





**LEFLORE COUNTY, MISSISSIPPI**

**Primary Government Financial Statements  
and Special Reports**

**SEPTEMBER 30, 2005**

LEFLORE COUNTY

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LEFLORE COUNTY

FINANCIAL SECTION



Ruth N. Wylie Certified Public Accountant

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

June 26, 2006

Members of the Board of Supervisors  
Leflore County, Mississippi

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Leflore 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated June 26, 2006, on my consideration of Leflore County, Mississippi's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering in assessing the results of my audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it

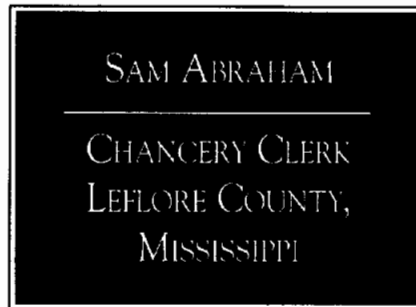
My audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Leflore, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Ruth N. Wylie, CPA*  
Madison, Mississippi

LEFLORE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clerk of the Chancery Court  
Clerk of the Board of Supervisors  
County Auditor  
County Treasurer  
County Administrator



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LEFLORE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005

The discussion and analysis of Leflore 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 section 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 decreased \$306,516, which represents a .69% decrease from fiscal year 2004. This was due primarily because of a prior period adjustment of \$9248 and a slight increase in primary government net expenses.
- General revenues account for \$12,980,530 in revenue, or 62% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,814,414 or 38% of total revenues.
- The County had \$21,110,708 in expenses; only \$7,814,414 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$12,980,530 were adequate to provide for the remainder of these programs.
- Among major funds, the General Fund had \$9,765,322 in revenues and \$10,325,142 in expenditures. The General Fund's fund balance decreased \$437,551 over the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$98,182.

- Long-term debt decreased by \$769,645 due primarily to the retirement of various long term debt.

## OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as a 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 assts 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, conservation of natural resources, economic development and assistance, and interest on long-term liabilities.

**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 used 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.

The County maintains individual government funds in accordance with the *Financial Accounting Manual for Mississippi Counties* 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 fund.

**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 Statements of Fiduciary Net Assets.

**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.

**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.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and is included in this report.

## 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 \$35,824,517 as of September 30, 2005.

By far the largest portion of the County's net assets (81%) 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, infrastructure assets, 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 the county; 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 comparative summary of the County's net assets for the fiscal year ended September 30, 2005.

	<u>2005</u>	<u>2004</u>
Current assets	\$27,680,588	\$ 27,903,827
Capital assets, net	<u>54,734,174</u>	<u>54,832,356</u>
<b>Total assets</b>	<b><u>82,414,762</u></b>	<b><u>82,736,183</u></b>
Current liabilities	\$15,852,478	15,204,553
Long-term debt outstanding	<u>22,501,301</u>	<u>23,164,131</u>
<b>Total liabilities</b>	<b><u>38,353,779</u></b>	<b><u>38,368,684</u></b>
<b>Net assets:</b>		
Invested in capital assets, Net of related debt	\$35,824,517	35,163,953
Restricted	6,641,106	7,526,241
Unrestricted	<u>1,595,360</u>	<u>1,677,305</u>
<b>Total net assets</b>	<b><u>\$44,060,983</u></b>	<b><u>\$ 44,367,499</u></b>

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

- The decrease in current assets were due mainly to cash balance decreases in the jail construction and building repair fund and general fund.
- The decrease of \$885,135 of restricted net assets is due to debt service retirement and the decrease in restricted net assets expendable for jail construction.

**Changes in net assets.** The County's total revenues for the fiscal year ended September 30, 2005 were \$20,794,944. The total cost of all programs and services was \$21,110,708. The following table presents a comparative summary of the changes in net assets for the fiscal year ended September 30, 2005.

	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>		
Program revenues	\$ 7,814,414	\$ 8,891,053
General revenues	<u>12,980,530</u>	<u>12,351,259</u>
<b>Total revenues</b>	<b><u>20,794,944</u></b>	<b><u>21,242,312</u></b>
<b>Expenses:</b>		
General Government	5,032,198	4,634,557
Public Safety	7,809,010	4,458,901
Public Works	3,872,642	4,183,342
Health and Welfare	1,317,037	673,873
Culture and Recreation	728,597	722,576
Conservation of Natural Resources	147,889	133,880
Economic Development & Assistance	1,031,059	4,045,698
Interest on long-term liabilities	<u>1,172,276</u>	<u>844,537</u>
<b>Total expenses</b>	<b><u>21,110,708</u></b>	<b><u>19,697,364</u></b>
<b>Increase in net assets</b>	<b><u>\$ (315,764)</u></b>	<b><u>\$ 1,544,948</u></b>

**Governmental activities.** The following table presents the cost of eight major county functional activities: general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance and interest on long-term debt. The comparative 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 County's taxpayers by each of these functions.

	2005	2005	2004	2004
	Total	Net (Expense)	Total	Net (Expense)
	<u>Expenses</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
General Government	\$5,032,198	\$(4,189,809)	\$ 4,634,557	\$(3,938,072)
Public Safety	7,809,010	(3,329,284)	4,458,901	(1,214,765)
Public Works	3,872,642	(2,550,619)	4,183,342	(3,515,809)
Health & Welfare	1,317,037	(1,155,582)	673,873	(506,462)
Culture & Recreation	728,597	(728,597)	722,576	(722,576)
Conservation of Natural Resources	147,889	(147,889)	133,880	(133,880)
Economic Development & Assistance	1,031,059	(22,238)	4,045,698	(69,790)
Interest on long-term liabilities	<u>1,172,276</u>	<u>(1,172,276)</u>	<u>844,537</u>	<u>(844,537)</u>
<b>Total expenses</b>	<b>\$21,110,708</b>	<b>\$(13,296,294)</b>	<b>\$19,697,364</b>	<b>\$(10,806,311)</b>

Net cost of governmental activities (\$13,296,294), was financed by general revenue, which is made up of primarily property taxes (\$10,969,619), state revenue (\$267,405) and grants and contributions not restricted to specific programs (\$482,938).

Investment earnings accounted for \$355,755 of funding.

## **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, outflows 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 \$13,153,317. \$1,214,933 or 9% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the county's discretion. The remaining fund balance of \$11,938,384 or 91% is reserved or designated to indicate that it is not available for spending because it has already been committed for special revenue, debt service, and capital projects.

The General Fund is the principal operating fund of the county. The decrease in fund balance in the General Fund for the fiscal year was \$437,551, and the fund balance of the Countywide Road Maintenance fund increased by \$7421. The fund balance of Other Governmental Funds showed a decrease of \$138,208.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the county revised the annual operating budget. This was due to new grants and unanticipated expenses.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of September 30, 2005, the county's total capital assets were \$54,734,174, including land, buildings, infrastructure, mobile equipment, leased property and furniture and equipment. This amount represents an decrease of \$98,182 from the previous year. Total accumulated depreciation as of September 30, 2005 was \$72,868,141 and total depreciation expense for the year was \$1,283,933, resulting in total net assets of \$54,734,174.

Additional information of the county's capital assets can be found in Note of this report.

**Debt Administration.** At September 30, 2005, the county had \$23,936,613 in general obligation bonds and other long-term debt outstanding, of which \$1,787,564 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 Notes 10 and 11 on page of this report.

#### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

If you have any questions about this report, contact the Chancery Clerk's Office of Leflore County, P. O. Box 250, Greenwood, MS 38935-0250.

LEFLORE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

LEFLORE COUNTY  
Statement of Net Assets  
September 30, 2005

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 14,002,261
Accrued interest receivable	22,752
Property tax receivable	9,164,490
Accounts receivable, net	396,234
Fines receivable, net	363,402
Loans receivable	1,760,250
Capital leases receivable	1,072,836
Intergovernmental receivables	526,050
Other receivables, net	56,580
Prepaid items	315,733
Capital assets, net	54,734,174
Total Assets	<u>82,414,762</u>
<b>LIABILITIES</b>	
Claims payable	1,426,740
Salaries and benefits payable	569,422
Intergovernmental payables	264,056
Accrued interest payable	297,279
Deferred revenue	11,423,908
Other payables	83,509
Long-term liabilities	
Due within one year:	
Capital related debt	1,741,054
Non-capital debt	46,510
Due in more than one year:	
Capital related debt	17,168,603
Non-capital debt	5,332,698
Total Liabilities	<u>38,353,779</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	35,824,517
Restricted net assets:	
Expendable:	
General government	105,071
Debt service	507,700
Capital projects	4,678,114
Public safety	240,500
Public works	669,676
Economic development	306,675
Other purposes	133,370
Unrestricted	1,595,360
Total Net Assets	<u>\$ 44,060,983</u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 5,032,198	823,940	18,449		(4,189,809)
Public safety	7,809,010	1,028,529	3,423,317	27,880	(3,329,284)
Public works	3,872,642	514,400	687,751	119,872	(2,550,619)
Health and welfare	1,317,037		161,455		(1,155,582)
Culture and recreation	728,597				(728,597)
Conservation of natural resources	147,889				(147,889)
Economic development and assistance	1,031,059		404,055	604,766	(22,238)
Interest on long-term debt	1,172,276				(1,172,276)
Total Governmental Activities	<u>21,110,708</u>	<u>2,366,869</u>	<u>4,695,027</u>	<u>752,518</u>	<u>(13,296,294)</u>
Total Primary Government	\$ <u>21,110,708</u>	<u>2,366,869</u>	<u>4,695,027</u>	<u>752,518</u>	<u>(13,296,294)</u>

General revenues:

Taxes:	
Property taxes	\$ 10,969,619
Road & bridge privilege taxes	267,405
Grants and contributions not restricted to specific programs	482,938
Unrestricted investment income	355,755
Miscellaneous	904,813
Total General Revenues	<u>12,980,530</u>
Changes in Net Assets	<u>(315,764)</u>
Net Assets - Beginning	44,367,499
Prior period adjustment	9,248
Net Assets - Beginning restated	<u>44,376,747</u>
Net Assets - Ending	<u>\$ 44,060,983</u>

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

LEFLORE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2005

Exhibit 3

	Major Funds					
	General Fund	HUD Section 108 Loan Fund	Jail Construction and Building Repair Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash	\$ 1,506,907	4,400,156	4,530,838	303,842	3,260,517	14,002,260
Accrued interest receivable	431	10,105	8,038		4,179	22,753
Property tax receivable	5,996,576			305,424	2,862,490	9,164,490
Accounts receivable					396,234	396,234
Fines receivable	363,402					363,402
Loans receivable		600,000			1,160,250	1,760,250
Capital lease receivable					1,072,836	1,072,836
Intergovernmental receivables	211,202			32,742	282,106	526,050
Other receivables	14,325				42,254	56,579
Due from other funds	174,015			6,368	61,148	241,531
Prepaid Items	315,733					315,733
Total Assets	\$ 8,582,591	5,010,261	4,538,876	648,376	9,142,014	27,922,118
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Claims payable	\$ 244,794		14,431	69,585	1,097,930	1,426,740
Salaries and benefits payable	347,805			119,699	101,918	569,422
Intergovernmental payables	264,056					264,056
Due to other funds	67,516				174,015	241,531
Deferred revenue	6,359,978			305,424	5,518,141	12,183,543
Other payables	83,509					83,509
Total Liabilities	7,367,658	-	14,431	494,708	6,892,004	14,768,801
<b>Fund balances:</b>						
<b>Reserved for:</b>						
Debt service					802,979	802,979
Loans receivable		600,000				600,000
<b>Unreserved, reported in:</b>						
General fund	1,214,933					1,214,933
Special revenue funds		4,410,261			1,447,031	5,857,292
Capital project funds			4,524,445	153,668		4,678,113
Total Fund Balances	1,214,933	5,010,261	4,524,445	153,668	2,250,010	13,153,317
Total Liabilities and Fund Balances	\$ 8,582,591	5,010,261	4,538,876	648,376	9,142,014	27,922,118

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

## LEFLORE COUNTY

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)	\$ 13,153,317
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	54,832,356
Plus capital outlay expenditures made during the year	1,586,845
Plus net prior period adjustments to capital assets and depreciation	9,247
Less depreciation expense recorded during the year	(1,283,933)
Less net book value of capital assets sold during the year	(120,380)
Less net book value of capital assets junked or vehicles totaled during the year	(289,961)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Accounts receivable	396,234
Fines receivable	363,402
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(24,288,865)
Accrued interest on bonds	(297,279)
Total net assets - governmental activities (Exhibit 1)	\$ <u>44,060,983</u>

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

## LEFLORE COUNTY

Exhibit 4

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

	Major Funds					Total Governmental Funds
	General Fund	HUD Section 108 Loan Fund	Jail Construction and Building Repair Fund	Countywide Road Maintenance Fund	Other Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$ 7,212,834			354,744	3,402,042	10,969,620
Road and bridge privilege taxes				267,405		267,405
Licenses, commissions and other revenue	443,806				25,364	469,170
Fines and forfeitures	253,760				19,335	273,095
Intergovernmental revenues	720,002			640,390	4,570,093	5,930,485
Charges for services	642,454			1,872	882,658	1,526,984
Interest income	93,556	103,650	106,027	1,071	51,451	355,755
Miscellaneous revenues	398,910	146,289		578	544,739	1,090,516
Total Revenues	<u>9,765,322</u>	<u>249,939</u>	<u>106,027</u>	<u>1,266,060</u>	<u>9,495,682</u>	<u>20,883,030</u>
<b>EXPENDITURES</b>						
Current:						
General government	4,798,509		14,431		370,330	5,183,270
Public safety	3,367,299		508,251		4,201,530	8,077,080
Public works	96,456			3,332,462	762,457	4,191,375
Health and welfare	1,031,079					1,031,079
Culture and recreation	637,105				260,965	898,070
Conservation of natural resources	136,058				777,570	913,628
Economic development and assistance	193,933					193,933
Debt service:						
Principal	60,790			391,150	1,788,717	2,240,657
Interest	3,913	160,712		24,686	1,009,474	1,198,785
Bond issue costs					53,703	53,703
Total Expenditures	<u>10,325,142</u>	<u>160,712</u>	<u>522,682</u>	<u>3,748,298</u>	<u>9,224,746</u>	<u>23,981,580</u>
Excess of Revenues over (under) Expenditures	<u>(559,820)</u>	<u>89,227</u>	<u>(416,655)</u>	<u>(2,482,238)</u>	<u>270,936</u>	<u>(3,098,550)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	127,513			888,500		1,016,013
Long-term non-capital debt issued					350,000	350,000
Refunding bonds issued					2,515,000	2,515,000
Proceeds from sale of capital assets				329,639		329,639
Transfers in	123,641			1,271,520	1,079,827	2,474,988
Transfers out	(128,885)	(53,429)	(400,000)		(1,892,674)	(2,474,988)
Payment to bond refunding escrow agent					(2,461,297)	(2,461,297)
Total Other Financing Sources and Uses	<u>122,269</u>	<u>(53,429)</u>	<u>(400,000)</u>	<u>2,489,659</u>	<u>(409,144)</u>	<u>1,749,355</u>
Net Changes in Fund Balances	<u>(437,551)</u>	<u>35,798</u>	<u>(816,655)</u>	<u>7,421</u>	<u>(138,208)</u>	<u>(1,349,195)</u>
Fund Balances - Beginning	1,652,484	4,974,463	5,341,100	146,247	2,388,218	14,502,512
Fund Balances - Ending	\$ <u>1,214,933</u>	<u>5,010,261</u>	<u>4,524,445</u>	<u>153,668</u>	<u>2,250,010</u>	<u>13,153,317</u>

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

## LEFLOPE COUNTY

Exhibit 4-1

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

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (1,349,195)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$1,586,845, exceeded depreciation of \$1,283,933.	302,912
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the proceeds from the sale of \$329,639 and the compensation on loss of capital assets of \$32,881, plus the loss of \$47,822.	(410,342)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	136,368
Garbage collection fee revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	(38,749)
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 repayments of \$2,240,657 exceeded debt proceeds of \$1,366,013.	874,644
Debt proceeds from refunding bonds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets by the difference in the amount of the refunding bonds of \$2,515,000 and the refunded bonds of \$2,410,000. The payment to the refunded bond escrow agent is reported as an other use in the governmental funds, and the bond issue costs are reported in the governmental funds reported at \$2,461,297 and \$53,703, which totals and offsets the amount of the refunding bonds of \$2,515,000.	(105,000.00)
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:	
Interest on long-term debt	26,509
Compensated absences	(7,963)
Claims and judgments	<u>255,052</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ (315,764)</u>

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

LEFLORE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2003

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 18,521
Total Assets	\$ <u>18,521</u>
 <b>LIABILITIES</b>	
Intergovernmental payables	\$ 18,521
Total Liabilities	\$ <u>18,521</u>

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

## LEFLORE COUNTY

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

(1) Significant Accounting Policies.

A. Financial Reporting Entity.

Leflore 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 Leflore 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 of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Greenwood-Leflore County Hospital
- Delta Correctional Facility

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
- Tax 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 primary government of the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the primary government 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 for the primary government. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of

## LEFLORE COUNTY

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

a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

#### ***Fund Financial Statements:***

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

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

The government-wide and fiduciary 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.

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

HUD Section 108 Loan Fund - Accounts for proceeds of note used to distribute to MDCIIC for loans to small businesses and the repayment of these loans. Currently, this fund is also used to pay the interest on the long-term note.

Jail Construction and Building Repair Fund – Accounts for the proceeds of the jail construction bonds which are restricted to building, reconstructing the jail and related facilities, and repairing the courthouse.

Countywide Road Maintenance Fund - Accounts for monies from specific revenue sources that are restricted for road maintenance.

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

## LEFLORE COUNTY

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

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

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

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 2006 by the Government Finance Officers Association.

#### E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, and 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 Receivables/Payables.

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

#### H. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

LEFLORE COUNTY

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

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 governmental column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. 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.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

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

J. Long-term liabilities.

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

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

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

LEFLORE COUNTY

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

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.

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

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

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for

LEFLORE COUNTY

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

certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

Therefore, the county's full liability for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as a liability in the Statement of Net Assets.

(2) Changes in Accounting Standards.

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

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Correction of amount capitalized as capital asset and depreciation	\$ <u>9,248</u>
Total	\$ <u>9,248</u>

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$14,020,782, and the bank balance was \$14,620,891. 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

LEFLORE COUNTY

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

pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

The county had no investments at year end.

(5) **Interfund Transactions and Balances.**

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

A. **Due From/To Other Funds:**

Receivable Fund	Payable Fund	Amount
<b>Major Funds:</b>		
General Fund	Nonmajor Governmental Funds	\$ 174,015
Countywide Road Maintenance Fund	General Fund	6,368
Nonmajor Governmental Funds	General Fund	61,148
Total		\$ 241,531

The amount payable to the General Fund represents expenditures made from the General Operating Account for expenditures of various federal grants, primarily Homeland Security and Domestic Preparedness Equipment grant expenditures which will to be reimbursed by the related grant. The remainder of the receivables represents taxes that have not been settled to the individual funds from the General Fund at year end. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. **Transfers In/Out:**

Transfer In	Transfer Out	Amount
<b>Major Funds:</b>		
General Fund	Nonmajor Governmental Funds	\$ 123,641
Countywide Road Maintenance Fund	Nonmajor Governmental Funds	1,271,520
Nonmajor Governmental Funds	General Fund	128,886
Nonmajor Governmental Funds	HUD Section 108 Loan Fund	53,429
Nonmajor Governmental Funds	Jail Construction and Building Fund	400,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	497,512
Total		\$ 2,474,988

The principal purposes of interfund transfers were to provide funds for grant matches, capital outlay, debt service, or to provide funds as budgeted for operations

LEFLORE COUNTY

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

(6) Intergovernmental Receivables.

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

Description	Amount
Legislative tag credit	\$ 134,797
Reimbursement for housing prisoners	55,776
Motor vehicle fuel tax	31,438
Motor vehicle licenses	5,543
Public safety grants	164,456
Public works grants	14,881
Other	119,159
Total Governmental Activities	<u>\$ 526,050</u>

(7) Loans Receivable.

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

Styling	Date of Loan	Interest Rate	Maturity Date	Balance Payable
TT&W Farm Products - building construction	7/1/2002	3	1-12	\$ 1,160,250
Mid-Delta Community and Individual Investment Corporation (MDCIIC) Section 108 Loan	8/11/2003	N/A	N/A	600,000
Total				<u>1,760,250</u>

The future minimum loan payments together with the present value of the net minimum loan payables as of September 30, 2005, are as follows:

Year Ending September 30:	Amounts
2006	179,250
2007	174,750
2008	170,250
2009	165,750
2010	161,250
2011-2013	309,000
Total Minimum Loan Receivables	1,160,250
Less: Amount representing interest	110,250
Present Value of Net Minimum Loan Receivables	<u>\$ 1,050,000</u>

In accordance with legal agreements entered into by the county, MDCIIC, the U.S Department of Housing and Urban Development (HUD), and the Mississippi Development Authority (MDA), the county releases HUD Section 108 Guaranteed Loan funds to MDCIIC, when approved by the Mississippi Development Authority, for purposes of loaning to small businesses in the Mid-Delta. An amortization schedule has not been developed for the repayment of the \$600,000, which is only a component of the total anticipated loans to small businesses of \$5 million that is required to be loaned by September, 2006, by which time an amortization

LEFLORE COUNTY

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

schedule should be developed. Presently, MDCIIC is assisting in the payment of the interest on the loan that Leflore County entered into to provide these moneys to small businesses.

(8) Capital Assets.

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

	Balance Oct. 1, 2004	Additions	Deletions	Reclassifications	Prior Period Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>						
Land	\$ 3,900,224	87,175				3,987,399
Construction in progress	4,977,815	155,717		(3,431,699)	34,696	1,736,529
Total non-depreciable capital assets	8,878,039	242,892	-	(3,431,699)	34,696	5,723,928
<u>Depreciable capital assets:</u>						
Infrastructure	93,692,509					93,692,509
Buildings	11,817,672		(112,470)			11,705,202
Improvements other than buildings				3,431,699		3,431,699
Mobile equipment	6,484,706	167,376	(1,335,995)	545,159		5,861,246
Furniture and equipment	1,444,840	229,451	(74,685)	47,410		1,647,016
Leased property under capital leases	5,329,054	1,016,013	(211,783)	(592,569)		5,540,715
Total depreciable capital assets	118,768,781	1,412,840	(1,734,933)	3,431,699	-	121,878,387
<u>Less accumulated depreciation for:</u>						
Infrastructure	(64,895,800)	(134,133)				(65,029,933)
Buildings	(1,465,774)	(234,104)	15,746			(1,684,132)
Improvements other than buildings		(137,268)				(137,268)
Mobile equipment	(4,536,282)	(423,314)	1,075,785	(419,466)	(161,780)	(4,465,057)
Furniture and equipment	(1,140,065)	(131,392)	52,715	(25,332)	136,333	(1,107,741)
Leased property under capital leases	(776,543)	(223,722)	111,459	444,798	(2)	(444,010)
Total accumulated depreciation	(72,814,464)	(1,283,933)	1,255,705	-	(25,449)	(72,868,141)
Total depreciable capital assets, net	45,954,317	128,907	(479,228)	3,431,699	(25,449)	49,010,246
Governmental activities capital assets, net	\$ 54,832,356	371,799	(479,228)	-	9,247	54,734,174

LEFLORE COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount:</u>
Governmental Activities	
General government	\$ 130,774
Public safety	180,692
Public works	579,529
Health and welfare	32,693
Culture and recreation	91,492
Conservation of natural resources	11,831
Economic development and assistance	<u>256,922</u>
Total governmental activities depreciation expense	<u>\$ 1,283,933</u>

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Leflore County Correction and Justice Facilities	\$ 20,839	1/31/2007

(9) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

In prior years, the county financed 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 county discontinued participation in the pool on September 1, 2005. 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 were determined on an actuarial basis. The county had reinsurance which functioned on two separate stop loss coverage amounts: specific and aggregate. These coverage amounts were purchased from an outside commercial carrier. For the prior fiscal year, the specific coverage began when an individual participant's claim exceeded \$30,000, and the aggregate policy covered all submitted claims in excess of \$1,430,761. 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 would include an amount for claims that have been incurred but not reported (IBNRs), however no liability is reported because amounts owed by the pool to the county for reimbursement of reinsurance exceed estimated unpaid claims. Changes in the balances of claims liabilities during the year are as follows:

LEFLORE COUNTY

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

Unpaid Claims, Beginning of Fiscal Year	\$ 255,052
Plus: Incurred Claims (Including IBNRs)	1,417,408
Less: Claim Payments	<u>1,672,460</u>
Unpaid Claims, End of Fiscal Year	\$ <u><u>0</u></u>

(10) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2005:

<u>Classes of Property</u>	<u>Amount</u>
Industrial building	\$ 1,497,206
Viking distribution facility	<u>1,175,601</u>
Total	\$ <u><u>2,672,807</u></u>

The future minimum lease receivables together with the present value of the net minimum lease receivables as of September 30, 2005, are as follows:

<u>Year Ending September 30:</u>	<u>Amounts</u>
2006	135,395
2007	135,395
2008	135,395
2009	135,395
2010	135,395
2011-2015	379,352
2016-2020	<u>16,509</u>
Total Minimum Lease Receivables	1,072,836
Less: Amount representing interest	<u>188,274</u>
Present Value of Net Minimum Lease Receivables	\$ <u><u>884,562</u></u>

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Buildings	\$ 4,200,000
Mobile equipment	1,254,888
Other furniture and equipment	<u>85,827</u>
Total	<u><u>5,540,715</u></u>

LEFLORE COUNTY

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

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2005, are as follows:

Year Ending September 30:	Governmental Activities
2006	\$ 251,892
2007	240,536
2008	136,744
2009	108,913
2010	108,913
2011-2015	517,337
Total Minimum Payments Required	1,364,335
Less: Amount representing interest	201,588
Present Value of Net Minimum Lease Payables	\$ 1,162,747

(11) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
<b>General Long-term Debt Account Group:</b>			
<b>A. General Obligation Bonds:</b>			
General obligation bonds (Series 2004)	\$ 2,305,000	3.00 to 3.75	5-15
Jail Construction Bonds (Series 2004)	5,950,000	3.70 to 5.00	12-23
General obligation (Series 2003)	3,020,000	2.809 to 3.75	5-11
Industrial	690,000	7.64 to 7.80	5-15
Industrial (Itta Bena project)	280,000	5.00 to 5.50	6-10
General obligation (Series 2000)	445,000	7.05 to 7.40	5-10
MBIA bond (Series 2002)	1,050,000	3.00 to 3.00	1-12
Road & bridge (Series 2001)	2,460,000	4.13 to 5.88	9-16
Total General Obligation Bonds	\$ 16,200,000		
<b>B. Capital Leases:</b>			
Ford Expedition and five Crown Victorias	\$ 100,195	4.68	5-05
Two 2004 F-150 pickups	28,572	3.15	6-04
		4.56	4-05
Five John Deere Advantage cab tractors	121,548	2.87	7-07
Five Caterpillar motor graders	870,516	4.19	6-15
AS400 computer	41,916	3.49	1-08
Total Capital Leases	\$ 1,162,747		
<b>C. Other Loans:</b>			
Note for HUD Section 108 loans	\$ 5,000,000	5.48 to 5.97	8-23
Fire protection note	63,598	4.05	1-07
Civic center notes	350,000	3.59	9-10
MDA capital improvements loan	405,616	4.00	10-12
MDA capital improvements loan	384,173	5.66	1-16
MDA mitigation capital improvements loan	343,522	3.00	9-19
Computer software (Mapping and Reappraisal)	26,957	3.49	1-08
Total Other Loans	\$ 6,573,866		

LEFLORE COUNTY

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

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,430,000	658,515
2007	1,520,000	602,535
2008	1,585,000	542,856
2009	1,645,000	479,171
2010	1,350,000	401,271
2011-2015	4,900,000	1,267,283
2016-2020	2,030,000	536,309
2021-2025	<u>1,740,000</u>	<u>143,200</u>
Total	<u>\$ 16,200,000</u>	<u>4,631,140</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 107,604	28,548
2007	111,605	277,537
2008	73,900	275,875
2009	322,423	274,229
2010	325,023	274,200
2011-2015	1,250,000	1,257,175
2016-2020	1,750,000	941,025
2021-2025	<u>1,500,000</u>	<u>442,600</u>
Total	<u>\$ 5,440,555</u>	<u>3,771,189</u>

The annual debt service requirements for the \$405,616, \$384,173 and \$343,522 CAP loans can not be determined because the allocation of principal and interest is based on the date the payment is received and a correct amortization could not be obtained. The principal amount of these notes, totaling \$1,133,311, in addition to the amount shown for principal for other loans of \$5,440,555 totals \$6,573,866 of other loans outstanding

Legal Debt Margin - The amount of general obligation bonded debt that can be incurred by the county is limited by state statute. Total outstanding general obligation bonded 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 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 8.03% of the latest property assessments.

LEFLORE COUNTY

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

Advance Refunding - On December 21, 2004, the county issued \$2,515,000 in general obligation bonds with an average interest rate of 3.586% to advance refund \$2,410,000 of the following outstanding bond issues:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
General obligation public improvement bonds, Series 1995	5.44%	\$ 755,000
General obligation public improvement bonds, Series 1998	5.35%	<u>1,655,000</u>
Total		<u>\$ 2,410,000</u>

The net proceeds of \$2,461,297 (after payment of \$53,703 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

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

	<u>Balance Oct. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2005</u>	<u>Amount due within one year</u>
Governmental Activities:						
Compensated absences	\$ 344,289	7,963	-		352,252	35,225
Claims and judgements	255,052	1,417,408	1,672,460		-	-
General obligation bonds	17,730,000	2,515,000	1,635,000	2,410,000	16,200,000	1,435,000
Capital leases	615,622	1,016,013	468,888		1,162,747	209,735
Other loans	<u>6,360,636</u>	<u>350,000</u>	<u>136,770</u>	<u>-</u>	<u>6,573,866</u>	<u>107,604</u>
Total	<u>\$ 25,305,599</u>	<u>5,306,384</u>	<u>3,913,118</u>	<u>2,410,000</u>	<u>24,288,865</u>	<u>1,787,564</u>

(12) Contingencies.

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

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

LEFLORE COUNTY

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

(13) Related Organizations.

The Leflore County Board of Supervisors is responsible for appointing a voting majority of the members of the boards of the following organizations, but the county's accountability for these organizations does not extend beyond making appointments and in making small appropriations, if any, to these organizations:

- East Leflore Water & Sewer District
- Minter City Water & Sewer District
- Blue Lake Water & Sewer District
- Philipston Water District
- Teoc Drainage District
- Big Sand Drainage District
- Abiaca Drainage District
- Fighting Bayou Drainage District
- Pecan Bayou Drainage District
- Abotapoota Drainage District
- Leflore County Drainage Districts:
  - New Jones Walton Drainage District:
  - Cude Drainage District
  - Rucker Ellsberry Drainage District
  - Lake Henry Drainage District

(14) Joint Ventures.

The county participates in the following joint ventures:

Leflore County is a participant with the City of Greenwood in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Greenwood-Leflore County Airport. The joint venture was created to provide airport services and is governed by a five member board of commissioners with two appointed by the Leflore County Board of Supervisors, two appointed by the City of Greenwood and one jointly appointed. By contractual agreement, the county's appropriation from the General Fund this year to the joint venture amounted to \$96,456. Complete financial statements for the Greenwood-Leflore Airport can be obtained from the Greenwood-Leflore County Airport, P. O. Box 378, Greenwood, MS 38930.

Leflore County entered into an interlocal agreement with Claiborne, Grenada, Holmes and Humphreys Counties and the Cities of Itta Bena, Greenwood and Grenada to provide a multi-jurisdictional drug enforcement task force known as North Central Narcotics Task Force. Most of the funding is provided by a federal grant, with the local entities contributing a minimum of 25 percent. Leflore County contributed \$10,957 to the task force. The accounting for the project is performed by Leflore County. All of the project's transactions are reflected in the financial statements of Leflore County.

Leflore County is a participant with the City of Greenwood in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972) to operate the Greenwood-Leflore Public Library. The joint venture was created to provide library services to the public and is governed by a five-member board of which two members are appointed by Leflore County and three members are appointed by the City of Greenwood. The county's appropriation from the General Fund this year to the joint venture amounted to \$171,935. Complete financial statements for the Greenwood-Leflore Public Library can be obtained from the following address: 405 West Washington, Greenwood, MS 38930.

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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 Leflore County Board of Supervisors appoints one of the eight members of the board of commissioners. Leflore County contributed \$121,500 for the support of the center in fiscal year 2005.

## LEFLORE COUNTY

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

Yazoo-Mississippi Delta Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Leflore County Board of Supervisors appoints two of the 21 members of the district board of commissioners. The county levied a .61 mill tax resulting in \$98,954 for the maintenance and support of the district in fiscal year 2005.

North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Leflore County Board of Supervisors appoints four of the 28 members of the district board of directors. Leflore County contributed \$34,960 for the support of the district in fiscal year 2005.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower, and Washington. The Leflore County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$500,328 for maintenance and support of the college in fiscal year 2005.

Greenwood-Leflore Industrial Board members are appointed by the Greenwood-Leflore-Carroll Economic Foundation whose membership is open to the public. Leflore County and the City of Greenwood fund the industrial board equally. The county contributed \$123,298 in support of the industrial board in fiscal year 2005.

(16) **Defined Benefit Pension Plan.**

Plan Description. Leflore 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 109.75% 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 to PERS for the years ending September 30, 2005, 2004 and 2003 were \$525,877, \$518,187, and \$519,277, respectively, equal to the required contributions for each year.

LEFLORE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 7,039,500.00	7,191,332	7,217,988	26,656
Licenses, commissions and other revenue	362,100.00	424,944	399,165	(25,779)
Fines and forfeitures	202,000.00	263,312	256,810	(6,502)
Intergovernmental revenues	740,614.00	750,607	738,005	(12,602)
Charges for services	625,000.00	625,000	595,219	(29,781)
Interest income	30,800.00	90,555	92,611	2,056
Miscellaneous revenues	146,500.00	569,080	583,265	14,185
Total Revenues	<u>9,146,514.00</u>	<u>9,914,831</u>	<u>9,883,063</u>	<u>(31,768)</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,280,303.00	\$4,970,227.00	4,895,042	75,185
Public safety	3,458,013.00	\$3,565,091.00	3,523,118	41,973
Public works	96,456.00	\$96,456.00	96,456	-
Health and welfare	648,055.00	\$1,052,940.73	1,031,079	21,862
Culture and recreation	610,658.00	\$644,554.00	630,492	14,062
Conservation of natural resources	133,951.00	\$135,958.00	135,956	2
Economic development and assistance	190,136.00	\$220,562.28	220,562	0
Total Expenditures	<u>9,417,572.00</u>	<u>10,685,789</u>	<u>10,532,705</u>	<u>153,084</u>
Excess of Revenues over (under) Expenditures	<u>(271,058.00)</u>	<u>(770,958)</u>	<u>(649,642)</u>	<u>121,316</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	315,725.00	577,691	446,845	130,846
Other financing uses	<u>(422,343.00)</u>	<u>(\$476,381.82)</u>	<u>(606,407)</u>	<u>(130,025)</u>
Total Other Financing Sources and Uses	<u>(106,618.00)</u>	<u>101,309</u>	<u>(159,562)</u>	<u>(260,871)</u>
Net Change in Fund Balance	<u>(377,676.00)</u>	<u>(669,649)</u>	<u>(809,204)</u>	<u>(139,555)</u>
Fund Balances - Beginning	<u>1,448,400.00</u>	<u>1,608,195</u>	<u>1,612,018</u>	<u>3,823</u>
Fund Balances - Ending	<u>\$ 1,070,724.00</u>	<u>938,546</u>	<u>802,814</u>	<u>(135,732)</u>

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

LEFLORE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 HUD Section 108 Loan Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income			93,545	93,545
Miscellaneous revenues	\$ 279,200	279,200	146,289	(132,911)
Total Revenues	<u>279,200</u>	<u>279,200</u>	<u>239,834</u>	<u>(39,366)</u>
<b>EXPENDITURES</b>				
Current:				
Debt service	279,200	199,200	160,712	38,488
Total Expenditures	<u>279,200</u>	<u>199,200</u>	<u>160,712</u>	<u>38,488</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>80,000</u>	<u>79,122</u>	<u>(878)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing uses	-	(80,000)	(53,429)	26,571
Total Other Financing Sources and Uses	<u>-</u>	<u>(80,000)</u>	<u>(53,429)</u>	<u>26,571</u>
Net Change in Fund Balance	-	-	25,693	25,693
Fund Balances - Beginning Restated.	<u>4,374,463</u>	<u>4,374,463</u>	<u>4,974,463</u>	<u>600,000</u>
Fund Balances - Ending	<u>\$ 4,374,463</u>	<u>4,374,463</u>	<u>5,000,156</u>	<u>625,693</u>

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

LEFLORE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Jail Construction and Building Repair Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$ 75,000	75,000	106,672	31,672
Total Revenues	<u>75,000</u>	<u>75,000</u>	<u>106,672</u>	<u>31,672</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	3,440,100	3,440,100	508,251	2,931,849
Total Expenditures	<u>3,440,100</u>	<u>3,440,100</u>	<u>508,251</u>	<u>2,931,849</u>
Excess of Revenues over (under) Expenditures	<u>(3,365,100)</u>	<u>(3,365,100)</u>	<u>(401,579)</u>	<u>2,963,521</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	-	-	-	-
Other financing uses	(400,000)	(400,000)	(400,000)	-
Total Other Financing Sources and Uses	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,000)</u>	<u>-</u>
Net Change in Fund Balance	(3,765,100)	(3,765,100)	(801,579)	2,963,521
Fund Balances - Beginning	<u>5,000,000</u>	<u>5,000,000</u>	<u>5,337,417</u>	<u>337,417</u>
Fund Balances - Ending	<u>\$ 1,234,900</u>	<u>1,234,900</u>	<u>4,535,838</u>	<u>3,300,938</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 349,177	353,181	354,744	1,563
Road and bridge privilege taxes	280,000	280,000	267,405	(12,595)
Intergovernmental revenues	598,000	612,350	640,390	28,040
Charges for services			1,872	1,872
Interest income	300	300	1,071	771
Miscellaneous revenues			578	578
Total Revenues	<u>1,227,477</u>	<u>1,245,831</u>	<u>1,266,060</u>	<u>20,229</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,492,978	3,830,482	3,332,462	498,020
Debt service			415,836	
Total Expenditures	<u>2,492,978</u>	<u>3,830,482</u>	<u>3,748,298</u>	<u>82,184</u>
Excess of Revenues over (under) Expenditures	<u>(1,265,501)</u>	<u>(2,584,651)</u>	<u>(2,482,238)</u>	<u>102,413</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	1,247,490	2,489,659	2,489,659	0
Total Other Financing Sources and Uses	<u>1,247,490</u>	<u>2,489,659</u>	<u>2,489,659</u>	<u>0</u>
Net Change in Fund Balance	(18,011)	(94,992)	7,421	102,413
Fund Balances - Beginning	<u>224,700</u>	<u>274,416</u>	<u>146,247</u>	<u>(128,169)</u>
Fund Balances - Ending	<u>\$ 206,689</u>	<u>179,424</u>	<u>153,668</u>	<u>(25,756)</u>

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

LEFLORE COUNTY

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

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

LEFLORE COUNTY

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

Excess of Revenues and Other Sources Over  
(Under) Expenditures and Other Uses

	<u>Governmental Fund Types</u>			
	General Fund	HUD Section 108 Loan Fund	Jail Construction and Building Repair Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ (809,204)	25,693	(801,579)	29,426
Increase (Decrease):				
Net adjustment for revenue accruals	(313,432)	10,105	(645)	(23,159)
Net adjustment for expenditure accruals	685,085	-	(14,431)	1,154
GAAP Basis	<u>\$ (437,551)</u>	<u>35,798</u>	<u>(816,655)</u>	<u>7,421</u>

LEFLORE COUNTY

SUPPLEMENTAL INFORMATION

LEFLORE COUNTY  
 Schedule of Expenditures of Federal Awards  
 For the 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 Justice			
Passed through the Mississippi Department of Public Safety			
Byrne formula grant program	16.579	4NM1421	\$ <u>221,800</u>
Department of Homeland Security			
Passed through Mississippi Emergency Management Agency			
Homeland security grant program	97.067	3SSG-5024	62,639
		3SSG-5025	5,236
		3SSG-5026	65,235
Passed through the Mississippi Department of Public Safety			
Homeland security grant program	97.067	04CS042	7,398
		04HS042	4,860
		04HS042R	112,167
		5HS042R	270
Total U. S. Department of Homeland Security			<u>257,805</u>
Delta Regional Authority			
Direct:			
Delta Area Economic Development	90.201		<u>250,000</u>
Total Delta Regional Authority			<u>250,000</u>
Total Major Federal Awards			<u>729,605</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Agriculture			
Direct:			
Rural business enterprise grants	10.769	N/A	<u>63,059</u>
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
Community development block grants/state's program	14.228	1121-04-042-ED-01\$	120,323
Home Investment Partnership Program	14.239	M03-SG-280-128	186,315
Total U.S. Department of Housing and Urban Development			<u>306,638</u>
U.S. Department of Justice			
Direct:			
Local law enforcement block grants program	16.592	N/A	21,603
Passed through the Mississippi Department of Public Safety			
Juvenile accountability incentive block grants	16.523	02JB1421	24,391
Total U. S. Department of Justice			<u>45,994</u>

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

SCHEDULE 1 (continued)

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Transportation			
Passed through Mississippi Department of Transportation Highway planning and construction	20.205	N/A	770
Passed through Mississippi Emergency Management Agency Interagency hazardous materials public sector training and planning grants	20.703	LEP5-LC-006	<u>3,153</u>
Total U. S. Department of Transportation			<u>3,923</u>
Department of Homeland Security			
Direct:			
Assistance to Firefighters Grant			37,980
Passed through Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	3SUP-11 3SSG-3038 2DPG-012 3SSG-4003	14,368 24,501 136,299 32,298
Hazard mitigation grant	97.039	HMGP 1360-011 HMGP 1360-001	10,353 60,000
Citizens Corps	97.053	CERT 04CC013 CERT	3,000 2,961 2,947
Total U. S. Department of Homeland Security			<u>324,707</u>
Total Other Federal Awards			<u>744,321</u>
Total for All Federal Awards			<u>\$ 1,473,926</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.

## LEFLORE COUNTY

SCHEDULE 2Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2005

## Operating Expenditures, Cash Basis:

Personal services	\$	386,129
Contractual services		42,938
Garbage disposal		166,248
Consumable supplies		<u>66,975</u>
		20,869
Solid Waste Cash Basis Operating Expenditures		<u>683,159</u>

## Full Cost Expenses:

Indirect administrative costs		11,453
Depreciation on equipment		71,488
Interest on solid waste debt		0
Other accrued expenses		<u>28,082</u>

Solid Waste Full Cost Operating Expenses \$ 794,182

LEFLORE COUNTY

SPECIAL REPORTS



*Ruth N. Wylie* Certified Public Accountant

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

June 26, 2006

Members of the Board of Supervisors  
Leflore County, Mississippi

I have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Leflore County, Mississippi, as of and for the year ended September 30, 2005, and have issued my report thereon dated June 26, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. I conducted my 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 my audit, I considered Leflore County, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Leflore County, Mississippi's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

*Ruth N. Wylie, CPA*

Madison, Mississippi



*Ruth N. Wylie* Certified Public Accountant

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

June 26, 2006

Members of the Board of Supervisors  
Leflore County, Mississippi

I have audited the compliance of Leflore 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. Leflore 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 its major federal programs is the responsibility of Leflore County, Mississippi's management. My responsibility is to express an opinion on Leflore County, Mississippi's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I 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 Leflore County, Mississippi's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Leflore County, Mississippi's compliance with those requirements.

In my opinion, Leflore 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 Leflore 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 my audit, I considered Leflore County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on the major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My 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 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 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. I noted no matters involving the internal control over compliance and its operation that I 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.

*Ruth N. Wylie, CPA*  
Madison, Mississippi



*Ruth N. Wylie* Certified Public Accountant

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

June 26, 2006

Members of the Board of Supervisors  
Leflore County, Mississippi

I have made a study and evaluation of the central purchasing system and inventory control system of Leflore County, Mississippi, as of and for the year ended September 30, 2005. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.

The Board of Supervisors of Leflore County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Section 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 Leflore 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 applicable state law.

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

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

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with my aforementioned study and evaluation of the purchasing system and, in my 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 Leflore 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.

*Ruth N. Wylie, CPA*  
Madison, Mississippi

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

Schedule 1

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reasons for accepting Other than the Lowest Bid
5/26/2005	Five motor graders/ one with additional scarifier	\$ 172,810 for four, \$178,810 for grader with scarifier	Thompson Machinery	\$ 165,662 for four, \$173,619 for grader with scarifier	Lower bid did not meet bid specifications as to engine requirements and demonstrating machine prior to bid opening. Low bidder also did not state a buy back provision.

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
2/14/2005	Doors and locks for County Jail	\$ 18,000	Weatherbee Electric, Inc.	Danger of escape and security risk at County Jail, and to private citizens.

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

Schedule 3

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



*Ruth N. Wylie* Certified Public Accountant

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

June 26, 2006

Members of the Board of Supervisors  
Leflore County, Mississippi

In planning and performing our audit of the financial statements of Leflore County, Mississippi for the year ended September 30, 2005, we considered Leflore 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 Leflore 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 June 26, 2006, on the financial statements of Leflore County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal 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.

*Ruth N. Wylie, CPA*  
Madison, Mississippi

LEFLORE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Section 1: Summary of Auditor's Results

***Financial Statements:***

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

***Federal Awards:***

- |     |  |             |
|-----|--|-------------|
| 4.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 5.  | Internal control over major programs:  |             |
|     | a. Material weaknesses identified?   | No          |
|     | b. Reportable conditions identified that are not considered to be material weaknesses?   | No          |
| 6.  | Any audit findings reported as required by Section __.510(a) of Circular A_133?  | No          |
| 7.  | Federal programs identified as major programs:   |             |
|     | a. Byrne formula grant program   | 16.579      |
|     | b. Homeland security grant program   | 97.067      |
|     | c. Delta area economic development   | 90.201      |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | Yes         |

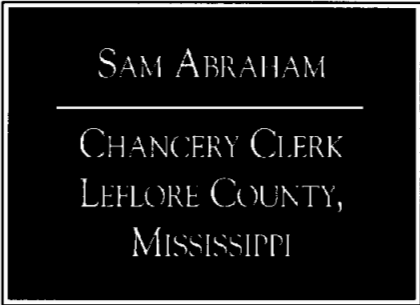
Section 2: Financial Statement Findings

The results of my tests did not disclose any findings and questioned costs related to the financial statements.

Section 3: Findings and Questioned Costs for Federal Awards

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

Clerk of the Chancery Court  
Clerk of the Board of Supervisors  
County Auditor  
County Treasurer  
County Administrator



P. O. Box 250  
Greenwood, MS 38935-0250  
Telephone 662-453-6203  
FAX 662-455-7965

Summary Schedule of Prior Audit Findings  
July 31, 2006

Office of the State Auditor  
P.O. Box 956  
Jackson, MS 39205

Gentlemen:

Leflore County respectfully submits the following statement regarding prior audit findings for the year ended September 30, 2004.

Section 3: Findings and Questioned Costs for Federal Awards of the Prior Fiscal Year

2004-5 Corrective action was taken by the Leflore County Board of Supervisors.

Respectfully,



Sam Abraham, County Administrator