





**LEFLORE COUNTY, MISSISSIPPI**

**Primary Government Financial Statements  
and Special Reports**

**SEPTEMBER 30, 2006**

LEFLORE COUNTY

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LEFLORE COUNTY

FINANCIAL SECTION



Ruth N. Wylie Certified Public Accountant

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

July 27, 2007

Members of the Board of Supervisors  
Leflore County, Mississippi

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Leflore County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. My responsibility is to express opinions on these financial statements based on my audit.

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

The financial statements referred to above include only the primary government of Leflore County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Leflore County, Mississippi, as of September 30, 2006, and the respective changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Leflore County, Mississippi, as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated July 27, 2007, on my consideration of Leflore County, Mississippi's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering in assessing the results of my audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

*Ruth N. Wylie, CPA*

Madison, Mississippi

LEFLORE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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## BOARD OF SUPERVISORS

LEFLORE COUNTY

POST OFFICE BOX 250

GREENWOOD, MS 38935-0250

TELEPHONE (662) 455-3904

FAX (662) 455-7965

LEFLORE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

SAM ABRAHAM, Clerk  
GREENWOOD, MS

WILLIE PERKINS, SR., Attorney  
GREENWOOD, MS

REGULAR MEETINGS  
EACH 1<sup>ST</sup>, 2<sup>ND</sup> & 4<sup>TH</sup> MONDAYS  
AT 4:00 P.M.

The discussion and analysis of Leflore County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2006. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this County's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the County's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

### FINANCIAL HIGHLIGHTS

- Total net assets increased \$3,187,229, which represents a 7.23% increase from fiscal year 2005. This was due primarily because of a decrease in capital related debt.
- General revenues account for \$14,287,186 in revenue, or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,057,907 or 36% of total revenues.
- The County had \$18,197,224 in expenses; only \$7,057,907 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$14,287,186 were adequate to provide for the remainder of these programs.
- Among major funds, the General Fund had \$10,826,059 in revenues and \$9,797,076 in expenditures. The General Fund's fund balance increased \$978,854 over the prior year.
- Capital assets, net of accumulated depreciation, increased by \$1,940,159 primarily due to construction in progress.
- Long-term debt decreased by \$1,430,000 due primarily to the retirement of various long term debt.

## OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance, and interest on long-term liabilities.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's current financing

requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the County's operations.

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

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

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

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets.** Net assets may serve over time as a useful indicator of government's financial position. In the case of the County, assets exceeded liabilities by \$40,500,257 as of September 30, 2006.

By far the largest portion of the County's total assets (67%) reflects its investment in capital assets (e.g., land, buildings, building improvements, improvements other than buildings, mobile equipment, furniture, and equipment, leased property under capital leases, infrastructure assets, and construction in progress, less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to the county; consequently these assets are not available for future spending.

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

The following table presents a comparative summary of the County's net assets for the fiscal year ended September 30, 2006.

|  | <u>2005</u>                | <u>2006</u>                 |
|--|----------------------------|-----------------------------|
| Current assets                                     | \$27,680,588               | \$ 26,978,464               |
| Capital assets, net                                | <u>54,734,174</u>          | <u>56,674,333</u>           |
| <b>Total assets</b>                                | <b><u>82,414,762</u></b>   | <b><u>83,652,797</u></b>    |
| Current liabilities                                | \$15,852,478               | 15,830,206                  |
| Long-term debt outstanding                         | <u>22,501,301</u>          | <u>20,574,379</u>           |
| <b>Total liabilities</b>                           | <b><u>38,353,779</u></b>   | <b><u>36,404,585</u></b>    |
| <b>Net assets:</b>                                 |                            |                             |
| Invested in capital assets,<br>Net of related debt | \$35,824,517               | 40,500,257                  |
| Restricted   | 6,641,106                  | 5,108,122                   |
| Unrestricted                                       | <u>1,595,360</u>           | <u>1,639,833</u>            |
| <b>Total net assets</b>                            | <b><u>\$44,060,983</u></b> | <b><u>\$ 47,248,212</u></b> |

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

- The decrease in current assets was due mainly to cash balance decreases in the jail construction fund.
- The decrease of \$1,532,984 of restricted net assets is due to debt service retirement and the decrease in restricted net assets expendable for jail construction.

**Changes in net assets.** The County's total revenues for the fiscal year ended September 30, 2006 were \$21,345,093. The total cost of all programs and services was \$18,197,224. The following table presents a comparative summary of the changes in net assets for the fiscal year ended September 30, 2006.

|                                   | <u>2005</u>                | <u>2006</u>                |
|-----------------------------------|----------------------------|----------------------------|
| <b>Revenues:</b>                  |                            |                            |
| Program revenues                  | \$ 7,814,414               | \$ 7,057,907               |
| General revenues                  | <u>12,980,530</u>          | <u>14,287,186</u>          |
| <b>Total revenues</b>             | <b><u>20,794,944</u></b>   | <b><u>21,345,093</u></b>   |
| <b>Expenses:</b>                  |                            |                            |
| General Government                | 5,032,198                  | 4,967,169                  |
| Public Safety                     | 7,809,010                  | 3,913,337                  |
| Public Works                      | 3,872,642                  | 3,928,768                  |
| Health and Welfare                | 1,317,037                  | 670,536                    |
| Culture and Recreation            | 728,597                    | 812,487                    |
| Conservation of Natural Resources | 147,889                    | 133,614                    |
| Economic Development & Assistance | 1,031,059                  | 2,797,875                  |
| Interest on long-term liabilities | <u>1,172,276</u>           | <u>973,438</u>             |
| <b>Total expenses</b>             | <b><u>21,110,708</u></b>   | <b><u>18,197,224</u></b>   |
| <b>Increase in net assets</b>     | <b><u>\$ (315,764)</u></b> | <b><u>\$ 3,147,869</u></b> |

**Governmental activities.** The following table presents the cost of eight major county functional activities: general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance and interest on long-term debt. The comparative table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

|                                   | <u>2005</u>         | <u>2005</u>           | <u>2006</u>         | <u>2006</u>           |
|-----------------------------------|---------------------|-----------------------|---------------------|-----------------------|
|                                   | Total               | Net (Expense)         | Total               | Net (Expense)         |
|                                   | <u>Expenses</u>     | <u>Revenue</u>        | <u>Expenses</u>     | <u>Revenue</u>        |
| General Government                | \$5,032,198         | \$ (4,189,809)        | \$ 4,967,169        | \$ (4,144,744)        |
| Public Safety                     | 7,809,010           | (3,329,284)           | 3,913,337           | (1,871,691)           |
| Public Works                      | 3,872,642           | 2,550,619)            | 3,928,768           | (2,419,088)           |
| Health & Welfare                  | 1,317,037           | (1,155,582)           | 670,536             | (480,721)             |
| Culture & Recreation              | 728,597             | (728,597)             | 812,487             | (812,487)             |
| Conservation of Natural Resources | 147,889             | 147,889)              | 133,614             | (133,614)             |
| Economic Development & Assistance | 1,031,059           | 22,238)               | 2,797,875           | (303,534)             |
| Interest on long-term liabilities | <u>1,172,276</u>    | <u>(1,172,276)</u>    | <u>973,438</u>      | <u>(973,438)</u>      |
| <b>Total expenses</b>             | <b>\$21,110,708</b> | <b>\$(13,296,294)</b> | <b>\$18,197,224</b> | <b>\$(11,139,317)</b> |

Net cost of governmental activities (\$11,139,317), was financed by general revenue, which is made up of primarily property taxes (\$11,771,907), state revenue (\$322,259) and grants and contributions not restricted to specific programs (\$522,172).

Investment earnings accounted for \$605,353 of funding.

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

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

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

The financial performance of the county as a whole is reflected in its governmental funds. As the county completed the year, its governmental funds reported a combined fund balance of \$12,549,286. \$2,193,787 or 17% of the fund balance constitutes unreserved and undesignated general fund balance, which is available for spending at the county's discretion. The remaining fund balance of \$10,355,499 or 83% is reserved or designated to indicate that it is not available for spending because it has already been committed for special revenue, debt service, and capital projects.

The General Fund is the principal operating fund of the county. The increase in fund balance in the General Fund for the fiscal year was \$978,854, and the fund balance of the Countywide Road Maintenance fund increased by \$37,550. The fund balance of Other Governmental Funds showed an increase of \$1,230,216.

## **BUDGETARY HIGHLIGHTS**

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of September 30, 2006, the county's total capital assets were \$56,674,333, including land, buildings, infrastructure, mobile equipment, leased property and furniture and equipment. This amount represents an increase of \$1,940,159 from the previous year. Total accumulated depreciation as of September 30, 2006 was \$74,080,408 and total depreciation expense for the year was \$1,358,433, resulting in total net assets of \$56,674,333.

Additional information of the county's capital assets can be found in Note 8 of this report.

**Debt Administration.** At September 30, 2006, the county had \$21,136,735 in general obligation bonds and other long-term debt outstanding, of which \$1,873,102 is due within one year.

The county maintains an A3 bond rating.

Additional information of the county's long-term debt can be found in Notes 10 and 11 on page of this report.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

LEFLORE COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

LEFLORE COUNTY  
Statement of Net Assets  
September 30, 2006

Exhibit 1

|   | <u>Primary Government</u> |
|---|---------------------------|
|   | <u>Governmental</u>       |
|   | <u>Activities</u>         |
| <b>ASSETS</b>                                   |                           |
| Cash  | \$ 11,877,017             |
| Accrued interest receivable                     | 34,841                    |
| Property tax receivable                         | 10,862,214                |
| Accounts receivable, net                        | 363,440                   |
| Fines receivable, net                           | 356,010                   |
| Loans receivable                                | 1,581,000                 |
| Capital leases receivable                       | 937,441                   |
| Intergovernmental receivables                   | 543,864                   |
| Other receivables, net                          | 62,016                    |
| Prepaid items                                   | 360,621                   |
| Capital assets, net                             | 56,674,333                |
| Total Assets                                    | <u>83,652,797</u>         |
| <b>LIABILITIES</b>                              |                           |
| Claims payable                                  | 914,611                   |
| Salaries and benefits payable                   | 583,063                   |
| Intergovernmental payables                      | 241,221                   |
| Accrued interest payable                        | 247,376                   |
| Deferred revenue                                | 11,880,655                |
| Other payables                                  | 90,178                    |
| Long-term liabilities                           |                           |
| Due within one year:                            |                           |
| Capital related debt                            | 1,675,643                 |
| Non-capital debt                                | 197,459                   |
| Due in more than one year:                      |                           |
| Capital related debt                            | 14,498,433                |
| Non-capital debt                                | 6,075,946                 |
| Total Liabilities                               | <u>36,404,585</u>         |
| <b>NET ASSETS</b>                               |                           |
| Invested in capital assets, net of related debt | 40,500,257                |
| Restricted net assets:                          |                           |
| Expendable:                                     |                           |
| General government                              | 121,582                   |
| Debt service                                    | 842,396                   |
| Public safety                                   | 2,034,567                 |
| Public works                                    | 889,167                   |
| Economic development                            | 1,165,227                 |
| Other purposes                                  | 55,183                    |
| Unrestricted                                    | 1,639,833                 |
| Total Net Assets                                | <u>\$ 47,248,212</u>      |

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

LEFLORE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2006

Exhibit 2

| Functions/Programs   | Expenses             | Program Revenues        |  | Net (Expense)<br>Revenue and Changes<br>in Net Assets |
|--|----------------------|-------------------------|--|---|
|  |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Primary Government<br>Governmental<br>Activities      |
| Primary government:  |                      |                         |  |   |
| Governmental activities:                                     |                      |                         |  |   |
| General government   | \$ 4,967,169         | 822,425                 |  | (4,144,744)   |
| Public safety  | 3,913,337            | 1,051,481               | 990,165                                  | (1,871,691)   |
| Public works   | 3,928,768            | 684,762                 | 824,918                                  | (2,419,088)   |
| Health and welfare   | 670,536              |                         | 189,815                                  | (480,721)   |
| Culture and recreation                                       | 812,487              |                         |  | (812,487)   |
| Conservation of natural resources                            | 133,614              |                         |  | (133,614)   |
| Economic development and assistance                          | 2,797,875            |                         | 2,494,341                                | (303,534)   |
| Interest on long-term debt                                   | 973,438              |                         |  | (973,438)   |
| Total Governmental Activities                                | <u>18,197,224</u>    | <u>2,558,668</u>        | <u>4,499,239</u>                         | <u>(11,139,317)</u>                                   |
| Total Primary Government                                     | \$ <u>18,197,224</u> | <u>2,558,668</u>        | <u>4,499,239</u>                         | <u>(11,139,317)</u>                                   |
| General revenues:  |                      |                         |  |   |
| Taxes:   |                      |                         |  |   |
| Property taxes   |                      |                         |  | \$ 11,771,907   |
| Road & bridge privilege taxes                                |                      |                         |  | 322,259   |
| Grants and contributions not restricted to specific programs |                      |                         |  | 522,172   |
| Unrestricted investment income                               |                      |                         |  | 605,353   |
| Miscellaneous  |                      |                         |  | 1,065,495   |
| Total General Revenues                                       |                      |                         |  | <u>14,287,186</u>                                     |
| Changes in Net Assets  |                      |                         |  | <u>3,147,869</u>                                      |
| Net Assets - Beginning                                       |                      |                         |  | 44,060,983  |
| Prior period adjustments                                     |                      |                         |  | 39,360  |
| Net Assets - Beginning restated                              |                      |                         |  | <u>44,100,343</u>                                     |
| Net Assets - Ending  |                      |                         |  | <u>\$ 47,248,212</u>                                  |

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

LEFLORE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2006

Exhibit 3

|                                      | Major Funds   |                           |  |                                  |                          |                          |
|--------------------------------------|---------------|---------------------------|--|----------------------------------|--------------------------|--------------------------|
|                                      | General Fund  | HUD Section 108 Loan Fund | Jail Construction and Building Repair Fund | Countywide Road Maintenance Fund | Other Governmental Funds | Total Governmental Funds |
| <b>ASSETS</b>                        |               |                           |  |                                  |                          |                          |
| Cash                                 | \$ 2,456,776  | 4,412,381                 | 2,073,109                                  | 347,492                          | 2,587,259                | 11,877,017               |
| Accrued interest receivable          | 4,030         | 14,056                    | 6,371                                      | 414                              | 9,970                    | 34,841                   |
| Property tax receivable              | 7,669,947     |                           |  | 310,084                          | 2,882,183                | 10,862,214               |
| Accounts receivable                  |               |                           |  |                                  | 363,440                  | 363,440                  |
| Fines receivable                     | 356,010       |                           |  |                                  |                          | 356,010                  |
| Loans receivable                     |               | 600,000                   |  |                                  | 981,000                  | 1,581,000                |
| Capital lease receivable             |               |                           |  |                                  | 937,441                  | 937,441                  |
| Intergovernmental receivables        | 226,925       |                           |  | 34,786                           | 282,153                  | 543,864                  |
| Other receivables                    | 16,742        |                           |  |                                  | 45,274                   | 62,016                   |
| Due from other funds                 | 182,546       |                           |  | 29,670                           | 60,404                   | 272,620                  |
| Prepaid Items                        | 360,621       |                           |  |                                  |                          | 360,621                  |
| Total Assets                         | \$ 11,273,597 | 5,026,437                 | 2,079,480                                  | 722,446                          | 8,149,124                | 27,251,084               |
| <b>LIABILITIES AND FUND BALANCES</b> |               |                           |  |                                  |                          |                          |
| Liabilities:                         |               |                           |  |                                  |                          |                          |
| Claims payable                       | \$ 277,073    |                           | 421,862                                    | 100,824                          | 114,852                  | 914,611                  |
| Salaries and benefits payable        | 356,971       |                           |  | 120,320                          | 105,772                  | 583,063                  |
| Intergovernmental payables           | 241,221       |                           |  |                                  |                          | 241,221                  |
| Due to other funds                   | 88,410        |                           |  |                                  | 184,210                  | 272,620                  |
| Deferred revenue                     | 8,025,957     |                           |  | 310,084                          | 4,264,064                | 12,600,105               |
| Other payables                       | 90,178        |                           |  |                                  |                          | 90,178                   |
| Total Liabilities                    | 9,079,810     | -                         | 421,862                                    | 531,228                          | 4,668,898                | 14,701,798               |
| Fund balances:                       |               |                           |  |                                  |                          |                          |
| Reserved for:                        |               |                           |  |                                  |                          |                          |
| Debt service                         |               |                           |  |                                  | 1,082,271                | 1,082,271                |
| Loans receivable                     |               | 600,000                   |  |                                  |                          | 600,000                  |
| Unreserved, reported in:             |               |                           |  |                                  |                          |                          |
| General fund                         | 2,193,787     |                           |  |                                  |                          | 2,193,787                |
| Special revenue funds                |               | 4,426,437                 | 1,657,618                                  | 191,218                          | 2,397,955                | 8,673,228                |
| Total Fund Balances                  | 2,193,787     | 5,026,437                 | 1,657,618                                  | 191,218                          | 3,480,226                | 12,549,286               |
| Total Liabilities and Fund Balances  | \$ 11,273,597 | 5,026,437                 | 2,079,480                                  | 722,446                          | 8,149,124                | 27,251,084               |

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

## LEFLORE COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2006

|   | <u>Amount</u>               |
|---|-----------------------------|
| Total fund balance - governmental funds (Exhibit 3)   | \$ 12,549,286               |
| Amounts reported for governmental services in the statement of net assets (Exhibit 1)<br>are different because:               |                             |
| Capital assets are used in governmental activities are not financial resources and<br>therefore are not reported in the funds |                             |
| Capital assets net of depreciation as of 10-1-05  | 54,734,174                  |
| Plus capital outlay expenditures made during the year   | 3,287,129                   |
| Plus net corrective adjustments to capital assets and depreciation  | 33,200                      |
| Less depreciation expense recorded during the year  | (1,358,433)                 |
| Less net book value of capital assets sold during the year  | (3,800)                     |
| Less net book value of capital assets junked or vehicles totaled during the year  | (17,937)                    |
| Other long-term assets are not available to pay for current period expenditures and<br>therefore are deferred in the funds.   |                             |
| Accounts receivable   | 363,440                     |
| Fines receivable  | 356,010                     |
| Long-term liabilities are not due and payable in the current-period and<br>therefore are not reported in the funds.           |                             |
| Long-term liabilities   | (22,447,481)                |
| Accrued interest on bonds   | <u>(247,376)</u>            |
| Total net assets - governmental activities (Exhibit 1)  | \$ <u><u>47,248,212</u></u> |

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

LEFLORE COUNTY  
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
 For the Year Ended September 30, 2006

Exhibit 4

|   | Major Funds         |                           |  |                                  |                          |                          |
|---|---------------------|---------------------------|--|----------------------------------|--------------------------|--------------------------|
|   | General Fund        | HUD Section 108 Loan Fund | Jail Construction and Building Repair Fund | Countywide Road Maintenance Fund | Other Governmental Funds | Total Governmental Funds |
| <b>REVENUES</b>                               |                     |                           |  |                                  |                          |                          |
| Property taxes                                | \$ 7,792,269        |                           |  | 382,940                          | 3,596,698                | 11,771,907               |
| Road and bridge privilege taxes               |                     |                           |  | 322,259                          |                          | 322,259                  |
| Licenses, commissions and other revenue       | 511,603             |                           |  |                                  | 26,847                   | 538,450                  |
| Fines and forfeitures                         | 327,904             |                           |  |                                  | 25,030                   | 352,934                  |
| Intergovernmental revenues                    | 842,956             |                           |  | 616,586                          | 1,445,556                | 2,905,098                |
| Charges for services                          | 667,724             |                           |  |                                  | 1,039,745                | 1,707,469                |
| Interest income                               | 165,414             | 205,949                   | 134,214                                    | 3,100                            | 96,676                   | 605,353                  |
| Miscellaneous revenues                        | 518,189             |                           |  | 15,553                           | 531,751                  | 1,065,493                |
| <b>Total Revenues</b>                         | <b>10,826,059</b>   | <b>205,949</b>            | <b>134,214</b>                             | <b>1,340,438</b>                 | <b>6,762,303</b>         | <b>19,268,963</b>        |
| <b>EXPENDITURES</b>                           |                     |                           |  |                                  |                          |                          |
| Current:                                      |                     |                           |  |                                  |                          |                          |
| General government                            | 4,543,738           |                           |  |                                  | 336,489                  | 4,880,227                |
| Public safety                                 | 3,411,258           |                           | 2,701,041                                  |                                  | 533,160                  | 6,645,459                |
| Public works                                  | 96,456              |                           |  | 2,515,684                        | 822,750                  | 3,434,890                |
| Health and welfare                            | 637,844             |                           |  |                                  |                          | 637,844                  |
| Culture and recreation                        | 666,246             |                           |  |                                  | 59,643                   | 725,889                  |
| Conservation of natural resources             | 133,614             |                           |  |                                  |                          | 133,614                  |
| Economic development and assistance           | 174,094             |                           |  |                                  | 392,694                  | 566,788                  |
| Debt service:                                 |                     |                           |  |                                  |                          |                          |
| Principal                                     | 117,986             |                           |  | 139,352                          | 1,589,528                | 1,846,866                |
| Interest                                      | 15,840              |                           |  | 37,698                           | 969,802                  | 1,023,340                |
| <b>Total Expenditures</b>                     | <b>9,797,076</b>    | <b>-</b>                  | <b>2,701,041</b>                           | <b>2,692,734</b>                 | <b>4,704,066</b>         | <b>19,894,917</b>        |
| Excess of Revenues over (under) Expenditures  | 1,028,983           | 205,949                   | (2,566,827)                                | (1,352,296)                      | 2,058,237                | (625,954)                |
| <b>OTHER FINANCING SOURCES (USES)</b>         |                     |                           |  |                                  |                          |                          |
| Proceeds from sale of capital assets          |                     |                           |  |                                  | 600                      | 600                      |
| Compensation for loss of capital assets       |                     |                           |  | 15,163                           |                          | 15,163                   |
| Transfers in                                  |                     |                           |  | 1,374,683                        | 549,307                  | 1,923,990                |
| Transfers out                                 | (50,129)            | (189,773)                 | (300,000)                                  |                                  | (1,384,088)              | (1,923,990)              |
| <b>Total Other Financing Sources and Uses</b> | <b>(50,129)</b>     | <b>(189,773)</b>          | <b>(300,000)</b>                           | <b>1,389,846</b>                 | <b>(834,181)</b>         | <b>15,763</b>            |
| <b>Net Changes in Fund Balances</b>           | <b>978,854</b>      | <b>16,176</b>             | <b>(2,866,827)</b>                         | <b>37,550</b>                    | <b>1,224,056</b>         | <b>(610,191)</b>         |
| Fund Balances - Beginning                     | 1,214,933           | 5,010,261                 | 4,524,445                                  | 153,668                          | 2,250,010                | 13,153,317               |
| Prior period adjustment                       |                     |                           |  |                                  | 6,160                    | 6,160                    |
| Fund Balances - Beginning restated            | 1,214,933           | 5,010,261                 | 4,524,445                                  | 153,668                          | 2,256,170                | 13,159,477               |
| <b>Fund Balances - Ending</b>                 | <b>\$ 2,193,787</b> | <b>5,026,437</b>          | <b>1,657,618</b>                           | <b>191,218</b>                   | <b>3,480,226</b>         | <b>12,549,286</b>        |

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

## LEFLORE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
September 30, 2006

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Net changes in fund balances - total governmental funds (Exhibit 4) \$ (610,191)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$3,287,129, exceeded depreciation of \$1,358,433. 1,928,696

In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the proceeds from the sale of \$600 and the compensation on loss of capital assets of \$15,163, plus the loss of \$5,974. (21,737)

Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting. (7,392)

Garbage collection fee revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting. (32,794)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,846,866 exceeded debt proceeds of \$0. 1,846,866

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

|                            |               |
|----------------------------|---------------|
| Interest on long-term debt | 49,903        |
| Compensated absences       | (5,482)       |
|                            | <u>44,421</u> |

Change in net assets of governmental activities (Exhibit 2) \$ 3,147,869

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

LEFLORE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2006

Exhibit 5

|                            | <u>Agency<br/>Funds</u> |
|----------------------------|-------------------------|
| <b>ASSETS</b>              |                         |
| Cash                       | \$ 997,809              |
| Total Assets               | <u>\$ 997,809</u>       |
| <br>                       |                         |
| <b>LIABILITIES</b>         |                         |
| Intergovernmental payables | \$ 26,131               |
| Other payables             | <u>971,678</u>          |
| Total Liabilities          | <u>\$ 997,809</u>       |

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

## LEFLORE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

(1) Significant Accounting Policies.

A. Financial Reporting Entity.

Leflore County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Leflore County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

- Greenwood-Leflore County Hospital
- Delta Correctional Facility

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

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

B. Basis of Presentation.

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

***Government-wide Financial Statements:***

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

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

## LEFLORE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

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

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

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

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

The county reports the following major governmental funds:

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

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

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

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

## LEFLORE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

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.

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

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

#### FIDUCIARY FUND TYPES

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

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 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, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

#### F. Receivables.

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

#### G. Interfund Receivables/Payables.

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

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

H. Prepaid Items.

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

I. Capital Assets.

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

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

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

The following schedule details those thresholds.

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

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

J. Long-term liabilities.

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

## LEFLORE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

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

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

#### K. Equity Classifications.

##### ***Government-wide Financial Statements:***

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

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

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

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

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

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

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

#### L. Property Tax Revenues.

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

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

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2006, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

| Explanation  | Amount    |
|--|-----------|
| Report prior period capital assets                                     | \$ 33,200 |
| Reclassification of fund from special revenue fund type to agency fund | (893,840) |
| Reduction of loan receivable from deferred revenue                     | 900,000   |
| Total  | \$ 39,360 |

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

| Explanation  | Amount    |
|--|-----------|
| Reclassification of fund from special revenue fund type to agency fund | (893,840) |
| Reduction of loan receivable from deferred revenue                     | 900,000   |
| Total  | \$ 6,160  |

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$12,874,826, and the bank balance was \$12,896,529. 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.

Investments:

The county had no investments at year end.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

| Receivable Fund                  | Payable Fund                | Amount     |
|----------------------------------|-----------------------------|------------|
| <b>Major Funds:</b>              |                             |            |
| General Fund                     | Nonmajor Governmental Funds | \$ 182,546 |
| Countywide Road Maintenance Fund | General Fund                | 29,670     |
| Nonmajor Governmental Funds      | Nonmajor Governmental Funds | 1,664      |
|                                  | General Fund                | 58,740     |
| Total                            |                             | \$ 272,620 |

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

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

B. Transfers In/Out:

| <u>Transfer In</u>               | <u>Transfer Out</u>                 | <u>Amount</u>       |
|----------------------------------|-------------------------------------|---------------------|
| Major Funds:                     |                                     |                     |
| Countywide Road Maintenance Fund | Nonmajor Governmental Funds         | \$ 1,374,683        |
| Nonmajor Governmental Funds      | General Fund                        | 10,000              |
| Nonmajor Governmental Funds      | HUD Section 108 Loan Fund           | 189,773             |
| Nonmajor Governmental Funds      | Jail Construction and Building Fund | 300,000             |
| Nonmajor Governmental Funds      | Nonmajor Governmental Funds         | <u>49,534</u>       |
| Total                            |                                     | <u>\$ 1,923,990</u> |

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

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006 consisted of the following for Governmental Activities:

| <u>Description</u>                  | <u>Amount</u>     |
|-------------------------------------|-------------------|
| Legislative tag credit              | \$ 122,637        |
| Reimbursement for housing prisoners | 71,748            |
| Motor vehicle fuel tax              | 34,931            |
| Motor vehicle licenses              | 6,362             |
| Public safety grants                | 216,505           |
| Public works grants                 | 62,063            |
| Other                               | <u>29,618</u>     |
| Total Governmental Activities       | <u>\$ 543,864</u> |

(7) Loans Receivable.

Loans receivable balances at September 30, 2006, are as follows:

| <u>Styling</u>   | <u>Date of<br/>Loan</u> | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Balance<br/>Payable</u> |
|--|-------------------------|--------------------------|--------------------------|----------------------------|
| TT&W Farm Products - building construction   | 7/1/2002                | 3                        | 1-12                     | \$ 981,000                 |
| Mid-Delta Community and Individual<br>Investment Corporation (MDCHIC) Section 108 Loan | 8/11/2003               | N/A                      | N/A                      | <u>600,000</u>             |
| Total  |                         |                          |                          | <u>1,581,000</u>           |

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

The future minimum loan payments together with the present value of the net minimum loan payables as of September 30, 2006, are as follows:

| Year Ending September 30:                         | Amounts        |
|---|----------------|
| 2007  | 174,750        |
| 2008  | 170,250        |
| 2009  | 165,750        |
| 2010  | 161,250        |
| 2011  | 156,750        |
| 2012-2013   | 152,250        |
| <br>Total Minimum Loan Receivables                | <br>981,000    |
| Less: Amount representing interest                | 81,000         |
| <br>Present Value of Net Minimum Loan Receivables | <br>\$ 900,000 |

In accordance with legal agreements entered into by the county, MDCIIC, the U.S Department of Housing and Urban Development (HUD), and the Mississippi Development Authority (MDA), the county releases HUD Section 108 Guaranteed Loan funds to MDCIIC, when approved by the Mississippi Development Authority; for purposes of loaning to small businesses in the Mid-Delta. An amortization schedule has not been developed for the repayment of the \$600,000, which is only a component of the total anticipated loans to small businesses of \$5 million. An amortization schedule will be developed when the total loans have been made. Presently, MDCIIC is assisting in the payment of the interest on the loan that Leflore County entered into to provide these moneys to small businesses.

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

(8) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2006:

|   | Balance<br>Oct. 1, 2005 | Additions   | Deletions | Reclassifications | Prior<br>Period<br>Adjustments | Balance<br>Sept. 30, 2006 |
|---|-------------------------|-------------|-----------|-------------------|--------------------------------|---------------------------|
| <u>Non-depreciable capital assets:</u>      |                         |             |           |                   |                                |                           |
| Land  | \$ 3,987,399            |             |           |                   | 33,200                         | 4,020,599                 |
| Construction in progress                    | 1,736,529               | 2,728,722   |           | (1,594,062)       |                                | 2,871,189                 |
| Total non-depreciable capital assets        | 5,723,928               | 2,728,722   | -         | (1,594,062)       | 33,200                         | 6,891,788                 |
| <u>Depreciable capital assets:</u>          |                         |             |           |                   |                                |                           |
| Infrastructure                              | 93,692,509              | 15,450      |           |                   |                                | 93,707,959                |
| Buildings                                   | 11,705,202              |             |           | 1,594,062         |                                | 13,299,264                |
| Improvements other than buildings           | 3,431,699               | 210,500     |           |                   |                                | 3,642,199                 |
| Mobile equipment                            | 5,861,246               | 318,429     | (117,761) |                   |                                | 6,061,914                 |
| Furniture and equipment                     | 1,647,016               | 14,028      | (50,142)  |                   |                                | 1,610,902                 |
| Leased property under capital leases        | 5,540,715               |             |           |                   |                                | 5,540,715                 |
| Total depreciable capital assets            | 121,878,387             | 558,407     | (167,903) | 1,594,062         | -                              | 123,862,953               |
| <u>Less accumulated depreciation for:</u>   |                         |             |           |                   |                                |                           |
| Infrastructure                              | (65,029,933)            | (134,442)   |           |                   |                                | (65,164,375)              |
| Buildings                                   | (1,684,132)             | (265,985)   |           |                   |                                | (1,950,117)               |
| Improvements other than buildings           | (137,268)               | (175,158)   |           |                   |                                | (312,426)                 |
| Mobile equipment                            | (4,465,057)             | (410,828)   | 101,038   | (34,353)          |                                | (4,809,200)               |
| Furniture and equipment                     | (1,107,741)             | (131,389)   | 45,128    |                   |                                | (1,194,002)               |
| Leased property under capital leases        | (444,010)               | (240,631)   |           | 34,353            |                                | (650,288)                 |
| Total accumulated depreciation              | (72,868,141)            | (1,358,433) | 146,166   | -                 | -                              | (74,080,408)              |
| Total depreciable capital assets, net       | 49,010,246              | (800,026)   | (21,737)  | 1,594,062         | -                              | 49,782,545                |
| Governmental activities capital assets, net | \$ 54,734,174           | 1,928,696   | (21,737)  | -                 | 33,200                         | 56,674,333                |

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

Depreciation expense was charged to the following functions:

|  | <u>Amount:</u>      |
|--|---------------------|
| Governmental Activities                            |                     |
| General government                                 | \$ 81,459           |
| Public safety                                      | 303,392             |
| Public works                                       | 515,767             |
| Health and welfare                                 | 32,693              |
| Culture and recreation                             | 86,598              |
| Economic development and assistance                | <u>338,524</u>      |
| Total governmental activities depreciation expense | <u>\$ 1,358,433</u> |

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following:

| <u>Description of Commitment</u>                 | <u>Financial<br/>Commitment</u> | <u>Date of<br/>Completion</u> |
|--|---------------------------------|-------------------------------|
| Leflore County Correction and Justice Facilities | \$ <u>587,184</u>               | <u>1/31/2007</u>              |

(9) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2006:

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

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

The future minimum lease receivables together with the present value of the net minimum lease receivables as of September 30, 2006, are as follows:

| <u>Year Ending September 30:</u>               | <u>Amounts</u>    |
|--|-------------------|
| 2007   | 135,395           |
| 2008   | 135,395           |
| 2009   | 135,395           |
| 2010   | 135,395           |
| 2011   | 116,107           |
| 2012-2016                                      | <u>279,754</u>    |
| Total Minimum Lease Receivables                | 937,441           |
| Less: Amount representing interest             | <u>151,805</u>    |
| Present Value of Net Minimum Lease Receivables | <u>\$ 785,636</u> |

Viking does not owe the county the exact amount reflected on the amortization schedule for the leases receivable, because they owe the amount that the county owes Mississippi Development Authority (MDA), and MDA calculates the principal and interest outstanding according the exact date received from Leflore County.

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2006:

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

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2006, are as follows:

| <u>Year Ending September 30:</u>            | <u>Governmental Activities</u> |
|---|--------------------------------|
| 2006  | \$ 240,536                     |
| 2007  | 136,744                        |
| 2008  | 108,913                        |
| 2009  | 108,913                        |
| 2010  | 108,913                        |
| 2011-2015                                   | <u>408,423</u>                 |
| Total Minimum Payments Required             | 1,112,442                      |
| Less: Amount representing interest          | <u>159,430</u>                 |
| Present Value of Net Minimum Lease Payables | <u>\$ 953,012</u>              |

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

The State of Mississippi will convey title of the County Jail (Camp F) to Leflore County when the maturity date of the bonds for the entire Delta Correctional Facility is reached in December, 2016, in accordance with the lease-purchase agreement.

(11) Long-term Debt.

Debt outstanding as of September 30, 2006 consisted of the following:

| <u>Description and Purpose</u>              | <u>Amount<br/>Outstanding</u> | <u>Interest<br/>Rates</u> | <u>Final<br/>Maturity Date</u> |
|---|-------------------------------|---------------------------|--------------------------------|
| General Long-term Debt Account Group:       |                               |                           |                                |
| A. General Obligation Bonds:                |                               |                           |                                |
| General obligation bonds (Series 2004)      | \$ 2,100,000                  | 3.00 to 3.75              | 5-15                           |
| Jail construction Bonds (Series 2004)       | 5,755,000                     | 3.70 to 4.50              | 12-23                          |
| General obligation (Series 2003)            | 2,485,000                     | 2.00 to 3.75              | 5-11                           |
| Industrial                                  | 645,000                       | 7.00 to 7.80              | 5-15                           |
| Industrial (Itta Bena project)              | 235,000                       | 5.20 to 5.50              | 6-10                           |
| General obligation (Series 2000)            | 370,000                       | 7.25 to 7.40              | 5-10                           |
| MBIA bond (Series 2002)                     | 900,000                       | 3.00 to 3.00              | 1-12                           |
| Road & bridge (Series 2001)                 | <u>2,280,000</u>              | 4.13 to 5.88              | 9-16                           |
| <br>Total General Obligation Bonds          | <br>\$ <u>14,770,000</u>      |                           |                                |
| B. Capital Leases:                          |                               |                           |                                |
| Ford Expedition and five Crown Victorias    | \$ 58,142                     | 4.68                      | 5-05                           |
| Two 2004 F-150 pickups                      | 17,790                        | 3.15                      | 6-04                           |
| Five John Deere Advantage cab tractors      | 56,042                        | 2.87                      | 7-07                           |
| Five Caterpillar motor graders              | 796,670                       | 4.19                      | 6-15                           |
| AS400 computer                              | <u>24,368</u>                 | 3.49                      | 1-08                           |
| <br>Total Capital Leases                    | <br>\$ <u>953,012</u>         |                           |                                |
| C. Other Loans:                             |                               |                           |                                |
| Note for HUD Section 108 loans              | \$ 5,000,000                  | 5.48 to 5.97              | 8-23                           |
| Fire protection note                        | 32,430                        | 4.05                      | 1-07                           |
| Civic center notes                          | 284,849                       | 3.59                      | 9-10                           |
| MDA capital improvements loan               | 354,502                       | 4.00                      | 10-12                          |
| MDA capital improvements loan               | 355,887                       | 5.66                      | 1-16                           |
| MDA mitigation capital improvements loan    | 323,396                       | 3.00                      | 9-19                           |
| Computer software (Mapping and Reappraisal) | <u>15,671</u>                 | 3.49                      | 1-08                           |
| <br>Total Other Loans                       | <br>\$ <u>6,366,735</u>       |                           |                                |

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

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  |
| 2007                     | \$ 1,520,000             | 577,585   |
| 2008                     | 1,585,000                | 520,716   |
| 2009                     | 1,645,000                | 460,031   |
| 2010                     | 1,350,000                | 401,271   |
| 2011                     | 1,230,000                | 343,099   |
| 2012-2016                | 4,260,000                | 1,066,380 |
| 2017-2021                | 1,845,000                | 455,613   |
| 2022-2026                | 1,335,000                | 81,700    |
| Total                    | \$ 14,770,000            | 3,906,395 |

| Year Ending September 30 | Other Loans  |           |
|--------------------------|--------------|-----------|
|                          | Principal    | Interest  |
| 2007                     | \$ 111,605   | 283,678   |
| 2008                     | 73,900       | 279,567   |
| 2009                     | 322,423      | 279,493   |
| 2010                     | 325,023      | 266,093   |
| 2011                     | 250,000      | 251,975   |
| 2012-2016                | 1,250,000    | 1,072,950 |
| 2017-2021                | 2,000,000    | 688,975   |
| 2022-2026                | 1,000,000    | 89,300    |
| Total                    | \$ 5,332,951 | 3,212,031 |

The annual debt service requirements for the \$354,502, \$355,887 and \$323,396 CAP loans can not be determined because the allocation of principal and interest is based on the date the payment is received and a correct amortization could not be obtained. The principal amount of these notes totals \$1,033,785 in addition to the amount shown for principal for other loans of \$5,332,950, totals \$6,366,735 for other loans outstanding.

**Legal Debt Margin** - The amount of general obligation bonded debt that can be incurred by the county is limited by state statute. Total outstanding general obligation bonded debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to 6.89% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

Summary of long-term debt per workpapers:

|                                 | Balance<br>Oct. 1, 2005 | Additions    | Reductions       | Balance<br>Sept. 30, 2006 | Amount due<br>within one<br>year |
|---------------------------------|-------------------------|--------------|------------------|---------------------------|----------------------------------|
| <b>Governmental Activities:</b> |                         |              |                  |                           |                                  |
| Compensated absences            | \$ 352,252              | 5,482        | -                | 357,734                   | 35,774                           |
| General obligation bonds        | 16,200,000              |              | 1,430,000        | 14,770,000                | 1,520,000                        |
| Capital leases                  | 1,162,747               |              | 209,735          | 953,012                   | 205,723                          |
| Other loans                     | 6,573,866               |              | 207,131          | 6,366,735                 | 111,605                          |
| <b>Total</b>                    | <b>\$ 24,288,865</b>    | <b>5,482</b> | <b>1,846,866</b> | <b>22,447,481</b>         | <b>1,873,102</b>                 |

(12) Contingencies.

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

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

**Potential Irregularities** - The county operated the Home Investment Partnership Program during fiscal year 2006 and in prior years. Audits and investigations of this program in other counties have resulted in questioned costs and irregularities, which could result in a liability to the other counties. These investigations could extend into Leflore County, and could also result in a liability to Leflore County.

(13) Related Organizations.

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

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

## LEFLORE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2006

Rucker Ellsberry Drainage District  
Lake Henry Drainage District

#### (14) Joint Ventures.

The county participates in the following joint ventures:

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

Leflore County entered into an interlocal agreement with Claiborne, Grenada, Holmes and Humphreys Counties and the Cities of Itta Bena, Greenwood and Grenada to provide a multi-jurisdictional drug enforcement task force known as North Central Narcotics Task Force. Most of the funding is provided by a federal grant, with the local entities contributing a minimum of 25 percent. Leflore County contributed \$13,724 to the task force. The accounting for the project is performed by Leflore County. All of the project's transactions are reflected in the financial statements of Leflore County.

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

#### (15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Region Six Mental Health/Mental Retardation Center Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Leflore County Board of Supervisors appoints one of the eight members of the board of commissioners. Leflore County contributed \$121,500 for the support of the center in fiscal year 2006.

Yazoo-Mississippi Delta Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Leflore County Board of Supervisors appoints two of the 21 members of the district board of commissioners. The county levied a .61 mill tax resulting in \$106,500 for the maintenance and support of the district in fiscal year 2006.

North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Leflore County Board of Supervisors appoints four of the 28 members of the district board of directors. Leflore County contributed \$33,212 for the support of the district in fiscal year 2006.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower, and Washington. The Leflore County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$521,756 for maintenance and support of the college in fiscal year 2006.

Greenwood-Leflore Industrial Board members are appointed by the Greenwood-Leflore-Carroll Economic Foundation whose membership is open to the public. Leflore County and the City of Greenwood fund the industrial board equally. The county contributed \$74,382 in support of the industrial board in fiscal year 2006.

LEFLORE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2006

(16) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions to PERS for the years ending September 30, 2006, 2005 and 2004 were \$552,031, \$525,877, and \$518,187, respectively, equal to the required contributions for each year.

LEFLORE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LEFLORE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2006

|   | Original<br>Budget  | Final<br>Budget   | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|---------------------|-------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                     |                   |                                |   |
| Property taxes                                  | \$ 7,575,047        | 7,657,185         | 7,800,041                      | 142,856   |
| Licenses, commissions and other revenue         | 363,100             | 363,100           | 565,473                        | 202,373   |
| Fines and forfeitures                           | 212,000             | 310,983           | 323,821                        | 12,838  |
| Intergovernmental revenues                      | 701,280             | 738,419           | 831,117                        | 92,698  |
| Charges for services                            | 595,000             | 595,000           | 651,680                        | 56,680  |
| Interest income                                 | 52,000              | 155,950           | 161,122                        | 5,172   |
| Miscellaneous revenues                          | 150,700             | 161,918           | 515,265                        | 353,347   |
| Total Revenues                                  | <u>9,649,127</u>    | <u>9,982,555</u>  | <u>10,848,519</u>              | <u>865,964</u>  |
| <b>EXPENDITURES</b>                             |                     |                   |                                |   |
| Current:  |                     |                   |                                |   |
| General government                              | 4,452,262           | 4,620,902         | 4,532,106                      | 88,796  |
| Public safety                                   | 3,521,432           | 3,726,352         | 3,549,728                      | 176,624   |
| Public works                                    | 96,456              | 96,456            | 96,456                         | -   |
| Health and welfare                              | 647,943             | 645,189           | 634,802                        | 10,387  |
| Culture and recreation                          | 629,900             | 673,965           | 673,962                        | 3   |
| Conservation of natural resources               | 135,286             | 133,842           | 133,841                        | 1   |
| Economic development and assistance             | 207,911             | 207,911           | 174,094                        | 33,817  |
| Total Expenditures                              | <u>9,691,190</u>    | <u>10,104,617</u> | <u>9,794,989</u>               | <u>309,628</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>(42,063)</u>     | <u>(122,062)</u>  | <u>1,053,530</u>               | <u>1,175,592</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                     |                   |                                |   |
| Other financing sources                         | 335,503             | 347,665           | 341,004                        | (6,661)   |
| Other financing uses                            | <u>(405,633)</u>    | <u>(417,795)</u>  | <u>(391,133)</u>               | <u>26,662</u>   |
| Total Other Financing Sources and Uses          | <u>(70,130)</u>     | <u>(70,130)</u>   | <u>(50,129)</u>                | <u>20,001</u>   |
| Net Change in Fund Balance                      | (112,193)           | (192,192)         | 1,003,401                      | 1,195,593   |
| Fund Balances - Beginning                       | <u>1,137,700</u>    | <u>1,189,646</u>  | <u>998,476</u>                 | <u>(191,170)</u>  |
| Fund Balances - Ending                          | <u>\$ 1,025,507</u> | <u>997,454</u>    | <u>2,001,877</u>               | <u>1,004,423</u>  |

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

LEFLORE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 HUD Section 108 Loan Fund  
 For the Year Ended September 30, 2006

|   | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|-----------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                 |                                |   |
| Interest income                                 | 140,000            | 164,088         | 201,998                        | 37,911  |
| Total Revenues                                  | 140,000            | 164,088         | 201,998                        | 37,911  |
| <b>EXPENDITURES</b>                             |                    |                 |                                |   |
| Current:  |                    |                 |                                |   |
| Total Expenditures                              | -                  | -               | -                              | -   |
| Excess of Revenues<br>over (under) Expenditures | 140,000            | 164,088         | 201,998                        | 37,911  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                    |                 |                                |   |
| Other financing uses                            | (140,000)          | (189,773)       | (189,773)                      | 0   |
| Total Other Financing Sources and Uses          | (140,000)          | (189,773)       | (189,773)                      | 0   |
| Net Change in Fund Balance                      | -                  | (25,686)        | 12,225                         | 37,911  |
| Fund Balances - Beginning Restated              | 4,400,097          | 4,400,156       | 5,000,156                      | 600,000   |
| Fund Balances - Ending                          | \$ 4,400,097       | 4,374,470       | 5,012,381                      | 637,911   |

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

LEFLORE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Jail Construction and Building Repair Fund  
 For the Year Ended September 30, 2006

|   | Original<br>Budget | Final<br>Budget    | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|--------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                    |                                |   |
| Interest income                                 | \$ 75,000          | 75,000             | 135,881                        | 60,881  |
| Total Revenues                                  | <u>75,000</u>      | <u>75,000</u>      | <u>135,881</u>                 | <u>60,881</u>   |
| <b>EXPENDITURES</b>                             |                    |                    |                                |   |
| Current:  |                    |                    |                                |   |
| Public safety                                   | 3,426,000          | 3,426,000          | 2,293,609                      | 1,132,391   |
| Total Expenditures                              | <u>3,426,000</u>   | <u>3,426,000</u>   | <u>2,293,609</u>               | <u>1,132,391</u>  |
| Excess of Revenues<br>over (under) Expenditures | <u>(3,351,000)</u> | <u>(3,351,000)</u> | <u>(2,157,728)</u>             | <u>1,193,272</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                    |                    |                                |   |
| Other financing uses                            | (300,000)          | (300,000)          | (300,000)                      | -   |
| Total Other Financing Sources and Uses          | <u>(300,000)</u>   | <u>(300,000)</u>   | <u>(300,000)</u>               | <u>-</u>  |
| Net Change in Fund Balance                      | (3,651,000)        | (3,651,000)        | (2,457,728)                    | 1,193,272   |
| Fund Balances - Beginning                       | <u>4,548,839</u>   | <u>4,548,839</u>   | <u>4,530,837</u>               | <u>(18,002)</u>   |
| Fund Balances - Ending                          | <u>\$ 897,839</u>  | <u>897,839</u>     | <u>2,073,109</u>               | <u>1,175,270</u>  |

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

LEFLORE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance Fund  
 For the Year Ended September 30, 2006

|   | Original<br>Budget | Final<br>Budget    | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|--------------------|--------------------------------|---|
| <b>REVENUES</b>                                 |                    |                    |                                |   |
| Property taxes                                  | \$ 373,503         | 373,503            | 383,171                        | 9,668   |
| Road and bridge privilege taxes                 | 280,000            | 280,000            | 298,725                        | 18,725  |
| Intergovernmental revenues                      | 598,000            | 598,000            | 614,542                        | 16,542  |
| Interest income                                 | 1,000              | 1,000              | 2,686                          | 1,686   |
| Miscellaneous revenues                          |                    |                    | 15,553                         | 15,553  |
| <b>Total Revenues</b>                           | <u>1,252,503</u>   | <u>1,252,503</u>   | <u>1,314,677</u>               | <u>62,174</u>   |
| <b>EXPENDITURES</b>                             |                    |                    |                                |   |
| Current:  |                    |                    |                                |   |
| Public works                                    | 2,673,663          | 2,707,458          | 2,483,823                      | 223,635   |
| Debt service                                    |                    |                    | 177,051                        | (177,051)   |
| <b>Total Expenditures</b>                       | <u>2,673,663</u>   | <u>2,707,458</u>   | <u>2,660,874</u>               | <u>46,584</u>   |
| Excess of Revenues<br>over (under) Expenditures | <u>(1,421,160)</u> | <u>(1,454,955)</u> | <u>(1,346,197)</u>             | <u>108,758</u>  |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                    |                    |                                |   |
| Other financing sources                         | 1,336,991          | 1,374,683          | 1,389,845                      | 15,162  |
| <b>Total Other Financing Sources and Uses</b>   | <u>1,336,991</u>   | <u>1,374,683</u>   | <u>1,389,845</u>               | <u>15,162</u>   |
| Net Change in Fund Balance                      | (84,169)           | (80,272)           | 43,648                         | 123,920   |
| Fund Balances - Beginning                       | <u>252,550</u>     | <u>252,550</u>     | <u>303,843</u>                 | <u>51,293</u>   |
| Fund Balances - Ending                          | <u>\$ 168,381</u>  | <u>172,278</u>     | <u>347,491</u>                 | <u>175,213</u>  |

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

LEFLORE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2006

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

LEFLORE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2006

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

|   | Governmental Fund Types |                           |  |                                  |
|---|-------------------------|---------------------------|--|----------------------------------|
|   | General Fund            | HUD Section 108 Loan Fund | Jail Construction and Building Repair Fund | Countywide Road Maintenance Fund |
| Budget (Cash Basis)                     | \$ 1,003,401            | 12,225                    | (2,457,728)                                | 43,648                           |
| Increase (Decrease):                    |                         |                           |  |                                  |
| Net adjustment for revenue accruals     | (363,463)               | 3,951                     | (1,667)                                    | 25,762                           |
| Net adjustment for expenditure accruals | 338,916                 | -                         | (407,432)                                  | (31,860)                         |
| GAAP Basis                              | \$ 978,854              | 16,176                    | (2,866,827)                                | 37,550                           |

SUPPLEMENTAL INFORMATION

LEFLORE COUNTY  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended September 30, 2006

SCHEDULE 1

| Federal Grantor/<br>Pass-Through Grantor/<br>Program Title | Federal<br>CFDA<br>Number | Agency or<br>Pass-through<br>Number | Federal<br>Expenditures |
|--|---------------------------|-------------------------------------|-------------------------|
| <b>MAJOR FEDERAL AWARD</b>                                 |                           |                                     |                         |
| Department of Homeland Security                            |                           |                                     |                         |
| Passed through the Mississippi Department of Public Safety |                           |                                     |                         |
| Homeland security grant program                            | 97.067                    | 4HS042R                             | \$ 417,602              |
|  |                           | 04HS042                             | 13,622                  |
|  |                           | 04LE042                             | 21,204                  |
|  |                           | 04CC013                             | 2,817                   |
|  |                           | 5HS042R                             | 1,375                   |
| Total U. S. Department of Homeland Security                |                           |                                     | <u>456,620</u>          |
| Total Major Federal Award                                  |                           |                                     | <u>456,620</u>          |
| <b>OTHER FEDERAL AWARDS</b>                                |                           |                                     |                         |
| U.S. Department of Housing and Urban Development           |                           |                                     |                         |
| Passed through the Mississippi Development Authority       |                           |                                     |                         |
| Community development block grants/state's program         | 14.228                    | 1122-05-042-PF-01                   | 11,242                  |
|  |                           | 1121-04-042-ED-01                   | 142,208                 |
|  |                           | 1122-05-042-ED-01                   | 40,437                  |
| Home Investment Partnership Program                        | 14.239                    | M05-SG-280-128                      | 235,820                 |
| Total U.S. Department of Housing and Urban Development     |                           |                                     | <u>429,707</u>          |
| U.S. Department of Justice                                 |                           |                                     |                         |
| Direct:  |                           |                                     |                         |
| Local law enforcement block grants program                 | 16.592                    | N/A                                 | 14,564                  |
| Passed through the Mississippi Department of Public Safety |                           |                                     |                         |
| Juvenile accountability incentive block grants             | 16.523                    | 03JB1421                            | 11,241                  |
| Byrne formula grant program                                | 16.579                    | 5NM1421                             | 221,800                 |
| Total U. S. Department of Justice                          |                           |                                     | <u>247,605</u>          |
| U.S. Department of Transportation                          |                           |                                     |                         |
| Passed through Mississippi Department of Transportation    |                           |                                     |                         |
| Highway planning and construction                          | 20.205                    | N/A                                 | 11,380                  |
| Total U. S. Department of Transportation                   |                           |                                     | <u>11,380</u>           |
| Department of Homeland Security                            |                           |                                     |                         |
| Passed through Mississippi Emergency Management Agency     |                           |                                     |                         |
| State domestic preparedness equipment support program      | 97.004                    | 3SSG-4003                           | 949                     |
| Hazard mitigation grant                                    | 97.039                    | HMGP 1009-006                       | 38,778                  |
| Total U. S. Department of Homeland Security                |                           |                                     | <u>39,727</u>           |
| Total Other Federal Awards                                 |                           |                                     | <u>728,419</u>          |
| Total for All Federal Awards                               |                           |                                     | <u>\$ 1,185,039</u>     |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

## LEFLORE COUNTY

SCHEDULE 2Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2006

## Operating Expenditures, Cash Basis:

|                      |    |               |
|----------------------|----|---------------|
| Personal services    | \$ | 386,129       |
| Contractual services |    | 42,938        |
| Garbage disposal     |    | 166,248       |
| Consumable supplies  |    | <u>66,975</u> |

Solid Waste Cash Basis Operating Expenditures 662,290

## Full Cost Expenses:

|                               |  |               |
|-------------------------------|--|---------------|
| Indirect administrative costs |  | 11,453        |
| Depreciation on equipment     |  | 71,488        |
| Other accrued expenses        |  | <u>28,082</u> |

Solid Waste Full Cost Operating Expenses \$ 773,313

LEFLORE COUNTY

SPECIAL REPORTS



Ruth N. Wylie Certified Public Accountant

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

July 27, 2007

Members of the Board of Supervisors  
Leflore County, Mississippi

I have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Leflore County, Mississippi, as of and for the year ended September 30, 2006, and have issued my report thereon dated July 27, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Leflore County, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

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

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

*Ruth N. Wylie, CPA*

Madison, Mississippi



Ruth N. Wylie Certified Public Accountant

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

July 27, 2007

Members of the Board of Supervisors  
Leflore County, Mississippi

I have audited the compliance of Leflore County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Leflore County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Leflore County, Mississippi's management. My responsibility is to express an opinion on Leflore County, Mississippi's compliance based on my audit.

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

In my opinion, Leflore County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that

noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

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

*Ruth N. Wylie, CPA*  
Madison, Mississippi



*Ruth N. Wylie* Certified Public Accountant

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

July 27, 2007

Members of the Board of Supervisors  
Leflore County, Mississippi

I have made a study and evaluation of the central purchasing system and inventory control system of Leflore County, Mississippi, as of and for the year ended September 30, 2006. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.

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

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

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

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

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

*Ruth N. Wylie, CPA*  
Madison, Mississippi

LEFLORE COUNTY  
 Schedule of Purchases Not Made From the Lowest Bidder  
 For the Year Ended September 30, 2006

Schedule 1

| <u>Date</u> | <u>Item Purchased</u>  | <u>Bid Accepted</u> | <u>Vendor</u>    | <u>Lowest Bid</u> | <u>Reasons for accepting Other than the Lowest Bid</u>   |
|-------------|--|---------------------|------------------|-------------------|--|
| 10/10/2005  | Prime mover vehicle for Emergency Management (2006 Ford F350)    | \$ 39,140           | Buddy Jones Ford | \$ 39,053         | The low bidder, Cannon Chevrolet, did not meet specifications on the rear axle, wheels, and seats. |
| 10/10/2005  | Full Size SUV for Emergency Management (2006 Chevrolet Suburban) | 38,600              | Cannon Chevrolet | 37,003            | The low bidder, Buddy Jones Ford, did not meet all specifications.                                 |

LEFLORE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2006

Schedule 2

| <u>Date</u> | <u>Item Purchased</u>                       | <u>Amount Paid</u> | <u>Vendor</u>     | <u>Reasons for Emergency Purchase</u>   |
|-------------|---|--------------------|-------------------|---|
| 2/28/2006   | 100 Ton Water Cooled Chiller for Courthouse | \$ 62,967          | Upchurch Plumbing | The Leflore County Courthouse had possibility of having no heat, which could have created the possibility of freezing and causing extensive damage to the facility. |

LEFLORE COUNTY  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2006

Schedule 3

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



*Ruth N. Wylie* Certified Public Accountant

## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

July 27, 2007

Members of the Board of Supervisors  
Leflore County, Mississippi

In planning and performing our audit of the financial statements of Leflore County, Mississippi for the year ended September 30, 2006, we considered Leflore County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Leflore County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 27, 2007, on the financial statements of Leflore County, Mississippi.

Due to the reduced scope, 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 the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Circuit Clerk

### Finding

An effective system of accounting for fee income should include a fee account cash journal to account for the receipt of fee income and the expenses related to the operation of the office. The Circuit Clerk's fee account cash journal was not maintained on-site or on a timely basis. At no time was an accurate cash balance maintained.

### Recommendation

The Circuit Clerk should ensure that the fee account cash journal is properly maintained, that transactions are recorded as they occur, that documents supporting each transaction are filed in an orderly manner, and that an accurate cash balance is maintained at all times.

Circuit Clerk's Response

I will comply with this recommendation.

Finding

Section 9-1-43(1), Miss. Code Ann.(1972) limits the compensation of the Circuit Clerk to \$90,000 after deductions for employee salaries and expenses allowed as deductions by Schedule C of the Internal Revenue Code. We noted a number of expenses deducted against income that were either not supported by receipts or invoices or that could not be construed as ordinary or necessary. The total of these disallowed expenses is \$19,179.97.

Recommendation

The circuit clerk should refrain from claiming expenses that are not documented or that are not ordinary or necessary and should repay the amount of the disallowed expenses to the General Fund of the county. The Circuit Clerk should also file an amended report with the Office of the State Auditor and with the Public Employees' Retirement System.

Circuit Clerk's Response

I have paid \$19,179.97 to the General Fund of the county.

Auditor's Note

On September 11, 2007, the Circuit Clerk paid \$19,179.97 to the Leflore County General Fund as is evidenced by depository receipt number 1480.

Finding

Section 9-1-43(1), Miss. Code Ann.(1972) limits the compensation of the Circuit Clerk to \$90,000 after deductions for employee salaries and expenses allowed as deductions by Schedule C of the Internal Revenue Code. We observed that the Circuit Clerk had claimed as expenses service fees charged by AmSouth Bank in varying amounts from month to month. Since AmSouth's bid proposal to become a county depository included a statement that "AmSouth agrees to waive standard depository fees", we do not consider these expenses to be reasonable or necessary. The total amount of these fees is \$11,279.11.

Recommendation

The Circuit Clerk should refrain from claiming expenses that are not ordinary or necessary and should either have AmSouth Bank repay the General Fund of the county for these fees or repay them himself. The Circuit Clerk should file an amended report with the Office of the State Auditor and the Public Employees' Retirement System.

Circuit Clerk's Response

AmSouth Bank has paid \$11,279.11 as reimbursement for these service fees.

Auditor's Note

On August 22, 2007, AmSouth Bank repaid the Circuit Clerk for these fees. The check for \$11,279.00, which was made payable to the Leflore County Circuit Clerk, was endorsed by the Circuit Clerk and deposited into the General Fund of Leflore County as is evidenced by depository receipt number 1443.

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

*Ruth N. Wylie, CPA*

Madison, Mississippi

LEFLORE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LEFLORE COUNTY  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2006

**Section 1: Summary of Auditor's Results**

***Financial Statements:***

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

***Federal Awards:***

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

**Section 2: Financial Statement Findings**

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

**Section 3: Findings and Questioned Costs for Federal Awards**

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