grenada County, Mississippi, as of September 30, 2005, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Grenada County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the years 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 a report dated October 11, 2006, on our consideration of Grenada County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 and the Budgetary Comparison Schedule and corresponding notes on pages 31 through 33 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 inquires 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.

*Brauner, Van Stey + Co. P.A.*  
October 11, 2006  
Booneville, Mississippi

**GRENADA COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

The discussion and analysis of Grenada County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2005. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance. Information contained in this selection is qualified by the more detailed information contained elsewhere in this County's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the County's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

**FINANCIAL HIGHLIGHTS**

Total net assets increased \$2,762,709, which represents a 12% increase from prior fiscal year.

General revenues account for \$8,553,060 in revenue, or 62.5% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$5,137,735 or 37.54% of total revenues.

The County had \$10,928,086 in expenses; only \$5,137,735 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$8,553,060 were adequate to provide for these programs.

Among major funds, the General Fund had \$5,756,243 in revenues and \$5,447,074 in expenditures. The General Fund's fund balance increased \$25,793 under the prior year.

Capital assets, net of accumulated depreciation, increased by \$1,940,909. This increase was due primarily because of the correction of prior years depreciation.

Long-term debt increased by \$1,322,556.

**OVERVIEW OF FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

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

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

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Education, Conservation of Natural Resources, Economic Development and Assistance and Interest on long-term liabilities.

The government-wide financial statements can be found on pages 9-10 of this report.

**GRENADA COUNTY MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the County's operations.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 12 and 14, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The County's fiduciary activities are presented in separate Statement of Fiduciary Net Assets and changes in Fiduciary Net Assets on pages 15-16.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-30 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 31-33 of this report.

**GRENADA COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$26,355,240 as of September 30, 2005.

By far the largest portion of the County's net assets, 83.47% reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture and equipment, leased property under capital leases and construction in progress), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending.

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2005 and September 30, 2004.

	2005 Amounts	2004 Amounts	Net Change	% Change
Current assets	\$ 8,622,197	\$ 6,318,377	2,303,820	36.5%
Property tax receivable	4,915,599	4,525,506	390,093	8.6%
Capital assets, net	35,138,026	33,197,117	1,940,909	5.8%
<b>Total assets</b>	<b>48,675,822</b>	<b>44,041,000</b>	<b>4,634,822</b>	<b>10.5%</b>
Current liabilities	1,069,904	2,485,215	(1,415,311)	-56.9%
Deferred revenue	4,915,599	4,525,506	390,093	8.6%
Long-term debt outstanding	16,381,436	13,499,968	2,881,468	21.3%
<b>Total liabilities</b>	<b>22,366,939</b>	<b>20,510,689</b>	<b>1,856,250</b>	<b>9.1%</b>
Net assets:				
Invested in capital assets, net of related debt	21,991,749	20,034,332	1,957,417	9.8%
Restricted	4,270,164	2,682,039	1,588,125	59.2%
Unrestricted	46,970	813,940	(766,970)	-94.2%
<b>Total net assets</b>	<b>\$ 26,308,883</b>	<b>\$ 23,530,311</b>	<b>2,778,572</b>	<b>11.8%</b>

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

The increase in long-term debt consists of debt issued for \$2,727,613 less payments on debt for a net increase of \$1,388,488.

The change in capital assets of \$2,809,066 is due to additions.

**GRENADA COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**Changes in net assets.** The County's total revenues for the fiscal year ended September 30, 2005 were \$13,690,795. The total cost of all programs and services was \$10,928,086. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2005 and September 30, 2004.

	2005 Amount	2004 Amount	Net Change	% Change
<b>Revenues:</b>				
Program revenues	\$ 5,137,735	3,565,260	1,572,475	44.1%
General revenues	8,553,060	7,446,891	1,106,169	14.9%
<b>Total revenues</b>	<b>13,690,795</b>	<b>11,012,151</b>	<b>2,678,644</b>	<b>24.3%</b>
<b>Expenses:</b>				
General Government	2,701,918	3,017,421	(315,503)	-10.5%
Public Safety	3,254,175	3,529,131	(274,956)	-7.8%
Public Works	3,027,773	2,886,546	141,227	4.9%
Health and Welfare	847,769	232,989	614,780	263.9%
Culture and Recreation	80,500	85,000	(4,500)	-5.3%
Education	15,000	20,000	(5,000)	-25.0%
Conservation of natural resources	64,778	81,341	(16,563)	-20.4%
Economic development and assistance	314,465	354,648	(40,183)	-11.3%
Interest on long-term liabilities	621,708	1,153,527	(531,109)	-46.1%
<b>Total expenses</b>	<b>10,928,086</b>	<b>11,360,603</b>	<b>(432,517)</b>	<b>-4%</b>
<b>Decrease in net assets</b>	<b>\$ 2,762,709</b>	<b>(348,452)</b>	<b>\$ 3,111,161</b>	<b>-738.9%</b>

**Governmental activities.** The following table presents the cost of major County functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and County's taxpayers by each of these functions.

	Total Expenses	Net (Expense) Revenue
General Government	\$ 2,701,918	\$ (2,161,724)
Public Safety	3,254,175	(1,735,619)
Public works	3,027,773	(473,291)
Health and welfare	847,769	(559,656)
Culture and recreation	80,500	(80,500)
Education	15,000	(15,000)
Conservation of natural resources	64,778	(64,778)
Economic development and assistance	314,465	(278,075)
Interest on long-term liabilities	621,708	(421,708)
<b>Total expenses</b>	<b>\$ 10,928,086</b>	<b>\$ (5,790,351)</b>

Net cost of governmental activities \$5,790,351 was financed by general revenue, which is made up of primarily property taxes and state revenue \$5,896,496, road and privilege tax \$276,730 and grants and contribution not restricted to specific program \$1,221,128, unrestricted investment income \$194,415 and miscellaneous revenue of \$310,033 and lease income \$654,258.

**GRENADA COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's governmental funds is to provide information on current inflows, outflow and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$7,450,767, an increase of \$2,280,116 due primarily to increase of revenues. The fund balance of \$7,450,767 is made up of \$5,615,356 of unrestricted funds and \$943,135 which is not available because of restrictions for loans receivable and \$892,276 restricted for debt service.

The General Fund is the principal operating fund of the County. The increase in fund balance in the General Fund for the fiscal year was \$25,793 a result of increased revenue. The fund balance of Other Governmental Funds showed a decrease due expenditures for public works exceeding revenue. The engineer fund, a major fund, had an increase in fund balance for the fiscal year of \$26,342 due to increase in revenue.

**BUDGETARY HIGHLIGHTS**

The budget for the fiscal year ending September 30, 2005 was amended on three occasions. The first amendment was to the Landfill Fund due to increased debt service expense. The overall total expenses for the fund remained the same.

The second amendment was in the County Office Building fund. This amendment was from the proceeds of a \$2,500,000 bond issue and related construction expense.

The third amendment was at the end of the fiscal year to reflect actual expenditures by fund.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of September 30, 2005, the County's total capital assets were \$35,138,026, including land, buildings, infrastructure, mobile equipment, furniture and equipment, and leased property under capital leases. This amount represents an increase of \$1,940,909 from the previous year. Total accumulated depreciation as of September 30, 2005 was \$41,558,792 and total depreciation expense for the year was \$850,477, resulting in total net assets of \$35,138,026.

Additional information of the County's capital assets can be found in Note 7 on page 24 of this report.

**Debt Administration.** At September 30, 2005, the County had \$16,381,436 in general obligation bonds and other long-term debt outstanding, of which \$1,646,830 is due within one year.

The County maintains an A3 bond rating.

Additional information of the County's long-term debt can be found in Note 11 on page 28 of this report.

**GRENADA COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2005**

**CURRENT ISSUES**

On March 4, 2004 the Grenada County Board of Supervisors made a public notice of intent to issue no more than \$10,000,000 in General Obligation Bonds to renovate the County Office Building/Department of Human Services Facility, along with the Courthouse Complex. The County received , from the State, a match grant of \$414,925 and issued \$2,500,000 General Obligation Bonds of the \$10,000,000 previously authorized for construction of the County Office Building and Courthouse.

The County Office Building/Department of Human Services Facility estimated completion date is December 2006.

An advisory committee was created April 8, 2005 to make recommendations to the Board of Supervisors for the construction/renovation of a new courthouse. At this time the advisory committee is conducting a feasibility study of needs and cost. Estimated time line for completion of the new courthouse is two (2) to five (5) years.

Grenada County is financially stable. The County is very proud of its community support.

The County has committed itself to financial excellence for many years. In addition, the County system of financial planning, budgeting and internal financial controls are well regarded. The County plans to continue its sound financial fiscal management to meet the challenges of the future.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

If you have questions about this report, contact the Chancery Clerk's Office of Grenada County, P.O. Box 1208, Grenada, MS 38902

**GRENADA COUNTY, MISSISSIPPI  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2005**

Exhibit 1

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 6,353,746
Property tax receivable	4,915,599
Fines receivable, net of allowance for uncollectibles	147,068
Loans receivable	943,135
Intergovernmental receivables	967,617
Other receivables, net	6,433
Prepaid expense	204,198
Capital Assets:	
Land and construction in progress	2,977,696
Buildings, net of depreciation	12,903,085
Equipment and infrastructure net of depreciation	19,257,245
<b>Total Assets</b>	<u>48,675,822</u>
<b>LIABILITIES</b>	
Claims payable	571,190
Intergovernmental payables	214,174
Accrued interest payable	284,540
Deferred revenue	4,915,599
Long Term Liabilities	
Due within one year:	
Capital related debt	1,055,219
Non-capital debt	591,611
Due in more than one year:	
Capital related debt	12,137,415
Non-capital debt	2,597,191
<b>Total Liabilities</b>	<u>22,366,939</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	21,991,749
Restricted Net Assets	
Loans Receivable	943,135
Expendable:	
Capital Projects	1,981,581
Debt service	861,297
Public safety	52,549
Public works	431,692
Unrestricted	46,970
<b>Total Net Assets</b>	<u>\$ 26,308,883</u>

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

GRENADA COUNTY, MISSISSIPPI  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Expenses	Program Revenues			Total	Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
<b>Primary government:</b>						
<b>Governmental activities:</b>						
General government	\$ 2,701,918	540,194	-	-	(2,161,724)	
Public safety	3,254,175	1,013,178	422,471	82,907	(1,735,619)	
Public works	3,027,773	-	1,246,794	1,307,688	(473,291)	
Health and welfare	847,769	-	288,113	-	(559,656)	
Culture and recreation	80,500	-	-	-	(80,500)	
Education	15,000	-	-	-	(15,000)	
Conservation of natural resources	64,778	-	-	-	(64,778)	
Economic development and assistance	314,465	-	36,390	-	(278,075)	
Interest on long-term liabilities	621,708	-	200,000	-	(421,708)	
<b>Total Governmental Activities</b>	<b>\$ 10,928,086</b>	<b>1,553,372</b>	<b>2,193,768</b>	<b>1,390,595</b>	<b>(5,790,351)</b>	

## General Revenues:

## Taxes:

Property Taxes	\$ 5,896,496
Road and bridge privilege taxes	276,730
Grants and contributions not restricted to specific programs	1,221,128
Unrestricted investment income	194,415
Lease income	654,258
Miscellaneous	310,033

Total General Revenues 8,553,060

Change in Net Assets 2,762,709

Net Assets	23,530,311
Prior period adjustment	15,863
Net Assets-Beginning restated	23,546,174
Net Assets-Ending	<u>\$ 26,308,883</u>

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

GRENADA COUNTY, MISSISSIPPI  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2005

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	County Office Building Construction Fund	Engineer Fund		
<b>ASSETS</b>					
Cash and investments	\$ 2,277,550	1,933,440	32,938	2,109,818	6,353,746
Property tax receivable	3,128,927	-	-	1,786,672	4,915,599
Fines receivable	147,068	-	-	-	147,068
Loans receivable	-	-	-	943,135	943,135
Intergovernmental receivables	583,167	229,457	58,273	61,920	932,817
Other receivables	6,433	-	-	-	6,433
Due from other funds	-	-	-	64,582	64,582
<b>Total Assets</b>	<b>\$ 6,143,145</b>	<b>2,162,897</b>	<b>91,211</b>	<b>4,966,127</b>	<b>13,363,380</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Claims payable	260,160	181,316	5,638	124,076	571,190
Intergovernment payable	208,340	-	-	5,834	214,174
Due to other funds	64,582	-	-	-	64,582
Deferred revenue	3,275,995	-	-	1,786,672	5,062,667
<b>Total Liabilities</b>	<b>3,809,077</b>	<b>181,316</b>	<b>5,638</b>	<b>1,916,582</b>	<b>5,912,613</b>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Debt service funds	-	-	-	892,276	892,276
Loans receivable	-	-	-	943,135	943,135
<b>Unreserved:</b>					
General funds	2,334,068	-	-	-	2,334,068
Special revenue funds	-	-	85,573	1,214,134	1,299,707
Capital projects	-	1,981,581	-	-	1,981,581
<b>Total fund balances</b>	<b>2,334,068</b>	<b>1,981,581</b>	<b>85,573</b>	<b>3,049,545</b>	<b>7,450,767</b>
<b>Total Liabilities and Fund</b>	<b>\$ 6,143,145</b>	<b>2,162,897</b>	<b>91,211</b>	<b>4,966,127</b>	<b>13,363,380</b>

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

**GRENADA COUNTY, MISSISSIPPI**Exhibit 3-1**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2005**

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 7,450,767
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets net of depreciation as of 10-1-04	33,197,117
Plus capital outlay expenditures made during the year	2,765,492
Less depreciation expense recorded during the year	(850,447)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds:	
Fines receivable	147,068
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
Long-term liabilities	(16,381,436)
Accrued interest on long-term liabilities	(284,540)
Book value of equipment disposed	(20,787)
Prior period adjustments:	
Addition of construction in progress	46,651
Debt issuance cost of \$220,118 was deducted in the governmental funds but will be expensed over the life of the debt in the Statement of Activity. \$220,118 less current year expense of \$15,920 is reflected on the Statement of Net Assets.	204,198
Receivable that was not recognized in governmental funds	34,800
Total net assets - governmental activities (Exhibit 1)	<u>\$ 26,308,883</u>

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

GRENADA COUNTY, MISSISSIPPI  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND  
SEPTEMBER 30, 2005

Exhibit 4

	Major Funds				Total (Memorandum Only)
	General Fund	County Office Building Construction Fund	Engineer Fund	Other Governmental Funds	
<b>REVENUES</b>					
Property taxes	\$ 3,646,644	-	-	2,249,852	5,896,496
Road and bridge privilege taxes	-	-	-	276,730	276,730
Licenses, commissions and other revenue	213,551	-	-	33,649	247,200
Fines and forfeitures	220,253	-	-	35,125	255,378
Intergovernmental revenues	1,164,678	231,457	1,548,535	1,860,821	4,805,491
Charges for services	354,226	-	-	543,737	897,963
Interest income	73,550	3,412	586	116,867	194,415
Lease income	-	-	-	654,258	654,258
Miscellaneous	83,341	83	40,190	184,266	307,880
<b>Total Revenues</b>	<b>5,756,243</b>	<b>234,952</b>	<b>1,589,311</b>	<b>5,955,305</b>	<b>13,535,811</b>
<b>EXPENDITURES</b>					
Current:					
General government	2,803,085	-	-	347,814	3,150,899
Public safety	2,188,354	-	-	1,061,442	3,249,796
Public works	3,641	64,305	1,530,280	2,850,751	4,448,977
Health and welfare	188,716	697,708	-	-	886,424
Culture and recreation	80,500	-	-	-	80,500
Education	15,000	-	-	-	15,000
Conservation of natural resources	64,778	-	-	-	64,778
Economic development and assistance	103,000	-	-	34,430	137,430
Principal	-	-	-	1,388,488	1,388,488
Interest	-	-	-	590,730	590,730
<b>Total Expenditures</b>	<b>5,447,074</b>	<b>762,013</b>	<b>1,530,280</b>	<b>6,273,655</b>	<b>14,013,022</b>
<b>Excess (deficiency) of Revenues over (under) expenditures</b>	<b>309,169</b>	<b>(527,061)</b>	<b>59,031</b>	<b>(318,350)</b>	<b>(477,211)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long term capital debt issued	-	2,500,000	-	274,680	2,774,680
Compensation for loss of Capital Assets	2,153	-	-	-	2,153
Transfers in	2,640	-	-	288,169	290,809
Transfers out	(288,169)	(2,640)	-	-	(290,809)
Prepaid interest	-	11,282	-	-	11,282
<b>Total other financing sources and uses</b>	<b>(283,376)</b>	<b>2,508,642</b>	<b>-</b>	<b>562,849</b>	<b>2,788,115</b>
<b>Net change in fund balance</b>	<b>25,793</b>	<b>1,981,581</b>	<b>59,031</b>	<b>244,499</b>	<b>2,310,904</b>
<b>Fund Balances - Beginning</b>	<b>2,308,275</b>	<b>-</b>	<b>26,542</b>	<b>2,835,834</b>	<b>5,170,651</b>
Prior period adjustment	-	-	-	(30,788)	(30,788)
Fund balance beginning restated	2,308,275	-	-	2,805,046	5,139,863
<b>Fund Balances - Ending</b>	<b>2,334,068</b>	<b>1,981,581</b>	<b>85,573</b>	<b>3,049,545</b>	<b>7,450,767</b>

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

**GRENADA COUNTY, MISSISSIPPI**

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**

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 2,310,904

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 by the amount that capital outlays \$2,765,492 exceeded depreciation \$850,447 in the current period. 1,915,045

Fine revenue recognized on the modified accrual basis in the fund during the current year is increased for current year of additional fines by \$118,031, and allowance for bad debts is increased by \$261,143, as required on the statement of activities using the full accrual basis of accounting. (143,112)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds \$2,774,680 exceeds debt repayments \$1,388,488 (1,386,192)

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:

An adjustment to reduce liability for insurance claims. 63,636

Debt issuance costs - net of current year write off 30,674

An adjustment to write off the book value of equipment disposed (20,787)

Adjustment for difference in accrued interest (42,259)

A receivable for charges for services was not received until February, 2006 and did not meet criteria for accrual in governmentl funds. 34,800

Change in net assets of governmental activities (Exhibit 2) \$ 2,762,709

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

**GRENADA COUNTY, MISSISSIPPI  
STATEMENT OF FIDUCIARY NET ASSETS  
SEPTEMBER 30, 2005**

Exhibit 5

	<u>Private-purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$ 89,925	67,661
Total Assets	<u>89,925</u>	<u>67,661</u>
<b>LIABILITIES</b>		
Claims payable	-	13,662
Intergovernmental payables	<u>-</u>	<u>53,999</u>
Total Liabilities	<u>-</u>	<u>67,661</u>
<b>NET ASSETS</b>		
Held in trust for:		
Individuals, organizations, and other governments	<u>\$ 89,925</u>	

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

**GRENADA COUNTY, MISSISSIPPI  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Exhibit 6

	<u>Private-purpose Trust Funds</u>
Additions	
Investment Income:	
Interest	\$ -
Net Assets - Beginning	<u>89,925</u>
Net Assets - Ending	<u>\$ 89,925</u>

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

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Grenada 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 Grenada County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Elizabeth Jones Library
- Grenada Lake Medical Center

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient for 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.

GRENADA COUNTY, MISSISSIPPI  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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.

Government financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities is 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.

Engineer Fund – This fund is used to account for state aid revenues, generally only engineering revenues; and to account for the state aid revenue and expenditures on projects paid directly to the vendors by the state aid read department.

County Office Building Construction – This fund is used to account for revenues and expenditures for the construction of a county office building.

GOVERNMENTAL FUND TYPES

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

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and "Basis of Accounting (continued)

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

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.

FIDUCIARY FUND TYPES

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

D. Account Classifications

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

E. Deposits and Investments

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

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

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."

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."

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

I. Summary of Significant Accounting Policies (continued)

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

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ -	N/A
Infrastructure	-	20/50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5/10 years
Furnitures 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 obligations indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

1. Summary of Significant Accounting Policies (continued)

K. Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

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 the 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.

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

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 on this new statement have been incorporated into the financial statements and the accompanying notes.

3. Deposits

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$6,353,746, and the bank balance was \$6,353,745. 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.

4. Interfund Transfers 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	Reason
Nonmajor Governmental Funds	General Fund	64,582	Unsettled Taxes
Total		<u>\$ 64,582</u>	

B. Transfers In/Out:

Transfer In	Transfer Out	Amount	Reason
General Fund	County Office Building Construction Fund	\$ 2,640	Support
Non-major Governmental Fund	General Fund	288,169	Support
Total		<u>\$ 290,809</u>	

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

5. Intergovernmental Receivables

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Department of Correction	\$ 108,580
State Tax Commission TVA in Lieu	335,224
Legislature Tax Credit	122,805
City of Grenada Garbage Collection	26,489
Mississippi Development Authority Home Funds	229,457
Other State Revenues	90,788
Other	19,474
Total Governmental Activities	<u>\$ 932,817</u>

6. Loans Receivable

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

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Receivable</u>
Grenada Manufacturing	8/2/2003	3%	8/1/2015	\$ 532,342
Grenada Manufacturing	6/2/2003	3%	7/1/2013	356,617
Grenada Manufacturing	9/1/2003	3%	9/1/2013	54,176
Total				<u>\$ 943,135</u>

GRENADA COUNTY, MISSISSIPPI

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
<b>Non-depreciable capital assets:</b>					
Construction in progress	\$ -	2,087,610	-	46,651	2,134,261
Land	830,322	13,113	-	-	843,435
Total non-depreciable capital assets	830,322	2,100,723	-	46,651	2,977,696
<b>Depreciable capital assets:</b>					
Infrastructure	50,341,811	-	-	-	50,341,811
Buildings	18,529,900	58,000	-	-	18,587,900
Mobile equipment	3,270,184	337,237	173,790	383,601	3,817,232
Furniture and equipment	224,796	-	-	-	224,796
Lease property under capital leases	861,452	269,532	-	(383,601)	747,383
Total depreciable capital assets	73,228,143	664,769	173,790	-	73,719,122
<b>Less accumulated depreciation for:</b>					
Infrastructure	32,535,197	163,917	-	-	32,699,114
Buildings	5,380,699	304,116	-	-	5,684,815
Mobile equipment	2,450,027	258,058	153,003	216,791	2,771,873
Furniture and equipment	162,945	29,063	-	-	192,008
Leased property under capital leases	332,480	95,293	-	(216,791)	210,982
Total accumulated depreciation	40,861,348	850,447	153,003	-	41,558,792
assets, net	32,366,795	(185,678)	20,787	-	32,160,330
Governmental activities capital assets, net	\$ 33,197,117	1,915,045	20,787	46,651	35,138,026

Adjustments were made to reflect: The transfer of leased property for which the debt had been paid to mobile equipment \$383,601, along with related depreciation \$216,791. An adjustment was made to add \$46,651 in engineering fees to construction in progress for bridge construction.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 31,336
Public safety	260,431
Public works	373,702
Health and welfare	7,942
Economic development	177,036
Total governmental activities depreciation expense	\$ 850,447

GRENADA COUNTY, MISSISSIPPI

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 law enforcement personnel and \$400,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 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. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$20,000. 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). Changes in the balances of claims liabilities during the year are as follows:

Unpaid Claims, Beginning of Fiscal Year	\$ 106,000
Plus: Incurred Claims (Including IBNRs)	676,900
Less: Claims Payments	<u>740,536</u>
Unpaid Claims, End of Fiscal Year	<u>\$ 42,364</u>

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

9. Operating Leases

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$654,258 for the year ended September 30, 2005. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2006	\$ 772,493
2007	738,407
2008	740,593
2009	744,907
2010	736,100
2011-2015	3,505,456
2016-2019	263,444
Total	<u>\$ 7,501,400</u>

10. Capital Leases

As Lessee:

The Lessee:

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

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 489,287
Other furniture and equipment	258,096
Total	<u>747,383</u>
Less: Accumulated depreciation	<u>(210,982)</u>
Leased Property Under Capital Leases	<u>\$ 536,401</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 112,533	15,275
2007	115,507	11,604
2008	118,576	7,707
2009	104,364	3,929
2010	57,521	844
Total	<u>\$ 508,501</u>	<u>39,359</u>

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

11. Long-Term Debt

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
<b>A. General Obligation Bonds:</b>			
Papermill Road Bonds	\$ 100,000	8/8.25	10/1/2007
Heatcraft Bonds	285,000	6.7/9.10	12/1/2015
Holmes Community College Building Bonds	1,095,000	3.9/9.10	12/1/2008
Jail Refunding Bonds 2001B	4,020,000	2.7/4.6	4/1/2016
HCC Refunding Bonds 2001A	1,080,000	2.7/4.1	3/1/2011
Heatcraft Refunding Bonds 2004	4,970,000	2.7/5.46	12/1/2015
Grenada County Public	2,500,000	3.75/5.25	4/1/2025
<b>Total General Obligation Bonds</b>	<b>\$ 14,050,000</b>		
<b>B. Capital Leases:</b>			
2005 Ford F150 Pickup	\$ 20,573	3.25	12/15/2009
2006 Ford Dump Truck	46,357	3.99	8/18/2010
2006 Ford F750 Dump Truck	46,357	3.99	8/15/2010
2006 Ford F750 Dump Truck	46,357	3.99	8/15/2010
Alamo Boom Mower	24,936	3.049	10/15/2009
Tractor with Bushhog	38,830	3.41	5/15/2010
2001 F150 Extended Cab 4X4	1,448	5.98	12/15/2005
Backhoe Loader	35,299	5.69	2/15/2009
2004 Ford F250 Truck John Deere 7405 Tractor	20,348	3.00	1/15/2009
2004 Ford 750 Dump Truck	24,277	3.04	7/14/2008
Landfill Compactor	168,728	3.04	12/25/2007
Tractor and Bushhog	34,991	3.41	5/15/2010
<b>Total Capital Leases</b>	<b>\$ 508,501</b>		
<b>C. Other Loans:</b>			
Heatcraft Cap Loan	\$ 391,016	4.00	10/1/2012
Grenada Manufacturing CAP Loan	418,117	4.65	8/1/2019
Grenada Manufacturing CDBG Loan	536,216	3.00	9/1/2015
Grenada Manufacturing CAP Loan	381,046	3.00	6/1/2013
Grenada Manufacturing CAP Loan	54,176	3.00	9/1/2013
<b>Total Other Loans</b>	<b>\$ 1,780,571</b>		

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

Year Ending September 30,	General Obligation Bonds	
	Principal	Interest
2006	\$ 1,265,000	913,255
2007	1,325,000	525,065
2008	1,330,000	481,004
2009	1,390,000	427,138
2010	1,150,000	375,330
2011-2015	5,045,000	1,191,722
2016-2020	1,690,000	290,231
2021-2025	855,000	113,064
<b>Total</b>	<b>\$ 14,050,000</b>	<b>4,316,809</b>

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

11. Long-Term Debt (continued)

Year Ending September 30,	Other Loans	
	Principal	Interest
2006	\$ 226,936	63,239
2007	169,011	53,381
2008	175,051	47,341
2009	181,314	41,078
2010	187,808	34,584
2011-2015	706,160	82,633
2016-2019	134,291	12,639
Total	\$ 1,780,571	334,895

Legal Debt Margin – The amount of debt, excluding specific exempted debt, which 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 9.78% of the latest property assessment.

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:						
Claims and judgements	\$ 106,000	676,900	740,536	-	42,364	42,364
General obligations bonds	12,685,000	2,500,000	1,135,000	-	14,050,000	1,265,000
Capital leases	376,944	274,680	143,123	-	508,501	112,530
Other loans	1,890,936		110,365	-	1,780,571	226,936
Total	\$ 15,058,880	3,451,580	2,129,024	-	16,381,436	1,646,830

Prior year Defeasance of Debt- In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2005, \$4,515,000 of bonds outstanding were considered defeased.

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

12. 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 and notes	<u>\$ 1,000,000</u>

13. Related Organizations

The Grenada County Board of Supervisors is responsible for appointing a voting majority of the board members of GT&Y Utility District, but the county's accountability for this organization does not extend beyond making the appointments. The county did not appropriate any funds for maintenance and support of the district in fiscal year 2005.

14. 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.

Litigation - The county is party to legal proceedings, 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.

15. Jointly Governed Organizations

The county participates in the following jointly governed organizations:

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 Grenada County Board of Supervisors appoints one of the nine members of the board of commissioners. The county did not appropriate for maintenance and support of the authority in fiscal year 2005.

GRENADA COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

16. Jointly Governed Organizations (continued)

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 Grenada County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$35,881 for maintenance and support of the center in the fiscal year 2005.

The North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery, and Yalobusha. The Grenada County Board of Supervisors appoints four of the twenty-eight members of the district board of directors. The county appropriated \$28,000 for maintenance and support of the district in fiscal year 2005.

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Grenada County Board of Supervisors appoints two of the 22 members of the college's board of trustees. The county levied \$304,953 in taxes for maintenance and support of the college in fiscal year 2005.

17. Defined Benefit Pension Plan

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004, and 2003, were \$292,458, \$278,648 and \$279,904, respectively, equal to the required contributions for each year.

18. Prior Period Adjustments:

Prior period adjustments were made to governmental funds:

Correction of Loans Receivable	\$ (30,788)
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Prior period adjustments were made to net assets:

Correction of Loans Receivable	\$ (30,788)
Construction in Progress previously omitted	46,651
	<u>\$ 15,863</u>

**GRENADA COUNTY, MISSISSIPPI  
 BUDGETARY COMPARISON SCHEDULE -  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 GENERAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,398,235	3,546,022	3,643,597	97,575
Licenses, commissions and other revenue	187,660	187,660	203,215	15,555
Fines and forfeitures	268,675	268,675	220,253	(48,422)
Intergovernmental revenues	1,131,950	1,142,903	1,150,371	7,468
Charges for services	470,000	470,000	403,297	(66,703)
Interest income	51,000	52,000	73,410	21,410
Miscellaneous revenues	56,600	56,600	72,886	16,286
<b>Total Revenues</b>	<b>5,564,120</b>	<b>5,723,860</b>	<b>5,767,029</b>	<b>43,169</b>
<b>EXPENDITURES</b>				
Current:				
General government	3,132,647	2,811,693	2,811,711	(18)
Public safety	2,425,837	2,360,131	2,360,127	4
Public works	10,000	3,642	3,641	1
Health and welfare	163,661	191,171	191,170	1
Culture and recreation	80,500	81,000	80,500	500
Education	15,000	15,000	15,000	-
Conservation of natural resources	68,000	65,920	65,918	2
Economic development and assistance	103,000	103,000	103,000	-
<b>Total Expenditures</b>	<b>5,998,645</b>	<b>5,631,557</b>	<b>5,631,067</b>	<b>490</b>
<b>Excess (deficiency) of Revenues over (under) expenditures</b>	<b>(434,525)</b>	<b>92,303</b>	<b>135,962</b>	<b>43,659</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Insurance less recoveries	-	-	2,153	2,153
Transfers in	-	-	74,640	74,640
Transfers out	-	(227,570)	(229,653)	(2,083)
<b>Total other financing sources and uses</b>	<b>-</b>	<b>(227,570)</b>	<b>(152,860)</b>	<b>74,710</b>
<b>Net change in fund balance</b>	<b>(434,525)</b>	<b>(135,267)</b>	<b>(16,898)</b>	<b>118,369</b>
<b>Fund Balances - Beginning</b>	<b>1,878,450</b>	<b>2,039,995</b>	<b>1,910,248</b>	<b>(129,747)</b>
<b>Fund Balances - Ending</b>	<b>\$ 1,443,925</b>	<b>1,904,728</b>	<b>1,893,350</b>	<b>(11,378)</b>

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

**GRENADA COUNTY, MISSISSIPPI  
 BUDGETARY COMPARISON SCHEDULE -  
 BUDGET AND ACTUAL (NON-GAAP BASIS)  
 ENGINEER FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ -	-	-	-
Intergovernmental revenues	157,652	181,165	181,166	1
Interest income	100	585	586	1
Miscellaneous	-	-	8,730	8,730
<b>Total Revenues</b>	<u>157,752</u>	<u>181,750</u>	<u>190,482</u>	<u>8,732</u>
<b>EXPENDITURES</b>				
Current:				
Public works	171,710	187,081	187,079	(2)
<b>Total Expenditures</b>	<u>171,710</u>	<u>187,081</u>	<u>187,079</u>	<u>(2)</u>
<b>Excess (deficiency) of Revenues over (under) expenditures</b>	<u>(13,958)</u>	<u>(5,331)</u>	<u>3,403</u>	<u>8,734</u>
<b>Net change in fund balance</b>	(13,958)	(5,331)	3,403	8,734
<b>Fund Balances - Beginning</b>	<u>28,958</u>	<u>28,958</u>	<u>29,535</u>	<u>577</u>
<b>Fund Balances - Ending</b>	<u>\$ 15,000</u>	<u>23,627</u>	<u>32,938</u>	<u>9,311</u>

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

GRENADA COUNTY, MISSISSIPPI

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Notes to the Required Supplementary Information

A. Budgetary Information

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investments 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.

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 each major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	General Fund	Engineer Fund
Budget (Cash Basis)	\$ (16,898)	3,403
Increase (Decrease)		
Net adjustments for revenue accruals	(10,786)	1,398,829
Net adjustments for expenditures accruals	183,993	(1,343,201)
Net adjustment for other financing sources (uses)	(130,516)	
GAAP Basis	<u>\$ 25,793</u>	<u>\$ 59,031</u>

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

**GRENADA COUNTY, MISSISSIPPI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED SEPTEMBER 30, 2005**

Schedule 1

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Agriculture Natural Resource Conservation Service Emergency Watershed Program	10.904	68-4423-5-1337 68-4423-5-1315 68-4423-5-1368 68-4423-5-1338 68-4423-5-1316	\$ 52,615 27,285 74,099 63,729 242,250
Total U.S. Department of Agriculture			<u>459,978</u>
U.S. Department of Housing and Urban Development/ Passed through the Mississippi Development Authority Community Development Block Grant/State's Program	14.228 14.228	1119-02-022PF-01 1102-02-022LN-01	229,457 2,500
Total U.S. Department of Housing			<u>231,957</u>
<b>Total Major Federal Awards</b>			<u>691,935</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Housing and Urban Development/ Passes through the Mississippi Development Authority Home Investment Partnership Programs	14.239	1214-M02SG-2801-0966	<u>34,430</u>
U.S. Department of Homeland Security/ Passed through Mississippi Emergency Management Agency Domestic Preparedness Equipment Grant Homeland Security Grant Program	97.004 97.067 97.067 97.067	3SSG-3094 04LE022 3-SUP 230 04 HS 022063	36,736 14,600 16,089 5,644
Total U.S. Department of Homeland Security			<u>73,069</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed through the Mississippi Department of Transportation Highway Planning and Construction	20.205	N/A	<u>70,861</u>
U.S. Department of Justice Local law enforcement block grant	16.592	N/A	<u>652</u>
Social Security Administration Social Security Administration	96.XXX	N/A	<u>7,400</u>
<b>Total Expenditures of Other Federal Awards</b>			<u>186,412</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 878,347</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note A - Significant Accounting Policies**

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

**Note B - Community development block grant**

The value of federal awards expended in the form of loans made to Grenada Manufacturing, LLC as of September 30, 2003 was \$630,000, with a balance of \$532,342 at September 30, 2005.

GRENADA COUNTY, MISSISSIPPI  
RECONCILIATION OF OPERATING COST OF SOLID WASTE  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Schedule 2

Operating Expenditures:

Salaries and fringe benefits	\$	69,879
Expendable Commodities:		
Gasoline and petroleum products		11,654
Repairs and parts		9,024
Insurance on equipment		7,059
Supplies		6,861
Contractual		312,901
EPA assessments		1,761
		<hr/>
Solid Waste Operating Expenditures		419,139

Full Cost Expenses:

Depreciation on equipment		<hr/> 43,104
Solid Waste Operating Expenses	\$	<hr/> <hr/> 462,243

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

GRENADA COUNTY, MISSISSIPPI

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

Members of the Board of Supervisors  
Grenada County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Grenada County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise Grenada County's primary government financial statements, and have issued our report thereon dated October 11, 2006. The auditors' 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 units. Except for the limitation referred to above, 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 Grenada County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance 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.

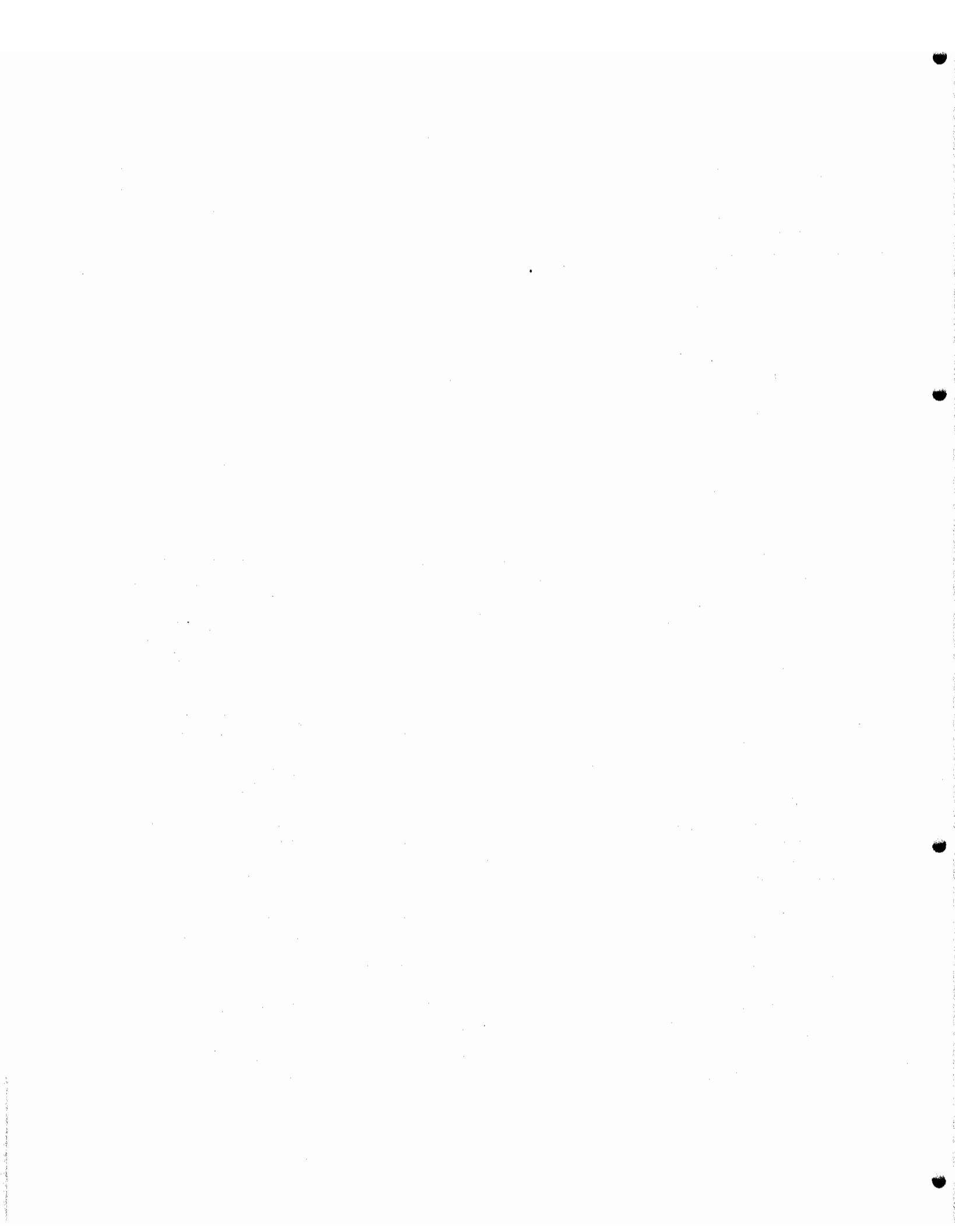
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Grenada 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 *Governmental 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.

*Brawner, Vanstory & Co. P.A.*

October 11, 2006  
Booneville, Mississippi





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

Members of the Board of Supervisors  
Grenada County, Mississippi

**Compliance**

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General in the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Grenada County, Mississippi's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Grenada County, Mississippi's compliance with those requirements.

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

**Internal Control Over Compliance**

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

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

*Brauner, Vanstey & Co. P.A.*

October 11, 2006  
Booneville, Mississippi



Certified Public Accountants

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

Members of the Board of Supervisors  
Grenada County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Grenada 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 Grenada County, Mississippi, is responsible for establishing and maintaining a central purchasing system and an 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 Grenada 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.

In our opinion, Grenada 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 37-7-115, 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 Grenada 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.

*Brawner, Vanstory & Co. P.A.*

October 11, 2006  
Booneville, Mississippi

Schedule 1

GRENADA COUNTY, MISSISSIPPI  
SCHEDULE OF PURCHASES NOT MADE  
FROM THE LOWEST BIDDER  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
1/3/2005	F55 Rescue Truck	\$ 23,359	Kirk Auto	\$ 23,064	Dealership out of town. Travel and time lost would exceed difference.

GRENADA COUNTY, MISSISSIPPI  
 SCHEDULE OF EMERGENCY PURCHASES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
7/6/2005	Courthouse air conditioner	\$ 3,506	Pace Refrigeration	Very warm weather and air conditioning not working
8/23/2005	Courthouse air conditioner	58,000	Lee Air Conditioning	Extreme heat and total failure of air conditioning unit.
9/6/2005	The Board of Supervisor's declared a State of Emergency due to Hurricane Katrina and stated all purchases necessary were emergency purchases.			

GRENADA COUNTY, MISSISSIPPI  
SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY  
FROM A SOLE SOURCE  
YEAR ENDED SEPTEMBER 30, 2005

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



Certified Public Accountants

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Grenada County, Mississippi

In planning and performing our audit of the financial statements of Grenada County, Mississippi for the year ended September 30, 2005, we considered Grenada County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Grenada County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 11, 2006, on the financial statements of Grenada County, Mississippi.

These review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, compliance with legal requirements.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our finding and recommendation and your response is disclosed below:

### Tax Collector

#### 1. Finding

The tax collector was not able to reprint tax settlement reports after year end for purposes of verifying settlements.

#### Recommendation

The software should be equipped to reprint reports with the correct amounts at a later date.

Tax Collectors' Response

The software we were using would not reprint these reports as required. We have subsequently purchased new software that will meet these requirements.

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

*Browner Vanstoy + Co. P.A.*

October 11, 2006  
Booneville, Mississippi



GRENADA COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS  
YEAR ENDED SEPTEMBER 30, 2005

**Section 2. Financial Statement Findings**

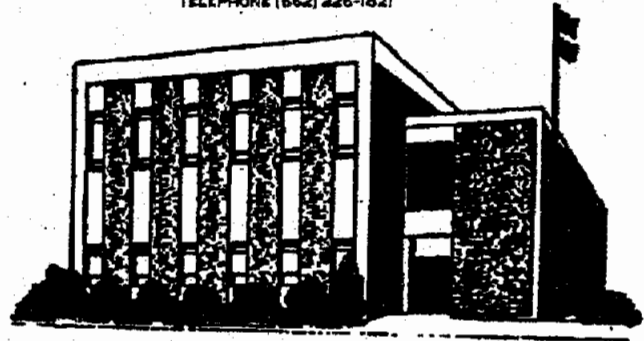
The results of our tests did not disclose any findings related to the financial statements that are required to be reported by Governmental Auditing Standards.

**Section 3: Federal Award Findings and Questioned Costs**

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

**Grenada County Board of Supervisors...** POST OFFICE BOX 1208 • GRENADA, MISSISSIPPI 38902-1208  
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- C. COLUMBUS HANKINS, PRESIDENT  
DISTRICT 3
- A.J. MINQA, VICE PRESIDENT  
DISTRICT 2
- MICHAEL LOTT, MEMBER  
DISTRICT 1
- CECIL SKELTON, MEMBER  
DISTRICT 4
- CHAD GRAY, MEMBER  
DISTRICT 5
- POWELL VANCE, CLERK
- JAY GORE III, ATTORNEY



**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

As required by Section \_\_\_\_\_ .315 © of OMB A – 133, Grenada County has prepared and hereby submits the following status of findings of September 30, 2003:

<u>FINDING</u>	<u>STATUS</u>
2003-1	No longer a finding
2003-2	No longer a finding

