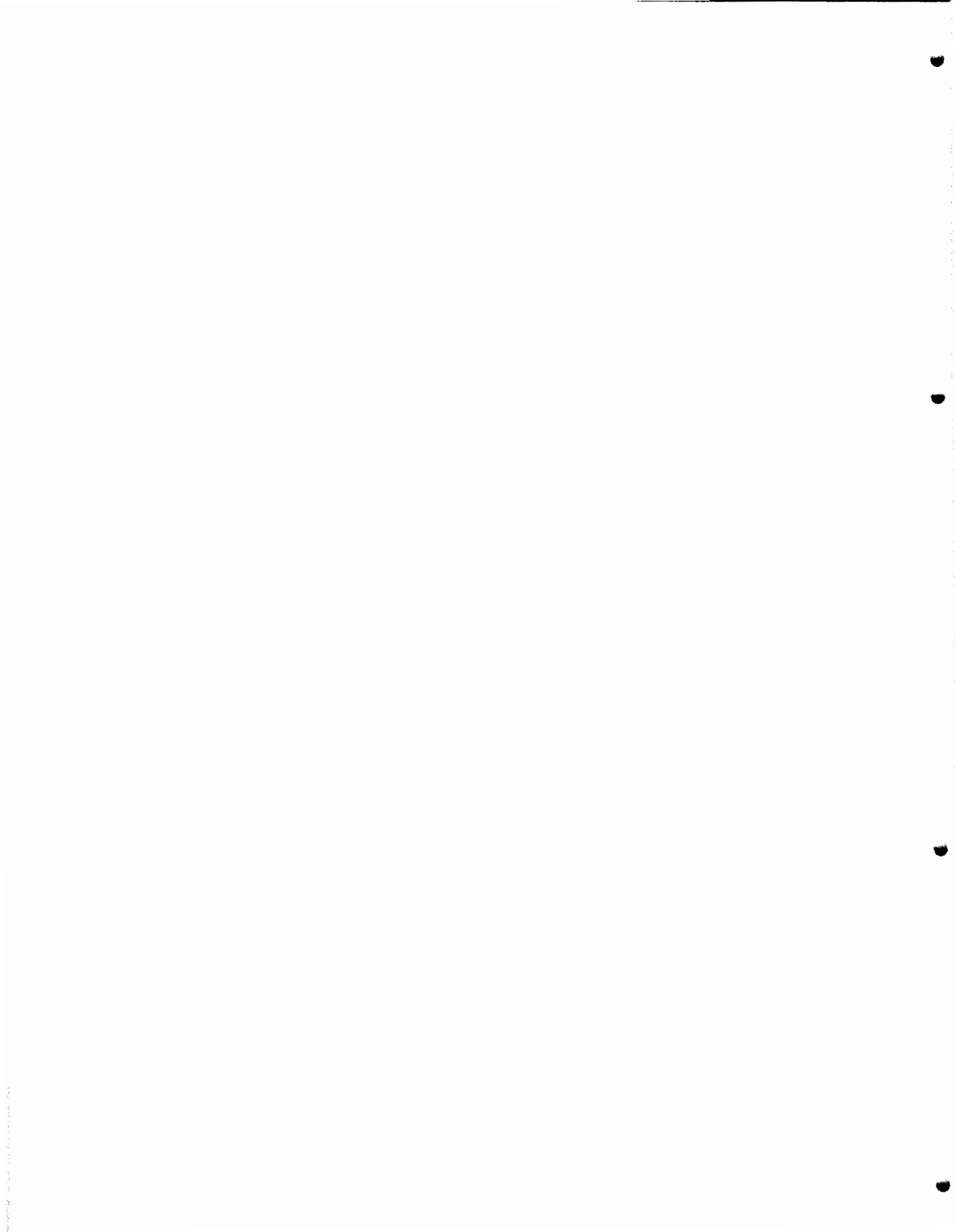




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TALLAHATCHIE COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2005



**TALLAHATCHIE COUNTY, MISSISSIPPI
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SEPTEMBER 30, 2005**

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Certified Public Accountants

A. Braddock Brawner, CPA
W. T. Vanstory, CPA
Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

512 Taylor Street
AmSouth Bank Building
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

INDEPENDENT AUDITORS' REPORT ON THE
PRIMARY GOVERNMENT FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTAL
INFORMATION AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Tallahatchie County, Mississippi

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

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

The County did not maintain adequate subsidiary records documenting the aging of accounts receivable for the Circuit Court receivables included in the Statement of Net Assets. Due to the nature of the County's records, we were unable to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable reported in the Statement of Net Assets in the amount of \$64,052 as of September 30, 2005. Additionally, the County did not have a detailed listing documenting the amounts of Circuit Court fines receivable in the amount of \$64,052. Therefore, the adequacy of these amounts and the allowance for bad debts could not be determined. The amount by which this departure would affect the assets and revenues of the General Fund and Governmental Activities could not be reasonably determined.

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

In our opinion, except for the effects, if any, of not providing adequate aging of Circuit Court fines receivable for the Governmental Activities as described in the third paragraph, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities, each major fund and the aggregate remaining fund information of Tallahatchie County, Mississippi, as of September 30, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 9, 2007, on our consideration of Tallahatchie County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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 the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 and the Budgetary Comparison Schedule and corresponding notes on pages 35 through 38 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Brawner, Vanstey & Co. P.A.

January 9, 2007
Booneville, Mississippi

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

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

FINANCIAL HIGHLIGHTS

Total net assets increased to \$5,872,216 from \$5,080,526 for a decrease of \$791,690 or 16%.

Total General revenues account for \$5,480,262 in revenue, or 65% of all revenues. Program specific revenues in the form of charges for services and grants and contributions account for \$2,953,359, or 35%% of total revenue.

The County had \$8,329,104 in expenses; only \$2,953,359 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$5,480,262 provided of these expenditures.

Among major funds, the General Fund had \$4,306,809 in revenues and \$5,379,465 in expenditures. The General Fund's fund balance increased by \$135,643 over the prior year, primarily because of a transfer of a \$400,000 loan receivable from a special revenue fund.

Long term debt increased from \$3,164,049 to \$3,787,847 for governmental activities and decreased by \$35,513 for business-type activities.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

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

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

The government-wide financial statement can be found on pages 8 and 9 of this report.

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

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

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 funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on page 11 and 13, respectively.

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

The basis governmental fund financial statements can be found on page 10 and 12 of this report.

Proprietary funds. Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses enterprise funds to account for the Solid Waste Fund.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary funds financial statements can be found on pages 14-16 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The County's fiduciary activities are presented in separate Statement of Fiduciary Assets and Liabilities on page 17.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-34 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 35-38 of 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 \$5,872,216 as of September 30, 2005.

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

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

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

	2005 Amount	2004 Amount	Variance
Current Assets	\$ 3,570,243	\$ 4,578,844	(1,008,601)
Property tax receivable	3,886,881	3,679,848	207,033
Capital assets, net	6,928,518	4,806,650	2,121,868
Total assets	<u>14,385,642</u>	<u>13,065,342</u>	1,320,300
Current liabilities	526,309	793,601	(267,292)
Deferred revenue	3,901,949	3,694,332	207,617
Long-term liabilities	4,085,168	3,496,883	588,285
Total liabilities	<u>8,513,426</u>	<u>7,984,816</u>	528,610
Net assets:			
Invested in capital assets, net of related debt	4,789,643	2,331,111	2,458,532
Restricted	2,035,835	1,570,229	465,606
Unrestricted	(953,262)	1,179,186	(2,132,448)
Total net assets	<u>\$ 5,872,216</u>	<u>\$ 5,080,526</u>	791,690

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

Changes in net assets. The County's total revenues for the fiscal year ended September 30, 2005 were \$8,433,621. The total cost of all programs and services was \$8,329,104. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005 and 2004.

	2005 Amount	2004 Amount	Variance
Revenues:			
Program revenues	\$ 2,953,359	\$ 3,157,558	(204,199)
General revenues	5,480,262	5,023,903	456,359
Total Revenues	8,433,621	8,181,461	252,160
Expenses:			
General Government	3,255,568	2,264,325	991,243
Public Safety	2,172,761	1,918,646	254,115
Public Works	1,816,981	2,414,663	(597,682)
Health and Welfare	325,520	325,847	(327)
Culture and Recreation	73,105	68,973	4,132
Conservation of Natural Resources	74,035	60,417	13,618
Economic Development and Assistance	64,710	425,242	(360,532)
Interest	129,312	117,089	12,223
Total Governmental Activities	7,911,992	7,595,202	316,790
Solid Waste	417,112	325,763	91,349
Total Expenses	8,329,104	7,920,965	408,139
Change in Net Assets	\$ 104,517	\$ 260,496	(155,979)

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

	Total Expenses	Net Expense) Revenue
General Government	\$ 3,255,568	(3,114,898)
Public Safety	2,172,761	(1,410,680)
Public Works	1,816,981	(215,213)
Health and Welfare	325,520	(265,992)
Culture and Recreation	73,105	(73,105)
Conservation of Natural Resources	74,035	(74,035)
Economic Development and Assistance	64,710	(64,710)
Interest	129,312	(129,312)
Total Governmental Activities	7,911,992	(5,347,945)
Solid Waste	417,112	(27,800)
Total	\$ 8,329,104	(5,375,745)

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

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$2,452,767, an increase of \$120,555.

The General Fund is the principal operating fund of the County. The increase in fund balance in the General Fund for the fiscal year was \$135,643, a result of a loan receivable transfer from a special revenue fund.

BUDGETARY HIGHLIGHTS

The budget for the fiscal year ending September 30, 2005 was amended as follows:

General County fund was amended by \$9,310 to allow for increased health benefits for employees and \$7,186 for an increase for Soil and Water Conservation Department.

On September 30, 2005 the Sheriff's Department and all other funds were amended to reflect actual revenues and expenditures by fund.

CURRENT ISSUES

Tallahatchie County was awarded a grant of \$100,000 from Mississippi Department of Archives and History to preserve the Sumner Courthouse with a 20% match from the County. Work was completed in October 2005.

The County purchased a building in September 2004 that will be used to house the Department of Human Services, Child Support Services, County Extension Service and the local Forestry Commission. Financing of renovations are expected to be funded with a loan from the Mississippi Development Authority. Completion of all renovations is expected to be completed by July 2006.

Tallahatchie County strives to use sound financial management in all its practices. Our plan is continue these practices to meet the ever changing needs of county government.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of September 30, 2005, the County's total capital assets were \$11,168,411, including land, buildings, infrastructure, mobile equipment, furniture and equipment, and leased property under capital leases. This amount represents an increase of \$2,800,716. Total accumulated depreciation as of September 30, 2005 was \$4,239,893 and total depreciation for the year was \$373,393 resulting in total net assets of \$6,928,518.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Chancery Clerk's Office of Tallahatchie County, MS.

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

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 2,141,971	45,075	2,187,046
Property tax receivable	3,886,881	-	3,886,881
Fines receivable (net of allowance for bad debt)	282,172	-	282,172
Accounts receivable (net of allowance for bad debt)	-	398,279	398,279
Other receivables	11,049	-	11,049
Loan receivable (net of allowance for bad debt)	359,269	-	359,269
Intergovernmental receivables	248,859	-	248,859
Internal balances	83,569	-	83,569
Capital assets, net	6,805,110	123,408	6,928,518
Total Assets	13,818,880	566,762	14,385,642
LIABILITIES			
Claims payable	269,028	21,558	290,586
Intergovernmental payables	89,653	-	89,653
Funds held in custody	33,269	-	33,269
Internal balances	-	83,569	83,569
Accrued interest payable	20,639	8,593	29,232
Deferred revenue	3,886,881	15,068	3,901,949
Long term liabilities			
Due within one year:			
Capital related debt	376,297	151,863	528,160
Non-capital debt	809,559	2,080	811,639
Due in more than one year:			
Capital related debt	1,639,170	143,378	1,782,548
Non-capital debt	962,821	-	962,821
Total Liabilities	8,087,317	426,109	8,513,426
NET ASSETS			
Invested in capital assets, net of related debt	4,789,643	-	4,789,643
Restricted Net Assets			
Expendable:			
Loans receivable	359,269	-	359,269
Debt service	3,562	-	3,562
Public safety	837,445	-	837,445
Public works	420,902	140,653	561,555
Economic development	102,924	-	102,924
Capital outlay	171,080	-	171,080
Unrestricted	(953,262)	-	(953,262)
Total Net Assets	\$ 5,731,563	140,653	5,872,216

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

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

Functions/Programs	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 3,255,568	129,721	-	10,949	(3,114,898)	-	(3,114,898)
Public safety	2,172,761	414,843	347,238	-	(1,410,680)	-	(1,410,680)
Public works	1,816,981	-	717,049	884,719	(215,213)	-	(215,213)
Health and welfare	325,520	-	6,949	52,579	(265,992)	-	(265,992)
Culture and recreation	73,105	-	-	-	(73,105)	-	(73,105)
Conservation of natural resources	74,035	-	-	-	(74,035)	-	(74,035)
Economic development and assistance	64,710	-	-	-	(64,710)	-	(64,710)
Interest on long-term liabilities	129,312	-	-	-	(129,312)	-	(129,312)
Total Governmental Activities	7,911,992	544,564	1,071,236	948,247	(5,347,945)	-	(5,347,945)
Business-type activity							
Solid Waste	417,112	389,312	-	-	-	(27,800)	(27,800)
Total Primary Government	\$ 8,329,104	933,876	1,071,236	948,247	(5,347,945)	(27,800)	(5,375,745)
General Revenues:							
Taxes:							
Property Taxes					4,668,608	-	4,668,608
Road and bridge privilege taxes					124,923	-	124,923
Grants and contributions not restricted to specific programs					290,359		290,359
Unrestricted investment income					56,877	581	57,458
Miscellaneous					258,944	79,970	338,914
Total General Revenues					5,399,711	80,551	5,480,262
Change in Net Assets					51,766	52,751	104,517
Net Assets-Beginning					4,992,624	87,902	5,080,526
Prior period adjustment					687,173	-	687,173
Net assets-Beginning restated					5,679,797	87,902	5,767,699
Net Assets-Ending					\$ 5,731,563	140,653	5,872,216

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

TALLAHATCHIE COUNTY, MISSISSIPPI
COMBINED BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2005

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	County Wide Road Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 672,617	442,655	1,026,699	2,141,971
Property tax receivable	2,627,258	1,175,163	84,460	3,886,881
Fines receivable	282,172	-	-	282,172
Loans receivable (less allowance for bad debts)	359,269	-	-	359,269
Intergovernmental receivables	113,293	24,265	111,301	248,859
Other receivables	3,392	-	7,657	11,049
Due from other funds	5,044	29,486	1,822	36,352
Advance to other funds	97,623	-	-	97,623
Total Assets	4,160,668	1,671,569	1,231,939	7,064,176
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	168,515	75,504	25,009	269,028
Funds held in custody	33,269	-	-	33,269
Intergovernmental payables	89,653	-	-	89,653
Due to other funds	42,947	-	-	42,947
Advance from other funds	-	-	7,459	7,459
Deferred revenue	2,909,430	1,175,163	84,460	4,169,053
Total Liabilities	3,243,814	1,250,667	116,928	4,611,409
Fund Balances:				
Reserved for:				
Advances to other funds	97,623	-	-	97,623
Loans receivable	359,269	-	-	359,269
Unreserved, reported in:				
General funds	459,962	-	-	459,962
Special revenue funds	-	420,902	940,369	1,361,271
Debt service funds	-	-	3,562	3,562
Capital project funds	-	-	171,080	171,080
Total Funds Balances	916,854	420,902	1,115,011	2,452,767
Total Liabilities and Fund Balances	\$ 4,160,668	1,671,569	1,231,939	7,064,176

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

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

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 2,452,767
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets net of depreciation as of 10-1-04	4,663,630
Plus capital outlay expenditures made during the year	1,203,927
Less depreciation expense recorded during the year	(353,781)
Book value of assets disposed	(12,240)
Prior period adjustment for capital asset correction	1,303,574
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fines receivable	282,172
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(3,787,847)
Accrued interest on long term liabilities	(20,639)
Total net assets - governmental activities (Exhibit 1)	<u>\$ 5,731,563</u>

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

TALLAHATCHIE COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the year ended September 30, 2005

Exhibit 4

	Major Funds			Total (Memorandum)
	General	County Wide Road	Other Governmental	
REVENUES				
Property taxes	\$ 3,285,340	1,277,577	105,691	4,668,608
Road and bridge privilege taxes	-	124,923	-	124,923
Licenses, commissions and other revenue	118,338	-	3,422	121,760
Fines and forfeitures	92,671	-	20,206	112,877
Intergovernmental revenues	447,270	1,578,106	284,466	2,309,842
Charges for services	292,256	-	86,978	379,234
Interest income	34,300	6,170	16,407	56,877
Miscellaneous revenue	36,634	51,162	133,291	221,087
Total Revenues	4,306,809	3,037,938	650,461	7,995,208
EXPENDITURES				
Current:				
General government	3,044,864	-	60,257	3,105,121
Public safety	1,706,324	-	492,817	2,199,141
Public works	-	2,730,445	-	2,730,445
Health and welfare	317,327	-	-	317,327
Culture and recreation	68,000	-	-	68,000
Conservation of natural resources	74,035	-	-	74,035
Economic development and assistance	15,736	-	-	15,736
Principal	96,875	328,376	148,193	573,444
Interest	56,304	21,330	53,159	130,793
Total Expenditures	5,379,465	3,080,151	754,426	9,214,042
Excess (deficiency) of Revenues over (under) expenditures	(1,072,656)	(42,213)	(103,965)	(1,218,834)
OTHER FINANCING SOURCES (USES)				
Long term capital debt issued	812,500	489,032	-	1,301,532
Long term non-capital debt issued	-	-	-	-
Compensation for loss of assets	32,015	5,842	-	37,857
Transfers in	400,000	-	36,216	436,216
Transfers out	(36,216)	-	(400,000)	(436,216)
Total Other Financing Sources (Uses)	1,208,299	494,874	(363,784)	1,339,389
Net change in fund balance	135,643	452,661	(467,749)	120,555
Fund Balances - Beginning	781,211	(31,759)	1,582,760	2,332,212
Fund Balances - Ending	\$ 916,854	420,902	1,115,011	2,452,767

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

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

Exhibit 4-1

Net changes in fund balances - total governmental funds (Exhibit 4) \$ 120,555

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 \$1,203,927 exceeded depreciation \$353,781. 850,146

Fine revenue recognized on the modified accrual basis in the fund during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting. (278,397)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds \$1,301,532 exceeds debt repayments \$573,444. (728,088)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:

An adjustment to record liability for compensated absences.	12,340
An adjustment to remove book balance of assets disposed.	(12,240)
An adjustment to reflect timing difference in liability for claims and judgements paid in current year.	85,969
Adjustment for difference in accrued interest	1,481
Change in net assets of governmental activities	<u>\$ 51,766</u>

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

TALLAHATCHIE COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
September 30, 2005

Exhibit 5

	Business Type Activities Enterprise Fund
	Major Fund
ASSETS	
Cash	\$ 45,075
Accounts receivable, net	398,279
Due from other funds	11,639
Total Current Assets	454,993
Noncurrent assets:	
Capital assets, net	123,408
Total Noncurrent Assets	123,408
Total Assets	578,401
LIABILITIES	
Claims payable	21,558
Due to other funds	5,044
Advances from other funds	90,164
Accrued interest payable	8,593
Deferred revenue	15,068
Current portions of long-term capital-related debt:	
Mobile equipment notes payable	151,863
Total Current Liabilities	292,290
Noncurrent liabilities:	
Capital-related debt:	
Mobile equipment notes payable	143,378
Non-capital debt:	
Compensated absences payable	2,080
Total Noncurrent Liabilities	145,458
NET ASSETS	
Restricted Net Assets:	
Public Works	140,653
Total Net Assets	\$ 140,653

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

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

Exhibit 6

	Business Type Activities Enterprise Fund Major Fund
Operating Revenues	
Charges for services	\$ 389,312
Total Operating Revenues	<u>389,312</u>
Operating Expenses	
Personal services	138,320
Contractual services	148,355
Materials and supplies	73,412
Depreciation expense	19,612
Indirect administrative cost	5,044
Bad Debts	16,138
Total Operating Expense	<u>400,881</u>
Operating Income (Loss)	<u>(11,569)</u>
Nonoperating Revenues (Expenses)	
Interest income	581
Miscellaneous non-operating revenues	75,000
Interest expense	(16,231)
Gain on disposal of assets	4,970
Net Nonoperating Revenue (Expense)	<u>64,320</u>
Changes in Net Assets	<u>52,751</u>
Net Assets - Beginning	<u>87,902</u>
Net Assets - Ending	<u>\$ 140,653</u>

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

**TALLAHATCHIE COUNTY, MISSISSIPPI
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Exhibit 7

	Business Type Activities Enterprise Fund Major Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 371,577
Payments to suppliers	(103,730)
Payments to employees	(134,076)
Payments for contractual	(147,848)
Net Cash Provided (Used) by Operating Activities	<u>(14,077)</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(36,385)
Interest paid on debt	(7,894)
Other financing sources	79,972
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>35,693</u>
Cash Flows From Investing Activities	
Interest and dividends on Investments	581
Net Cash Provided (Used) by Investing Activities	<u>581</u>
Net Increase (Decrease) In Cash and Cash Equivalents	<u>22,197</u>
Cash and Cash Equivalents at Beginning of Year	22,878
Cash and Cash Equivalents at End of Year	<u>45,075</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	<u>(11,569)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	19,612
Bad debts expense	16,138
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(26,898)
(Increase)decrease in interfund receivables	(1,592)
Increase (decrease) in claims payable	(16,268)
Increase (decrease) in compensated absences payable	872
Increase (decrease) in deferred revenue	584
Increase (decrease) in interfund payables	5,044
Total Adjustments	<u>(2,508)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (14,077)</u>

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

**TALLAHATCHIE COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2005**

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 6,350</u>
Total Assets	<u>6,350</u>
LIABILITIES	
Claims payable and other accrued liabilities	343
Intergovernmental payables	<u>6,007</u>
Total Liabilities	<u>\$ 6,350</u>

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

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

1. Significant Accounting Policies

A. Financial Reporting Entity

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

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

- Tallahatchie County Hospital
- Tallahatchie County Library System
- Tallahatchie Fire District

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

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

B. Basis of Presentation

The county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

TALLAHATCHIE COUNTY, MISSISSIPPI

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

B. Basis of Presentation – continued Government-wide Financial Statements – continued

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary funds and fiduciary 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 revenue is recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

The county's proprietary funds and business-type activities apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

Government financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

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

1. Summary of Significant Accounting Policies – continued

C. Measurement Focus and Basis of Accounting – continued

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.

County Wide Road Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

GOVERNMENTAL FUND TYPES

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

Debt Service Funds – These funds are used to account for the accumulation of resources for, and the payment of, generally long-term debt principal, interest and related costs.

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

D. Account Classifications

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

E. Deposits and Investments

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

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

TALLAHATCHIE COUNTY, MISSISSIPPI

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

1. Summary of Significant Accounting Policies - continued

F. Receivables

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

G. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements, and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Capital Assets

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no historical records exist. The extent to which capital assets, costs have been estimated, and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general assets retroactively. Tallahatchie County meets this requirement and had so elected. Therefore the major general infrastructure assets acquired prior to October 1, 2002 are not reported in the government wide financial statements. General infrastructure assets include all roads and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

TALLAHATCHIE COUNTY, MISSISSIPPI

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

1. Summary of Significant Accounting Policies - continued

H. Capital Assets - continued

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ -	N/A
Infrastructure	-	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 will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities

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

In the government-wide financial statements and in the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

J. Equity Classifications

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowing 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.

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

1. Summary of Significant Accounting Policies - continued

J. Equity Classifications - continued

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, with unreserved classified as designated and undesignated.

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

K. Property tax Revenues

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

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

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

L. Intergovernmental Revenues in Governmental Funds

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

TALLAHATCHIE COUNTY, MISSISSIPPI

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

1. Summary of Significant Accounting Policies – continued

M. Compensated Absences

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

2. Changes in Accounting Standards

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

3. Deposits and Investments

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$2,193,396, and the bank balance was \$2,546,668. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

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

4. Interfund Transfers and Transactions

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Governmental Funds:			
General Fund	Solid Waste Fund	\$ 5,044	Indirect Cost
County Wide Road Fund	General Fund	29,486	Unsettled Funds, Outer Offices
Other Governmental Funds	General Fund	1,822	Unsettled Funds, Outer Offices
Total		<u>36,352</u>	
Proprietary Fund			
Solid Waste	General Fund	11,639	Unsettled Funds, Tax Collector
Total		<u>\$ 47,991</u>	

B. Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Other Governmental	\$ 7,459	Funds loaned for expenses
General Fund	Other Enterprise Fund	90,164	Indirect cost due General Funds
Total		<u>\$ 97,623</u>	

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	
Major Fund			
General Fund	Other Governmental	\$ 400,000	Transferred to fund that Collects payments
Other Governmental Funds			
Civil Defense	General Fund	13,112	Equipment
Industrial Park	General Fund	23,104	Debt Payments
Total		<u>\$ 436,216</u>	

5. Intergovernmental Receivables

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislature Tax Credit	\$ 55,998
State of Mississippi	135,565
Other	57,296
Total Governmental Activities	<u>\$ 248,859</u>

TALLAHATCHIE COUNTY, MISSISSIPPI

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

6. Capital Assets

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

	Balance Oct. 1, 2004	Additions	Deletions	Transfers/ Adjustments	Balance Sept. 30, 2005
Non-depreciable capital assets:					
Land	\$ 450,719	-	-	-	450,719
Construction in Progress ⁰	-	868,524	-	48,462	916,986
Total non-depreciable assets	<u>450,719</u>	<u>868,524</u>	<u>-</u>	<u>48,462</u>	<u>1,367,705</u>
Depreciable capital assets:					
Buildings	5,619,860	153,681	-	(715,330)	5,058,211
Mobile equipment	1,742,676	34,600	55,719	167,907	1,889,464
Furniture and equipment	250,064	61,090	-	-	311,154
Leased property under capital leases	524,611	86,032	14,500	(167,907)	428,236
Roads and bridges	-	-	-	1,846,962	1,846,962
Total depreciable capital assets	<u>8,137,211</u>	<u>335,403</u>	<u>70,219</u>	<u>1,131,632</u>	<u>9,534,027</u>
Less accumulated depreciation for:					
Buildings	2,313,800	97,214	-	(163,430)	2,247,584
Mobile equipment	1,216,243	130,447	50,149	79,872	1,376,413
Leased property under capital leases	194,027	18,967	-	-	212,994
Roads and Bridges	200,230	58,749	7,830	(79,872)	171,277
Roads and Bridges	-	48,404	-	39,950	88,354
Total accumulated depreciation	<u>3,924,300</u>	<u>353,781</u>	<u>57,979</u>	<u>(123,480)</u>	<u>4,096,622</u>
Total depreciable capital assets, net	<u>4,212,911</u>	<u>(18,378)</u>	<u>12,240</u>	<u>1,255,112</u>	<u>5,437,405</u>
Governmental activities capital assets, net	<u>4,663,630</u>	<u>850,146</u>	<u>12,240</u>	<u>1,303,574</u>	<u>6,805,110</u>
Business Type Activities:					
Mobile Equipment	158,970	-	-	-	158,970
Leased property under capital leases	107,709	-	-	-	107,709
Total depreciable capital assets	<u>266,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>266,679</u>
Less accumulated depreciation for:					
Mobile equipment	104,047	-	-	-	104,047
Leased property under capital lease	19,612	19,612	-	-	39,224
Total accumulated depreciation	<u>123,659</u>	<u>19,612</u>	<u>-</u>	<u>-</u>	<u>143,271</u>
Business type capital assets, net	<u>\$ 143,020</u>	<u>19,612</u>	<u>-</u>	<u>-</u>	<u>123,408</u>

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

6. Capital Assets - continued

Adjustments were made to reclassify \$88,035 of equipment from leased equipment to mobile equipment and to add \$1,807,012 of roads and bridges, and remove commercial buildings deeded to Kirkland Boats in a prior year at \$557,106 net of depreciation. \$5,206 of building costs and \$48,462 of Construction in progress were previously omitted.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 27,326
Public safety	76,259
Public works	187,924
Culture and Recreation	5,105
Health and welfare	8,193
Economic development	48,974
Total governmental activities depreciation expense	\$ 353,781
Business Type Activities:	
Public works	
Total business type activities	\$ 19,612

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

	Financial Commitment	Expected Date of Completion
Leverette Lane Bridge	1 12,301	April, 2006
Hampton Road	1 70,153	January, 2006
County Office Building	2 -	August, 2006
	\$ 82,454	

1. Contracts are being paid by state aid.
2. The county is renovating this building by buying materials, as they go and using prisoner labor.

7. Loans Receivable

Loans receivable balances are as follows:

	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Kirkland Boats	4/1/2003	3%	4/1/2013	\$ 135,884
Tallahatchie Wood Products, Inc.	4/26/2004	3%	9/30/2014	359,269
				495,153
Less allowance for bad debts				135,884
Total loans receivable				\$ 359,269

8. Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000

TALLAHATCHIE COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2005

8. Claims and Judgments – continued

for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$20,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

Risk Financing

Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Changes in the balances of claims liabilities during the year are as follows:

Unpaid Claims, Beginning of Fiscal Year	\$ 85,968
Plus: Incurred Claims (Including IBNRs)	115,042
Less: Claims Payments	<u>(201,010)</u>
Unpaid Claims, End of Fiscal Year	<u>\$ -</u>

9. Operating Leases

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$102,792 for the year ended September 30, 2005. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2006	\$ 118,610
2007	118,610
2008	118,610
2009	118,610
2010	118,610
2011-2015	359,376
2016-2019	<u>57,999</u>
Total	<u>\$ 1,010,425</u>

TALLAHATCHIE COUNTY, MISSISSIPPI

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

10. Capital Leases

As Lessee:

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

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile Equipment	\$ 428,236
Less: Accumulated depreciation	(171,277)
Leased Property Under Capital Leases	<u>256,959</u>
	<u>Enterprise Activities</u>
Mobile Equipment	107,709
Less: Accumulated depreciation	(39,224)
Leased Property Under Capital Leases	<u>\$ 68,485</u>

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

<u>Year ending September 30, 2005</u>	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 82,935	5,946	25,915	3,268
2007	51,583	3,261	26,763	2,417
2008	17,189	1,724	20,453	1,542
2009	17,745	2,891	9,089	912
2010	18,322	593	9,384	618
2011			9,689	314
Total	<u>\$ 187,774</u>	<u>14,415</u>	<u>101,293</u>	<u>9,071</u>

11. Long-Term Debt

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities			
1996 International Truck	\$ 10,111	3.61	3/7
2004 GMC Pickup	7,497	3.18	1/7
1995 International Truck	8,131	3.34	8/7
1997 Caterpillar Motorgrader	13,966	5.219	4/6
Volvo Road Grader	1,776	4.85	10/5
2005 Mack Truck	86,034	3.19	6/10
2002 Chevy Truck	10,275	4.15	11/1
2003 GMC Pickup	6,958	3.49	5/6
1999 Mack Truck	15,532	3.61	5/7
Air Conditioner	22,245	2.89	7/7
Bushwacker Bushhog	5,249	2.89	8/7
Total Capital Leases	<u>\$ 187,774</u>		

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

11. Long-Term Debt – continued

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<u>Governmental Activities:</u>			
Other Loans:			
Industrial Development	\$ 22,432	3.00%	9/4
CAP Loan - Due West	284,869	4.00%	10/11
CAP Loan - Due West	359,481	5.66%	5/15
Teasdale Fire Truck	6,465	2.74%	3/6
CAP Loan - Cascilla Addition	19,797	3.00%	1/12
Road Work	95,887	4.61%	9/6
Rosebloom Fire Truck	8,277	2.00%	7/9
CAP Loan - Due West	397,503	5.00%	7/22
Industrial Development	61,279	4.64%	6/8
Industrial Development	119,000	3.00%	4/13
Industrial Development	196,882	3.00%	7/20
Industrial Development	362,225	3.00%	9/14
Fire Department Note	121,554	2.66%	4/9
Capital Project Note	275,700	4.60%	8/14
Tax Anticipation Note	528,000	3.28%	4/6
Revenue Shortfall Note	663,500	5.13%	7/8
Storm Shelters Note	24,000	5.73%	4/10
Total Loans	<u>\$ 3,546,851</u>		
<u>Business Type Activities:</u>			
Garbage Truck	\$ 6,792	3.79%	7/7
Garbage Truck	6,792	3.79%	7/7
Garbage Truck	53,754	3.24%	1/10
Garbage Truck Body	33,955	3.24%	1/7
Total Capital Leases	<u>\$ 101,293</u>		
Equipment Loan	\$ 63,948	7.41%	1/9
	130,000	4.50%	9/8
	<u>\$ 193,948</u>		

TALLAHATCHIE COUNTY, MISSISSIPPI

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

11. Long-Term Debt – continued

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

<u>Year Ending September 30,</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,102,921	132,284
2007	463,445	86,740
2008	483,577	75,933
2009	238,460	54,192
2010	213,788	36,015
2011-2015	800,825	109,478
2016-2020	193,065	21,780
2021-2022	50,770	1,430
Total	\$ 3,546,851	517,852

Business Type Activities:

<u>Year Ending September 30,</u>		
2006	\$ 125,948	15,089
2007	33,000	3,060
2008	35,000	1,575
Total	\$ 193,948	19,724

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the amount of outstanding debt was equal to 4.06% of the latest property assessment.

TALLAHATCHIE COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDE
D SEPTEMBER 30, 2005

11. Long-Term Debt – Continued

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

	Balance Oct 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30, 2005	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 65,562		12,340	-	53,222	-
Claims and judgements	85,968	115,042	201,010	-	-	-
Capital leases	227,831	86,032	126,089	-	187,774	82,935
Other loans	2,784,688	1,215,500	447,355	(5,982)	3,546,851	1,102,921
Total	3,164,049	1,416,574	786,794	(5,982)	3,787,847	1,185,856
Business Type Activities:						
Compensated absences	1,208	872		-	2,080	-
Capital leases	107,709		6,416		101,293	25,914
Other loans	223,917		29,969		193,948	125,948
Total	\$ 332,834	872	36,385	-	297,321	151,862

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 by the grantor agency could result in a liability of the county, but ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the county's financial statements.

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

13. Prior period adjustments

Roads and bridges previously omitted	\$ 1,807,012
Building costs omitted	53,668
County building transferred to industry in prior year	(557,106)
Circuit clerk fines receivable overstated in prior years	(616,401)
	<u>\$ 687,173</u>

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

14. Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Tallahatchie County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$79,935 for maintenance and support of the college in fiscal year 2005.

Coahoma Community College operates in a district composed of the Counties of Bolivar, Coahoma, Quitman, Tallahatchie and Tunica. The Tallahatchie County Board of Supervisors appoints one of the 12 members of the college board of trustees. The county appropriated \$72,679 for the maintenance and support of the district in fiscal year 2005.

The Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Tallahatchie County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county appropriated \$ 28,375 to help finance the operations of the district in fiscal year 2005.

Mid-State Opportunity, Inc. operates in a district composed of the Counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tallahatchie County Board of Supervisors appoints two of the 30 board members. The county did not appropriate any funds for support of the agency in fiscal year 2005.

The Region 1 Mental Health-Mental Retardation Center operates in a district composed of the Counties of Coahoma, Quitman, Tallahatchie and Tunica. The Tallahatchie County Board of Supervisors appoints one of the four members of the board of commissioners. The county appropriated \$18,700 for support of the center in fiscal year 2005.

North Delta Planning and Development District is composed of the Counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Tallahatchie County Board of Supervisors appoints four of the 30 members of the board of directors. The county appropriated \$15,736 for the operation of the district in fiscal year 2005.

15. Defined Benefit Pension Plan

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004, and 2003, were \$230,610, \$210,244 and \$207,897, respectively, equal to the required contributions for each year.

TALLAHATCHIE COUNTY, MISSISSIPPI

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,284,947	3,243,130	3,233,563	(9,567)
Licenses, commissions and other revenue	113,900	121,215	121,761	546
Fines and forfeitures	85,000	101,263	101,263	-
Intergovernmental revenues	400,500	560,675	455,732	(104,943)
Charges for services	610,000	326,433	326,433	-
Interest income	15,500	16,603	16,603	-
Miscellaneous revenues	265,692	158,652	159,151	499
Total Revenues	<u>4,775,539</u>	<u>4,527,971</u>	<u>4,414,506</u>	<u>(113,465)</u>
EXPENDITURES				
Current:				
General government	2,445,278	2,953,296	2,953,296	-
Public safety	1,657,181	1,731,133	1,731,133	-
Health and welfare	320,898	318,463	318,463	-
Culture and recreation	68,000	68,000	68,000	-
Conservation of natural resources	64,316	73,877	73,877	-
Economic development and assistance	15,736	15,736	15,736	-
Principal	59,375	105,016	105,016	-
Interest	32,100	48,163	48,163	-
Total Expenditures	<u>4,662,884</u>	<u>5,313,684</u>	<u>5,313,684</u>	<u>-</u>
Excess (deficiency) of Revenues over (under) expenditures	<u>112,655</u>	<u>(785,713)</u>	<u>(899,178)</u>	<u>(113,465)</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of assets	-	32,015	32,015	-
Long term capital debt issued	-	26,264	464,764	438,500
Transfers in	-	74,476	74,476	-
Transfers out	(112,655)	(110,692)	(74,476)	36,216
Total other financing sources and uses	<u>(112,655)</u>	<u>22,063</u>	<u>496,779</u>	<u>474,716</u>
Net change in fund balance	-	(763,650)	(402,399)	361,251
Fund Balances - Beginning	-	-	585,726	585,726
Fund Balances - Ending	<u>\$ -</u>	<u>(763,650)</u>	<u>183,327</u>	<u>946,977</u>

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

TALLAHATCHIE COUNTY, MISSISSIPPI
 BUDGETARY COMPARASION SCHEDULE-
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 COUNTY WIDE ROAD FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,329,896	1,277,189	1,277,189	-
Road & bridge privilege tax	125,000	123,934	123,934	-
Intergovernmental revenues	674,000	833,264	833,264	-
Interest income	3,500	6,170	6,170	-
Miscellaneous	-	51,161	51,161	-
Total Revenues	<u>2,132,396</u>	<u>2,291,718</u>	<u>2,291,718</u>	-
EXPENDITURES				
Public works	2,385,154	2,242,335	2,065,878	-
Debt service	252,758	173,249	349,706	-
Total Expenditures	<u>2,637,912</u>	<u>2,415,584</u>	<u>2,415,584</u>	-
Excess (deficiency) of Revenues over (under) expenditures	<u>(505,516)</u>	<u>(123,866)</u>	<u>(123,866)</u>	-
Other financing sources (uses)				
Proceeds of Loans	-	-	225,000	225,000
Compensation for loss of assets	-	5,842	5,842	-
Total other financing sources (uses)	<u>-</u>	<u>5,842</u>	<u>230,842</u>	<u>225,000</u>
Net change in fund balance	(505,516)	(118,024)	106,976	225,000
Fund Balances - Beginning	-	-	238,528	238,528
Fund Balances - Ending	<u>\$ (505,516)</u>	<u>(118,024)</u>	<u>345,504</u>	<u>463,528</u>

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

TALLAHATCHIE COUNTY, MISSISSIPPI

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

Notes to the Required Supplementary Information

A. Budgetary Information

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

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

B. Basis of Presentation

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

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).

TALLAHATCHIE COUNTY, MISSISSIPPI

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

Budget/GAAP Reconciliation - continued

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>County Wide Road Fund</u>
Budget (Cash Basis)	\$ (402,399)	106,976
Increase (Decrease)		
Net adjustments for revenue accruals	(107,697)	512,598
Net adjustments for expenditures accruals	(65,781)	(430,945)
Net adjustment for other financing sources (uses)	711,520	264,032
GAAP Basis	<u>\$ 135,643</u>	<u>452,661</u>



Certified Public Accountants

A. Braddock Brawner, CPA
W. T. Vanstory, CPA
Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

512 Taylor Street
AmSouth Bank Building
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

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

Members of the Board of Supervisors
Tallahatchie County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information Tallahatchie County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic financial statements and have issued our report thereon dated January 9, 2007. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. The County did not have a detailed listing documenting the amounts of Circuit Court fines receivable in the amount of \$ 64,502. Therefore, the adequacy of these amounts and the allowance for bad debts could not be determined. The amount by which this departure would affect the assets and revenues of the Governmental Activities could not be reasonably determined. Except for the limitation referred to above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Tallahatchie County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Tallahatchie County, Mississippi's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tallahatchie County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

However, we noted certain immaterial instances of noncompliance which we have reported to the management of Tallahatchie County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated January 9, 2007, included within this document

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.

Branney, Vanstey + Co. P.A.

January 9, 2007
Booneville, Mississippi



Certified Public Accountants

A. Braddock Brawner, CPA
W. T. Vanstory, CPA
Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

512 Taylor Street
AmSouth Bank Building
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

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

Members of the Board of Supervisors
Tallahatchie County, Mississippi

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

The Board of Supervisors of Tallahatchie County, Mississippi, is responsible for establishing and maintaining a central purchasing system and an inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Tallahatchie County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Tallahatchie County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Brawner, Vanstory & Co. P.A.

January 9, 2007
Booneville, Mississippi

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

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

TALLAHATCHIE COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
SEPTEMBER 30, 2005

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

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

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



Certified Public Accountants

A. Braddock Brawner, CPA
W. T. Vanstory, CPA
Lou Ann D. Counce, CPA
Terry E. Cartwright, CPA

Christopher D. Murphy, CPA
Brenda G. Nichols, CPA

512 Taylor Street
AmSouth Bank Building
Post Office Box 458
Corinth, Mississippi 38835
Telephone (662) 286-7082
Fax (662) 286-3365

106 South First Street
Post Office Box 540
Booneville, Mississippi 38829
Telephone (662) 728-6172
Fax (662) 728-6176

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Tallahatchie County, Mississippi

In planning and performing our audit of the financial statements of Tallahatchie County, Mississippi for the year ended September 30, 2005, we considered Tallahatchie 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.

Our opinion on the government wide financial statements was qualified due to not having adequate subsidiary records detailing the Circuit Court fines receivable in the Statement of Net Assets in the amount of \$64,052. The adequacy of these amounts and the allowance for bad debts could not be determined.

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

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

Tax Collector

1. Finding

A. The Tax Collector was unable to rerun tax settlements that would agree with the original print outs.

B. At the time cash was counted, there was a cash shortage of \$2,947. This was a result of a deposit missing in the amount of \$1,237 and a cash shortage buildup of \$1,711. The cash shortage buildup appears that refunds were made, but not applied to the correct tax, thereby oversettling to various taxing districts.

Recommendation:

A. Software needs to be obtained that will perform properly.

B. The missing deposit needs to be fully reimbursed and the postings to the tax ledger need to be reviewed to determine if they were shortages or oversettlements.

Response:

The settlement reports have been reported and discussed with Data Systems time after time. Data Systems told several of us at the convention last summer that they did not have the problem worked out, but were working on it.

\$800 has been paid on the shortage. The amount of \$2,147.30 has not been resolved. I am trying to determine what has happened.

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.

Brauner, Kanstley & Co. P.A.

January 9, 2007
Booneville, Mississippi

TALLAHATCHIE COUNTY
SCHEDULE OF FINDINGS
YEAR ENDING 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. | Qualified |
| 2 Material noncompliance relating to the primary government financial statements? | No |
| 3 Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Reportable condition identified that is not considered to be a material weakness? | No |

Circuit Clerk

2005-1 Finding

The computer system for the Circuit Court Fines does not produce a list of outstanding fines or an aging of fines.

Recommendation:

We recommend a system be put in place that will provide the required documentation.

Response:

The county has purchased a Quick Books Program in the 2007 fiscal year that will provide this information.

