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YAZOO COUNTY, MISSISSIPPI

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

YAZOO COUNTY

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YAZOO COUNTY

FINANCIAL SECTION

Windham and Lacey, PLLC

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

Members of the Board of Supervisors
Yazoo County, Mississippi

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

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

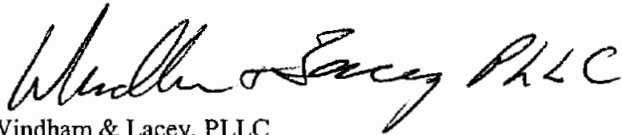
The financial statements referred to above include only the primary government of Yazoo County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for 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 Yazoo County, Mississippi, as of September 30, 2005, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Yazoo County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2006, on our consideration of Yazoo County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of 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.

A handwritten signature in cursive script that reads "Windham & Lacey PLLC".

Windham & Lacey, PLLC
October 3, 2006

YAZOO COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

YAZOO COUNTY
Statement of Net Assets
September 30, 2005

Exhibit 1

	Primary Government
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,386,413
Accrued interest receivable	1,125
Property tax receivable	8,288,866
Fines receivable, net of allowance for for uncollectible of \$1,804,417	202,447
Intergovernmental receivables	105,294
Other receivables, net	39,393
Bond issue costs, net	173,533
Capital assets, net	<u>84,898,673</u>
Total Assets	<u>95,095,744</u>
LIABILITIES	
Claims payable	418,291
Intergovernmental payables	197,166
Matured bonds and interest payable	48,110
Accrued interest payable	125,528
Deferred revenue	8,312,758
Other payables	104,474
Long-term liabilities	
Due within one year:	
Capital related debt	1,436,607
Non-capital debt	561,538
Due in more than one year:	
Capital related debt	13,039,012
Non-capital debt	<u>402,683</u>
Total Liabilities	<u>24,646,167</u>
NET ASSETS	
Invested in capital assets, net of related debt	70,423,054
Restricted net assets:	
Public safety	347,641
Public works	233,414
Capital projects	201,925
Unemployment compensation	37,803
Other	236,669
Unrestricted	<u>(1,030,929)</u>
Total Net Assets	<u>\$ 70,449,577</u>

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

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

Exhibit 2

Functions/Programs	Program Revenues		Expenses		Net (Expense) Revenue and Changes In Net Assets		
	Fines, Fees and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Operating Grants and Contributions	Primary Government	Governmental Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,411,536	439,819			(3,971,717)		(3,971,717)
Public safety	2,293,986	258,247		105,695	(1,930,044)		(1,930,044)
Public works	7,254,071	11,643	1,481,427	1,111,725	(4,649,276)		(4,649,276)
Health and welfare	221,553	26,018			(195,535)		(195,535)
Culture and recreation	46,075				(46,075)		(46,075)
Education	155,000				(155,000)		(155,000)
Conservation of natural resources	127,873				(127,873)		(127,873)
Economic development and assistance	26,411				(26,411)		(26,411)
Interest on long-term debt	721,513				(721,513)		(721,513)
Total Governmental Activities	15,258,018	709,709	1,481,427	1,243,438	(11,823,444)		(11,823,444)
Total Primary Government	\$ 15,258,018	709,709	1,481,427	1,243,438	(11,823,444)		(11,823,444)

General revenues:							
Taxes:							
Property taxes	\$ 8,480,829				8,480,829		8,480,829
Road & bridge privilege taxes	268,425				268,425		268,425
Grants and contributions not restricted to specific programs	700,739				700,739		700,739
Unrestricted investment income	72,382				72,382		72,382
Miscellaneous	324,505				324,505		324,505
Gain from sale of assets	8,770				8,770		8,770
Total General Revenues	9,855,650				9,855,650		9,855,650
Changes in Net Assets	(1,967,794)				(1,967,794)		(1,967,794)
Net Assets - Beginning	72,105,547				72,105,547		72,105,547
Prior period adjustment	311,824				311,824		311,824
Net Assets - Beginning, restated	72,417,371				72,417,371		72,417,371
Net Assets - Ending	70,449,577				70,449,577		70,449,577

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

	Major Funds							Total Governmental Funds
	General Funds	E911 Fund	General County Road Fund	General County Bridge Fund	Capital Improvements Fund	Other Governmental Funds		
ASSETS								
Cash	\$ 485,183	196,853	201,600	49,900		452,877	1,386,413	
Accrued interest receivable	685	157	185	40	223	73	1,363	
Property tax receivable	4,256,000		1,300,178	244,525		2,488,163	8,288,866	
Fines receivable, net of allowance for uncollectible of \$1,804,417	202,447						202,447	
Intergovernmental receivables	105,294						105,294	
Other receivables	5,459						5,459	
Due from other funds			80,258	4,340	279,422	55,655	419,675	
Total Assets	\$ 5,055,068	197,010	1,582,221	298,805	279,645	2,996,768	10,409,517	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Claims payable	\$ 202,426		111,932	6,952	77,720	19,502	418,532	
Intergovernmental payables	240,418						240,418	
Due to other funds	428,895						428,895	
Matured bonds and interest payable						48,110	48,110	
Other payables	52,000						52,000	
Deferred revenue	4,458,447		1,300,178	244,525		2,488,163	8,491,313	
Total Liabilities	\$ 5,382,186	0	1,412,110	251,477	77,720	2,555,775	9,679,268	
Fund balances:								
Reserved for:								
Debt service						129,915	129,915	
Unemployment compensation						37,803	37,803	
Unreserved, reported in:								
General fund	(327,118)						(327,118)	
Special revenue funds		197,010	170,111	47,328		273,275	687,724	
Capital project funds					201,925		201,925	
Total Fund Balances	(327,118)	197,010	170,111	47,328	201,925	440,993	730,249	
Total Liabilities and Fund Balances	\$ 5,055,068	197,010	1,582,221	298,805	279,645	2,996,768	10,409,517	

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

YAZOO COUNTY

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

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 730,249
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.	84,898,673
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	202,447
Bond issue costs \$239,734 net of amortization \$66,201	173,533
Other receivables	33,930
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(15,131,302)
Accrued interest on bonds	(125,528)
Bond premium \$32,684 net of amortization \$8,793	(23,891)
Health insurance claims payable	<u>(308,534)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>70,449,577</u></u>

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

YAZOO COUNTY

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

Exhibit 4

	Major Funds							Total Governmental Funds
	General Fund	E911 Fund	General County Road Fund	General County Bridge Fund	Capital Improvements Fund	Other Governmental Funds	Governmental Funds	
REVENUES								
Property taxes	\$ 4,237,640		1,361,171	236,242		2,637,279	8,472,332	
Road and bridge privilege taxes	349,156		265,378			7,706	265,378	
Licenses, commissions and other revenue	157,067						356,862	
Fines and forfeitures	782,374	53,322	1,089,207	1,299,004		201,698	157,067	
Intergovernmental revenues	149,136	183,834					3,425,605	
Charges for services	58,445	1,236	2,589	467	2,494	4,220	332,970	
Interest income	95,648	2,695	10,738	180	13,880	62,500	69,451	
Miscellaneous revenues	5,829,466	241,087	2,729,083	1,535,893	16,374	2,913,403	185,641	
Total Revenues							13,265,306	
EXPENDITURES								
Current:								
General government	3,793,527					244,019	4,037,546	
Public safety	2,039,775	355,901				75,395	2,471,071	
Public works			2,314,429	1,561,003	78,928	819,625	4,773,985	
Health and welfare	221,553						221,553	
Culture and recreation	46,075						46,075	
Education	155,000						155,000	
Conservation of natural resources	127,873						127,873	
Economic development and assistance	26,411						26,411	
Debt service:								
Principal	37,210		504,004			1,135,000	1,676,214	
Interest	4,081		45,056			650,346	699,483	
Total Expenditures	6,451,505	355,901	2,863,489	1,561,003	78,928	2,924,385	14,235,211	
Excess of Revenues over (under) Expenditures	(622,039)	(114,814)	(134,406)	(25,110)	(62,554)	(10,982)	(969,905)	

YAZOO COUNTY

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

(Exhibit 4 - Continued)

	Major Funds						Total Governmental Funds
	General Fund	E911 Fund	General County Road Fund	General County Bridge Fund	Capital Improvements Fund	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	189,996						189,996
Proceeds from sale of capital assets	21,332						21,332
Compensation for loss of capital assets	1,786		41,611				43,397
Total Other Financing Sources and Uses	213,114	0	41,611	0	0	0	254,725
Net Changes in Fund Balances	(408,925)	(114,814)	(92,795)	(25,110)	(62,554)	(10,982)	(715,180)
Fund Balances - Beginning	138,481	0	262,906	72,438	264,479	395,301	1,133,605
Prior period adjustment	(56,674)	311,824				56,674	311,824
Fund Balance - Beginning restated	81,807	311,824	262,906	72,438	264,479	451,975	1,445,429
Fund Balances - Ending	\$ (327,118)	197,010	170,111	47,328	201,925	440,993	730,249

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

YAZOO COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ (715,180)
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 depreciation \$4,275,802 exceeded capital outlays \$1,779,663 in the current period.	(2,496,139)
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$8,770 and the proceeds from the sale in the current period of \$21,332.	(12,562)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	(28,064)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$1,676,214 exceeded debt proceeds \$189,996.	1,486,218
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:	
Bond issue cost amortization	(22,067)
Bond premium amortization	2,931
Change in compensated absences	(3,830)
Accrued bond interest payable	(22,031)
Health insurance claims payable	(191,000)
Other receivables	<u>33,930</u>
Change in net assets of governmental activities (Exhibit 2)	\$ <u>(1,967,794)</u>

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

YAZOO COUNTY
Statement of Fiduciary Assets & Liabilities
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 171,582
Due from other funds	<u>9,220</u>
Total Assets	<u>\$ 180,802</u>
LIABILITIES	
Claims payable and other accrued liabilities	\$ 133,089
Intergovernmental payables	<u>47,713</u>
Total Liabilities	<u>\$ 180,802</u>

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

YAZOO COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Yazoo 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 Yazoo 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 these component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Yazoo County Port Commission
- Yazoo County Convention and Visitors Bureau

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.

YAZOO COUNTY

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenue are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgements, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

Capital Improvements Fund - Accounts for monies from bond proceeds that are restricted for capital improvements.

General County Road Fund - Accounts for monies designated for county road construction and repair.

General County Bridge Fund - Accounts for monies designated for county bridge construction and repair.

YAZOO COUNTY

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

E911 Fund - Accounts for monies designated for the county's emergency 911 system.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (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, general long-term debt principal, interest and related costs.

FIDUCIARY FUND TYPES

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

YAZOO COUNTY

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

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 governmental 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 records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

I. Long-term Liabilities.

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

YAZOO COUNTY

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

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 borrowings attributable to the acquisition, constructions or improvements of those assets.

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

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

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

YAZOO COUNTY

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

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.

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. 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) Fund Reclassifications.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation

The E911 fund's beginning fund balance of \$311,824 was reclassified from the Agency Funds to Special Revenue Funds because conditions have changed so that the E911 fund should be reported with county operations.

YAZOO COUNTY

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

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balance

Explanation

The E911 fund's beginning fund balance of \$311,824 was reclassified from the Agency Funds to Special Revenue Funds because conditions have changed so that the E911 fund should be reported with county operations.

The reappraisal maintenance fund's beginning fund balance of \$56,674 was reclassified from the General Funds to the Special Revenue Funds because the objective of accounting for revenues generated has changed.

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$1,557,996, and the bank balance was \$1,652,313. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(5) Interfund Transactions and Balances.

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General County Road	General Fund	\$ 80,258
General County Bridge	General Fund	4,340
Capital Improvements Fund	General Fund	279,422
Other Governmental Funds	General Fund	55,655
Agency Funds	General Fund	9,220
Total		<u>\$ 428,895</u>

Amounts listed are the tax revenues collected but not settled until October, 2005 (\$119,181) and loans to the general fund to cover a cash deficit (\$309,714). All interfund balances are expected to be repaid within one year from the date of the financial statements.

YAZOO COUNTY

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

(6) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ <u>105,294</u>
Total Governmental Activities	\$ <u><u>105,294</u></u>

(7) Capital Assets.

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustments*</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ <u>1,364,506</u>	<u>8,500</u>	<u>0</u>	<u>0</u>	<u>1,373,006</u>
Total capital assets, not being depreciated	<u>1,364,506</u>	<u>8,500</u>	<u>0</u>	<u>0</u>	<u>1,373,006</u>
Capital assets, being depreciated:					
Buildings	6,447,207				6,447,207
Improvements other than buildings	3,425,186				3,425,186
Mobile equipment	1,915,461	81,913	(115,512)	392,613	2,274,475
Furniture and equipment	318,272	200,250	(10,135)		508,387
Property under capital leases	3,086,391	189,996		(392,613)	2,883,774
Infrastructure	<u>106,280,788</u>	<u>1,299,004</u>			<u>107,579,792</u>
Total capital assets being depreciated	<u>121,473,305</u>	<u>1,771,163</u>	<u>(125,647)</u>	<u>0</u>	<u>123,118,821</u>
Less: Accumulated depreciation for:					
Buildings	1,068,436	127,232			1,195,668
Improvements other than buildings	2,281,820	136,994			2,418,814
Mobile equipment	1,392,279	160,994	(103,960)	176,633	1,625,946
Furniture and equipment	294,505	45,835	(9,121)		331,219
Property under capital leases	207,486	314,473		(176,633)	345,326
Infrastructure	<u>30,185,907</u>	<u>3,490,274</u>			<u>33,676,181</u>
Total accumulated depreciation	<u>35,430,433</u>	<u>4,275,802</u>	<u>(113,081)</u>	<u>0</u>	<u>39,593,154</u>
Total capital assets, being depreciated, net	<u>86,042,872</u>	<u>(2,504,639)</u>	<u>(12,566)</u>	<u>0</u>	<u>83,525,667</u>
Governmental activities capital assets, net	\$ <u><u>87,407,378</u></u>	<u>(2,496,139)</u>	<u>(12,566)</u>	<u>0</u>	<u>84,898,673</u>

* Assets no longer on capital lease transferred to mobile equipment.

YAZOO COUNTY

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

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 174,894
Public safety	91,252
Public works	<u>4,009,656</u>
Total depreciation expense - governmental activities	\$ <u>4,275,802</u>

(8) Claims and Judgments.

Risk Financing.

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

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. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Changes in the balances of claims liabilities during the year are as follows:

Unpaid Claims, Beginning of Fiscal Year	\$ 117,538
Plus: Incurred Claims (Including IBNRs)	2,195,810
Less: Claims Payments	<u>2,004,810</u>
Unpaid Claims, End of Fiscal Year	\$ <u>308,538</u>

YAZOO COUNTY

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

(9) 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	\$ 2,883,774
Less: Accumulated depreciation	<u>(345,326)</u>
Total	<u>\$ 2,538,448</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 481,607	56,173
2007	466,862	58,424
2008	481,533	43,754
2009	910,227	30,933
2010	<u>20,390</u>	<u>190</u>
Total	<u>\$ 2,360,619</u>	<u>189,474</u>

(10) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
1987 hospital bonds	\$ 505,000	7.9 - 8.1%	5/1/2007
1998 refunding bonds	2,990,000	3.7 - 4.25%	2/1/2015
1999 refunding bonds	2,005,000	5.0 - 5.6%	5/1/2013
Capital improvement bonds	2,120,000	5.4 - 6.75%	6/1/2020
2002A refunding bond	730,000	3.0 - 4.375%	1/1/2016
2002B refunding bond	<u>4,270,000</u>	4.0 - 4.75%	9/1/2012
Total General Obligation Bonds	<u>\$ 12,620,000</u>		

YAZOO COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
Various road equipment	\$ 2,176,046	3.09%	1/28/2009
2 Crown Victorias for Sheriff's department	12,246	4.00%	8/15/2006
Computer system upgrade	172,327	3.19%	3/10/2010
Total Capital Leases	\$ 2,360,619		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2006	\$ 1,200,000	575,356
2007	1,255,000	514,628
2008	1,310,000	451,679
2009	1,375,000	395,381
2010	1,435,000	336,806
2011-2015	5,055,000	794,523
2016-2020	990,000	161,895
Total	\$ 12,620,000	3,230,268

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 7.1 % of the latest property assessments.

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

	Balance Oct. 1, 2004	Additions	Reductions	Balance Sept. 30, 2005	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 146,853	3,830		150,683	8,000
General obligation bonds	13,755,000		1,135,000	12,620,000	1,200,000
Capital leases	2,711,837	189,996	541,214	2,360,619	481,607
Claims and judgments	117,538	191,000		308,538	308,538
Total	\$ 16,731,228	384,826	1,676,214	15,439,840	1,998,145

YAZOO COUNTY

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

(11) Contingencies.

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

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

(12) Related Organizations.

The Yazoo County Board of Supervisors is responsible for appointing a voting majority of the members of the boards of the following organizations, but the county's accountability for these organizations does not extend beyond making the appointments. The county periodically makes small appropriations to the organizations.

Eden Drainage District
Silver Creek Drainage District
Fifteen-Mile Bayou Water Management District
Rocky Bayou Drainage District
Atchafalaya Drainage District

(13) Joint Venture.

The county participates in the following joint venture:

Yazoo County is a participant with Yazoo City in a joint venture, authorized by Senate Bill 2954, Laws of 1979, to operate the Yazoo Recreation Commission. The joint venture was created to manage recreation facilities in both the city and the county and is governed by a ten-member board, with five members appointed by Yazoo City and five members appointed by the Yazoo County Board of Supervisors. By contractual agreement, the county's appropriation to the joint venture was \$46,075 in fiscal year 2005. Complete financial statements for the Yazoo Recreation Commission can be obtained from Yazoo Recreation Commission, P.O. Box 9, Yazoo City, MS 39194.

YAZOO COUNTY

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

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Yazoo County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$488,433 for maintenance and support of the college 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 Yazoo County Board of Supervisors appoints one of the 21 members of the district board of commissioners. The county appropriated \$26,384 for support of the district in fiscal year 2005.

Central Mississippi Planning and Development District operates in a district composed of the Counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Yazoo County Board of Supervisors appoints three of the 33 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$6,285 for support of the district in fiscal year 2005.

(15) Defined Benefit Pension Plan.

Plan Description. Yazoo 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, and MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004 and 2003 were \$340,100, \$306,055 and \$306,844, respectively, equal to the required contributions for each year.

YAZOO COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,338,009	4,223,253	4,223,253	
Licenses, commissions and other revenue	308,900	342,777	342,777	
Fines and forfeitures	208,000	154,708	154,708	
Intergovernmental revenues	746,000	782,374	782,374	
Charges for services		180,708	180,708	
Interest income	47,271	58,541	58,541	
Miscellaneous revenues	57,515	116,980	116,980	
Total Revenues	<u>5,705,695</u>	<u>5,859,341</u>	<u>5,859,341</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,339,735	3,747,471	3,747,471	
Public safety	1,865,165	2,062,728	2,062,728	
Health and welfare	188,640	214,430	214,430	
Culture and recreation	46,075	46,075	46,075	
Education	155,000	155,000	155,000	
Conservation of natural resources	137,900	127,695	127,695	
Economic development and assistance	49,045	26,411	26,411	
Debt service:				
Principal		37,210	37,210	
Interest		4,081	4,081	
Total Expenditures	<u>5,781,560</u>	<u>6,421,101</u>	<u>6,421,101</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(75,865)</u>	<u>(561,760)</u>	<u>(561,760)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt		189,996	189,996	
Compensation for loss of capital assets		1,786	1,786	
Total Other Financing Sources and Uses	<u>0</u>	<u>191,782</u>	<u>191,782</u>	<u>0</u>
Net Change in Fund Balance	(75,865)	(369,978)	(369,978)	0
Fund Balances - Beginning	<u>(215,600)</u>	<u>81,807</u>	<u>81,807</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (291,465)</u>	<u>(288,171)</u>	<u>(288,171)</u>	<u>0</u>

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

YAZOO COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General County 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	\$ 1,300,192	1,357,309	1,357,309	
Road and bridge privilege taxes	266,679	261,764	261,764	
Intergovernmental revenues	912,311	1,089,207	1,089,207	
Interest income	2,099	2,587	2,587	
Miscellaneous revenues		10,738	10,738	
Total Revenues	<u>2,481,281</u>	<u>2,721,605</u>	<u>2,721,605</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,616,316	2,286,829	2,286,829	
Principal		504,004	504,004	
Interest		45,056	45,056	
Total Expenditures	<u>2,616,316</u>	<u>2,835,889</u>	<u>2,835,889</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(135,035)</u>	<u>(114,284)</u>	<u>(114,284)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		41,613	41,613	
Total Other Financing Sources and Uses	<u>0</u>	<u>41,613</u>	<u>41,613</u>	<u>0</u>
Net Change in Fund Balance	(135,035)	(72,671)	(72,671)	0
Fund Balances - Beginning	<u>337,000</u>	<u>262,905</u>	<u>262,905</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 201,965</u>	<u>190,234</u>	<u>190,234</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 2,100	2,430	2,430	
Miscellaneous revenue		13,880	13,880	
Total Revenues	<u>2,100</u>	<u>16,310</u>	<u>16,310</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	208,000	1,208	1,208	
Total Expenditures	<u>208,000</u>	<u>1,208</u>	<u>1,208</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(205,900)</u>	<u>15,102</u>	<u>15,102</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	(205,900)	15,102	15,102	0
Fund Balances - Beginning	279,154	264,479	264,479	0
Fund Balances - Ending	<u>\$ 73,254</u>	<u>279,581</u>	<u>279,581</u>	<u>0</u>

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

YAZOO COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 E911 Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	53,322	53,322	
Charges for services	180,000	183,834	183,834	
Interest income	400	1,079	1,079	
Miscellaneous revenues		2,695	2,695	
Total Revenues	<u>180,400</u>	<u>240,930</u>	<u>240,930</u>	<u>0</u>
EXPENDITURES				
Current:				
Public safety	154,096	355,901	355,901	
Total Expenditures	<u>154,096</u>	<u>355,901</u>	<u>355,901</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>26,304</u>	<u>(114,971)</u>	<u>(114,971)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	26,304	(114,971)	(114,971)	0
Fund Balances - Beginning	246,737	311,824	311,824	0
Fund Balances - Ending	<u>\$ 273,041</u>	<u>196,853</u>	<u>196,853</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 244,525	235,944	235,944	
Intergovernmental revenues		1,299,004	1,299,004	
Interest income	466	476	476	
Miscellaneous revenues		180	180	
Total Revenues	<u>244,991</u>	<u>1,535,604</u>	<u>1,535,604</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	292,345	1,566,784	1,566,784	
Total Expenditures	<u>292,345</u>	<u>1,566,784</u>	<u>1,566,784</u>	<u>0</u>
 Excess of Revenues over (under) Expenditures	 <u>(47,354)</u>	 <u>(31,180)</u>	 <u>(31,180)</u>	 <u>0</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Net Change in Fund Balance	 (47,354)	 (31,180)	 (31,180)	 0
Fund Balances - Beginning	<u>47,354</u>	<u>72,438</u>	<u>72,438</u>	<u>0</u>
 Fund Balances - Ending	 <u>\$ 0</u>	 <u>41,258</u>	 <u>41,258</u>	 <u>0</u>

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

YAZOO COUNTY

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

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types				
	General Fund	E911	General County Road	General County Bridge	Capital Improvements
Net Change in Fund Balance - Budget (Cash Basis)	\$ (369,978)	(114,971)	(72,671)	(31,180)	15,102
Increase (decrease):					
Net adjustments for revenue accruals	(8,543)	157	7,476	289	64
Net adjustments for expenditure accruals	(30,404)		(27,600)	5,781	(77,720)
Net Change in Fund Balance GAAP Basis	\$ <u>(408,925)</u>	<u>(114,814)</u>	<u>(92,795)</u>	<u>(25,110)</u>	<u>(62,554)</u>

YAZOO COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Members of the Board of Supervisors
Yazoo County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Yazoo County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated October 3, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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.

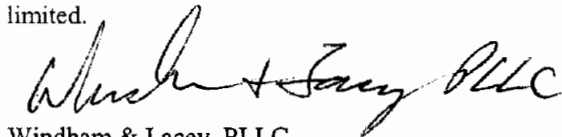
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Yazoo County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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



Windham & Lacey, PLLC
October 3, 2006

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

Members of the Board of Supervisors
Yazoo County, Mississippi

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

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

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Yazoo 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.


Windham & Lacey, PLLC
October 3, 2006

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

Schedule 1

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

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

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

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Yazoo County Mississippi

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

In addition, for areas not considered material to Yazoo County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures and tests were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 3, 2006, on the financial statements of Yazoo County, Mississippi.

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

Chancery Clerk.

1. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Chancery Clerk to file an annual report with the Office of the State Auditor and settle any excess of the salary cap by April 16, 2006. The Chancery Clerk filed the annual report but did not settle any of the \$36,864 over the salary cap on April 16, 2006.

Recommendation

We recommend that the balance be paid immediately.

Chancery Clerk's Response

The Chancery Clerk made a partial payment of \$9,325 on October 31, 2006.

2. Finding

The Chancery Clerk received a duplicate payment for copying tax rolls during the calendar year 2005.

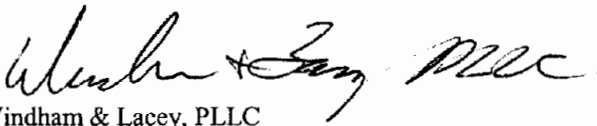
Recommendation

We recommend that the overpayment be refunded to the county.

Chancery Clerk's Response

The Chancery Clerk refunded the county in calendar year 2006 by reducing the payment due her for copying tax rolls.

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.



Windham & Lacey, PLLC

October 3, 2006

YAZOO COUNTY

SCHEDULE OF FINDINGS

YAZOO COUNTY

Schedule of Findings
For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the primary government financial statements:	Unqualified
	Governmental activities (Unqualified, Qualified, Adverse or Disclaimer)	Unqualified
	Business-type activities (Unqualified, Qualified, Adverse or Disclaimer)	Unqualified
	Each major fund (Unqualified, Qualified, Adverse or Disclaimer)	Unqualified
	Aggregate remaining fund information (Unqualified, Qualified, Adverse or Disclaimer)	Unqualified
2.	Internal control over financial reporting:	
a.	Material weakness identified?	No
b.	Reportable condition identified that is not considered to be a material weakness?	No
3.	Noncompliance material to the primary government financial statements?	No

Section 2: Financial Statement Findings

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