

ATTALA COUNTY, MISSISSIPPI
AUDITED PRIMARY GOVERNMENT FINANCIAL STATEMENTS
AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

ATTALA COUNTY
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ATTALA COUNTY

FINANCIAL SECTION



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

Members of the Board of Supervisors
 Attala County, Mississippi

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2006, on our consideration of Attala County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
June 27, 2006

ATTALA COUNTY

MANAGEMENT DISCUSSION AND ANALYSIS

ATTALA COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Attala County, Mississippi financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2005. The MD&A should be read in conjunction with the accompanying primary government financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the County exceeded liabilities at the close of the FY 2005 by \$20,339,563 (net assets). Of this amount, \$4,709,203 is restricted for specific purposes. As required by GASB 34, net assets also reflect \$12,906,319 that is invested in capital assets net of related debt. With the presentation of the investment in capital assets, unrestricted net assets is \$2,724,041.
- In contrast to the government-wide statements, the fund statements report a combined fund balance at year-end of \$7,111,522; of which \$2,351,484 or 33% represent unreserved fund balances. The more significant components of unreserved fund balance are maintained in the General Fund as emergency reserves.
- The general fund unreserved fund balance of \$2,351,484 equals 51% of total general fund expenditures.
- The County's bonded indebtedness increased by \$1,855,000 due primarily to the \$1,900,000 bond issue for the purchase of the Jack Post property for industrial development.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The 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 private sector business. They present the financial picture of the County from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by GASB Statement No. 34 in regards to interfund activity, payables and receivables.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Increases or decreases in net assets contrasted with budgetary decisions should 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 net assets changed during the most recent fiscal year using full accrual basis of accounting. 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 result in cash flows in future fiscal periods.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. Unlike the government-wide financial statements, however, governmental funds financial statements focus on *near-term inflows and outflows of 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 near-term financing requirements.

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 government's near-term 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 the comparison between *governmental funds* and *governmental activities*.

The County maintains twenty-nine individual governmental funds, twenty-five special revenue funds, three debt service funds and the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the General Fund which is classified as a major fund. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation.

The County adopts an annual appropriated budget as a management control device during the year for all governmental funds. A budgetary comparison schedule (original versus final) has been provided for the General Fund to demonstrate compliance with budget.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. The County's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities. These activities are excluded from the County's other financial statements since the County cannot use these assets to finance its operations. The accounting used for fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the basic 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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Of the County’s total assets of \$28,353,315, the largest components are: 1) cash of \$7,749,378 or 27% and 2) capital assets net of accumulated depreciation of \$15,494,365 or 55%. Capital assets are non-liquid assets and cannot be utilized to satisfy County obligations. Out of the total liabilities of \$8,013,752 about \$5,693,362 are current liabilities.

The County’s assets exceeded liabilities by \$20,339,563 at the close of the most recent fiscal year.

The County’s net assets for fiscal years ended September 30, 2005 and 2004 are summarized as follows:

	Governmental Activities 2005	Governmental Activities 2004
Current and other assets	\$ 12,858,950	\$ 11,912,482
Capital assets (net of depreciation)	15,494,365	12,606,470
Total assets	28,353,315	24,518,952
Current and other liabilities	5,693,362	5,057,433
Long-term liabilities	2,320,390	461,468
Total Liabilities	8,013,752	5,518,901
Net assets:		
Invested in capital assets, net of related debt	12,906,319	11,981,021
Restricted	4,709,203	4,962,020
Unrestricted	2,724,041	2,057,010
Total net assets	\$ 20,339,563	\$ 19,000,051

About 23% or \$4,709,203 of the County’s net assets represents *restricted net assets* which are resources that are subject to external restrictions on how they may be used. Restrictions include statutory requirements, bond covenants, and granting conditions. The most significant portion (\$12,906,319) of the County’s net assets reflects its *investment in capital assets* (e.g. land, buildings, machinery, and equipment) net of related debt.

Governmental activities increased the County's net assets by \$1,339,512. The key components of this change are the following:

Attala County's Changes in Net Assets		
	Governmental Activities <u>2005</u>	Governmental Activities <u>2004</u>
Revenues:		
Net Program revenues:		
Charges for services	\$ 823,171	\$ 984,682
Operating grants and contributions	883,229	1,124,475
Capital grants and contributions	1,470,667	424,576
General revenues:		
Property taxes	4,639,055	4,646,234
Other taxes	228,174	223,252
Grants and contributions not restricted	365,704	360,083
Unrestricted investments earnings	169,178	77,258
Miscellaneous	430,977	406,784
Total revenues	<u>9,010,155</u>	<u>8,247,344</u>
Expenses:		
General government	2,575,425	2,794,479
Public safety	1,584,496	1,626,348
Public works	2,546,004	2,490,570
Health and welfare	329,244	340,676
Culture and recreation	133,990	142,968
Conservation of natural resources	93,314	85,097
Economic development and assistance	317,903	163,404
Interest on long-term debt	90,267	37,062
Total expenses	<u>7,670,643</u>	<u>7,680,604</u>
Change in net assets	1,339,512	566,740
Net assets – beginning	19,000,051	18,433,311
Net assets – ending	<u>\$ 20,339,563</u>	<u>\$ 19,000,051</u>

Key elements of the analysis of the government-wide revenues and expenses reflect the following:

- Program revenues of \$3,177,067 equaled 41% of government expenses of \$7,670,643. As expected, general revenues (\$5,833,088) provided the required support and coverage for expenses.

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 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>Total Expenses</u>	<u>Net(Expense) Revenue</u>
FYE September 30, 2005:		
General government	\$ 2,575,425	\$ (2,028,997)
Public safety	1,584,496	(997,395)
Public works	2,546,004	(629,877)
Health and welfare	329,244	(292,655)
Culture and recreation	133,990	(133,990)
Conservation of natural resources	93,314	(93,314)
Economic development and assistance	317,903	(227,081)
Interest on long-term liabilities	90,267	(90,267)
Total expenses	<u>\$ 7,670,643</u>	<u>(4,493,576)</u>
FYE September 30, 2004:		
General government	\$ 2,794,479	\$ (2,112,661)
Public safety	1,626,348	(1,051,397)
Public works	2,490,570	(1,261,471)
Health and welfare	340,676	(292,811)
Culture and recreation	142,968	(142,968)
Conservation of natural resources	85,097	(85,097)
Economic development and assistance	163,404	(163,404)
Interest on long-term liabilities	37,062	(37,062)
Total expenses	<u>\$ 7,680,604</u>	<u>(5,146,871)</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As noted earlier, the County uses *fund accounting* to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls have been the framework of the County's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General, Special Revenue and Debt Service Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,111,522, an increase of \$212,570 in comparison with the prior year. Approximately \$2,351,484 or 33% of the fund balance represents *unreserved fund balance*, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed; 1) to pay debt service (\$196,832); and 2) a variety of other restricted purposes (\$4,563,206).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,351,484. As a measure of the general fund's liquidity we compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 51% of total fund expenditures.

The fund balance of the County's general fund increased by \$218,615 during the current fiscal year.

The following table presents expenditures by function compared to prior year amounts.

Expenditures by Function – Governmental Funds				
<u>Expenditures by Function</u>	<u>FY 2005</u>	<u>FY 2004</u>	<u>Increase (Decrease)</u>	<u>Percent of Change</u>
General government	\$ 2,609,921	2,814,749	(204,828)	(7%)
Public safety	1,737,242	1,563,245	173,997	11%
Public works	3,701,987	2,795,190	906,797	32%
Health and welfare	282,971	404,415	(121,444)	(30%)
Culture and recreation	104,002	111,830	(7,828)	(7%)
Conservation of natural resources	93,314	85,097	8,217	10%
Economic development and assistance	2,105,344	132,628	1,972,716	1487%
Debt service – principal	207,403	167,162	40,241	24%
Debt service – interest/fiscal fees	65,353	37,301	28,052	75%
Total	\$ <u>10,907,537</u>	<u>8,111,617</u>	<u>2,795,920</u>	<u>34%</u>

Overall, total expenditures increased by 34%. The primary increases occurred in public works (32%) and economic development (1487%) expenditures. The increase in public works expenditures is due to an increase in the state aid road projects from the previous year which also explains the increase in state aid road revenue. The increase in economic development expenditures is due to the purchase of the Jack Post property for industrial development.

BUDGETARY HIGHLIGHTS

Over the course of the year, the county revised the annual operating budget.

- Budget amounts for expenditures for governmental activities in the General Fund increased by \$267,151 due mainly to increases in public safety expenditures for the purchase of capital equipment.

A schedule showing the original and final budget amounts compared to the county's actual financial activity for the General Fund and each major special revenue fund is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. As of September 30, 2005, the county's total capital assets were \$23,101,258, including land, infrastructure, buildings, mobile equipment, leased property under capital leases, and furniture and equipment. This amount represents an increase of \$2,887,895 from the previous year. The increase is primarily due to an increase in infrastructure associated with state aid road projects. Total accumulated depreciation as of September 30, 2005, was \$7,606,893, and total depreciation expense for the year was \$710,815, resulting in total net assets of \$15,494,365.

Additional information of the county's capital assets can be found in the notes to the financial statements.

Debt Administration. At September 30, 2005, the county had \$2,588,046 in general obligation bonds and other long-term debt outstanding, of which \$267,656 is due within one year.

Additional information of the county's long-term debt can be found in the notes to the financial statements.

CURRENT ISSUES

Attala County is financially stable. The county is proud of its community support.

The county has committed itself to financial excellence for many years. The county millage has not increased since 1994. In addition, the county system of financial planning, budgeting and internal financial controls are well regarded. The county plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Clerk of the Board of Supervisors – Attala County, 230 West Washington, Kosciusko, MS 39090.

ATTALA COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Attala County
Statement of Net Assets
September 30, 2005

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash and investments	\$ 7,749,378
Property tax receivable	4,495,230
Fines receivable (net of allowance for uncollectibles of \$297,105)	350,768
Intergovernmental receivables	211,579
Other receivables	25,095
Prepaid items	26,900
Capital assets, net	15,494,365
Total Assets	<u><u>28,353,315</u></u>
LIABILITIES	
Claims payable	373,180
Retainage payable	14,354
Intergovernmental payables	463,303
Accrued interest payable	55,946
Unearned revenue	4,495,230
Other payables	23,693
Long-term liabilities	
Due within one year:	
Capital debt	267,656
Due in more than one year:	
Capital debt	2,320,390
Total Liabilities	<u><u>8,013,752</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	12,906,319
Restricted:	
Expendable:	
General government	750,300
Debt service	167,786
Public safety	175,769
Public works	3,586,629
Health and welfare	1,919
Economic development	4,209
Unemployment compensation	22,591
Unrestricted	2,724,041
Total Net Assets	<u><u>\$ 20,339,563</u></u>

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

Attala County
Statement of Activities
For the Year Ended September 30, 2005

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,575,425	546,428			(2,028,997)
Public safety	1,584,496	276,743	91,076	219,282	(997,395)
Public works	2,546,004		664,742	1,251,385	(629,877)
Health and welfare	329,244		36,589		(292,655)
Culture and recreation	133,990				(133,990)
Conservation of natural resources	93,314				(93,314)
Economic development and assistance	317,903		90,822		(227,081)
Interest on long-term debt	90,267				(90,267)
Total Governmental Activities	<u>7,670,643</u>	<u>823,171</u>	<u>883,229</u>	<u>1,470,667</u>	<u>(4,493,576)</u>
Total Primary Government	\$ <u>7,670,643</u>	<u>823,171</u>	<u>883,229</u>	<u>1,470,667</u>	<u>(4,493,576)</u>
General revenues:					
Property taxes				\$ 4,639,055	
Road & bridge privilege taxes				228,174	
Grants and contributions not restricted to specific programs				365,704	
Unrestricted investment income				169,178	
Miscellaneous				430,977	
Total General Revenues, Special Item, Extraordinary Item and Transfers				<u>5,833,088</u>	
Changes in Net Assets				<u>1,339,512</u>	
Net Assets - Beginning				18,721,221	
Prior period adjustment				278,830	
Net Assets - Beginning, as restated				<u>19,000,051</u>	
Net Assets - Ending				\$ <u>20,339,563</u>	

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

Attala County
Balance Sheet - Governmental Funds
September 30, 2005

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	State Aid Road Fund	2005 Industrial Bond Fund		
ASSETS					
Cash and investments	\$ 2,988,864		21,178	4,739,336	7,749,378
Property tax receivable	3,275,730			1,219,500	4,495,230
Fines receivable (net of allowance for uncollectibles of \$ 297,105)	350,768				350,768
Intergovernmental receivables	133,629			77,950	211,579
Other receivables				25,095	25,095
Due from other funds				147,049	147,049
Advances to other funds	21,789				21,789
Total Assets	\$ 6,770,780	-	21,178	6,208,930	13,000,888
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 136,964			236,216	373,180
Retainage payable				14,354	14,354
Intergovernmental payables	463,303				463,303
Due to other funds	147,049			-	147,049
Advances from other funds				21,789	21,789
Deferred revenue	3,626,498			1,219,500	4,845,998
Other payables	23,693				23,693
Total Liabilities	4,397,507	-	-	1,491,859	5,889,366
Fund balances:					
Reserved for:					
Debt service			21,178	175,654	196,832
Advances	21,789				21,789
Unemployment compensation				22,591	22,591
Unreserved, reported in:					
General Fund	2,351,484				2,351,484
Special Revenue Funds				4,518,826	4,518,826
Total Fund Balances	2,373,273	-	21,178	4,717,071	7,111,522
Total Liabilities and Fund Balances	\$ 6,770,780	-	21,178	6,208,930	13,000,888

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

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,111,522
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$7,606,893.	15,494,365
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	350,768
Unamortized bond issue costs	26,900
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(2,588,046)
Accrued interest payable	(55,946)
	<hr/>
Total Net Assets - Governmental Activities	\$ <u><u>20,339,563</u></u>

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

Attala County

Exhibit 4

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	State Aid Road Fund	2005 Industrial Bond Fund		
REVENUES					
Property taxes	\$ 3,313,759			1,325,296	4,639,055
Road and bridge privilege taxes				228,174	228,174
Licenses, commissions and other revenue	248,610			4,814	253,424
Fines and forfeitures	203,992			40,141	244,133
Intergovernmental revenues	679,103	1,156,423		884,074	2,719,600
Charges for services	49,421			150,939	213,066
Interest income	294,106			119,757	169,178
Miscellaneous revenues	49,421			136,871	430,977
Total Revenues	4,851,118	1,156,423	-	2,890,066	8,897,607
EXPENDITURES					
Current:					
General government	2,377,999			231,922	2,609,921
Public safety	1,507,725			229,517	1,737,242
Public works	113,201	1,156,423		2,432,363	3,701,987
Health and welfare	282,971				282,971
Culture and recreation	104,002				104,002
Conservation of natural resources	93,314				93,314
Economic development and assistance	92,518		1,850,000	162,826	2,105,344
Debt service:					
Principal	54,383			153,020	207,403
Interest	3,775			32,756	36,531
Bond issue costs			28,822		28,822
Total Expenditures	4,629,888	1,156,423	1,878,822	3,242,404	10,907,537
Excess of Revenues over (under) Expenditures	221,230	-	(1,878,822)	(352,338)	(2,009,930)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	160,000		1,900,000	110,000	2,170,000
Proceeds from sale of capital assets	50,000			2,500	52,500
Transfers in	17,054			8,439	25,493
Transfers out	(8,439)			(17,054)	(25,493)
Total Other Financing Sources and Uses	218,615	-	1,900,000	103,885	2,222,500
Net Changes in Fund Balances	439,845	-	21,178	(248,453)	212,570
Fund Balances - Beginning	1,641,464	-	-	4,966,152	6,607,616
Prior period adjustment	291,964			(628)	291,336
Fund Balances - Beginning, as restated	1,933,428	-	-	4,965,524	6,898,952
Fund Balances - Ending	\$ 2,373,273	-	21,178	4,717,071	7,111,522

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

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

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 212,570
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 \$ 3,696,558 exceeded depreciation of \$ 710,815 in the current period.	2,985,743
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. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$45,348 and the proceeds from the sale of \$ 52,500 in the current period.	(97,848)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	112,548
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$2,170,000 exceeded debt repayments of \$207,403.	(1,962,597)
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 payable on long-term debt	(51,815)
Unamortized bond issue costs	26,900
Decrease in claims and judgments payable	114,011
Change in Net Assets of Governmental Activities	\$ <u><u>1,339,512</u></u>

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

Attala County
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 38,394
Accrued interest receivable	
Intergovernmental receivables	
Due from other funds	
Other receivables	
Total Assets	<u>38,394</u>
LIABILITIES	
Amounts held in custody for others	
Other liabilities	
Intergovernmental payables	38,394
Due to other funds	
Total Liabilities	<u>\$ 38,394</u>

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

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

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Attala 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 Attala 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 unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

Montford Jones Memorial Hospital

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

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

B. Basis of Presentation

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenue 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 liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major governmental funds.

General Fund – Accounts for all activities of the general government for which a separate fund has not been established.

State Aid Road Fund – This fund is used to account for all state aid road activities of the county.

2005 Industrial Bond Fund – This fund is used to account for the proceeds and related expenditures of the 2005 industrial bonds issued.

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

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

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

G. Interfund Transactions and Balances.

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

H. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. 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 elect not to report major general infrastructure assets retroactively. Attala County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

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

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

J. Long-term liabilities.

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

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

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 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.

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

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

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for 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 benefits; however, adequate records are not maintained for determining the amount of the liability. Therefore, no liability is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe the effects of the unrecorded liability on the financial statements are immaterial.

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

2. Changes in Accounting Standards.

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

3. Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 Statement of Activities:

<u>Explanation</u>	<u>Amount</u>
Error in recording intergovernmental payable at September 30, 2004	\$ 291,336
Capital asset, net of accumulated depreciation, that was deleted off county inventory in previous years was reported on September 30, 2004, financial statements.	(<u>12,506</u>)
Total prior period adjustment	\$ <u>278,830</u>

Exhibit 4 Statement of Revenues, Expenditure and Changes in Fund Balance:

<u>Explanation</u>	<u>Amount</u>
Error in recording intergovernmental payable at September 30, 2004	\$ <u>291,336</u>
Total prior period adjustment	\$ <u>291,336</u>

4. Deposits

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$7,787,772, and the bank balance was \$8,194,737. 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.

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

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

5. Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General Fund	\$ <u>147,049</u>
Total		\$ <u>147,049</u>

The amount payable to the nonmajor governmental funds represents ad valorem taxes collected by the tax collector in September 2005, but not remitted to the county until October 2005. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General fund	Other governmental funds	\$ <u>21,789</u>
Total		\$ <u>21,789</u>

The amount payable to the general fund represents an amount transferred in a previous year to the reappraisal maintenance fund to alleviate a cash deficit.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other governmental funds	General funds	\$ 8,439
General fund	Other governmental funds	<u>17,054</u>
Total		\$ <u>25,493</u>

The principal purpose of interfund transfers from other governmental funds to the general fund was to close out funds which were no longer in use and still had a cash balance. The principal purpose of the transfer from other governmental funds to the general fund was for debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

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

6. Intergovernmental Receivables.

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit due tax collector	\$ 102,740
Amount due from Community Development Block Grant	50,909
Amount due from MS Dept. of Health and Human Services	2,567
Amount due from MS Dept. of Transportation Litter Control Program	2,664
Amount due from MS. Dept. of Corrections-Housing State Inmates	14,460
Amount due from State of MS – Heavy Truck Tags	7,383
Amount due from State of MS – Gas Tax	25,155
Miscellaneous	<u>5,701</u>
Total Governmental Activities	\$ <u>211,579</u>

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

7. Capital Assets.

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

Governmental Activities:	Balance October 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 676,489	260,862	(41,525)		895,826
Construction in progress	-	1,266,586	-	-	1,266,586
Total non-depreciable capital assets	<u>676,489</u>	<u>1,527,448</u>	<u>(41,525)</u>	<u>-</u>	<u>2,162,412</u>
<u>Depreciable capital assets:</u>					
Infrastructure	6,006,596	122,393	-	-	6,128,989
Buildings	7,157,619	1,589,138	(262,650)	-	8,484,107
Mobile equipment	5,281,749	231,435	(30,898)	(57,385)	5,424,901
Furniture and equipment	168,715	-	(70,288)	-	98,427
Leased property under capital leases	538,434	226,144	-	37,844	802,422
Total depreciable capital assets	<u>19,153,113</u>	<u>2,169,110</u>	<u>(363,836)</u>	<u>(19,541)</u>	<u>20,938,846</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	232,087	151,180			383,267
Buildings	3,129,799	147,279	(210,120)		3,066,958
Mobile equipment	3,585,772	322,424	(27,808)	(5,165)	3,875,223
Furniture and equipment	156,711	971	(69,585)		88,097
Leased property under capital leases	106,257	88,961		(1,870)	193,348
Total accumulated depreciation	<u>7,210,626</u>	<u>710,815</u>	<u>(307,513)</u>	<u>(7,035)</u>	<u>7,606,893</u>
Total depreciable capital assets, net	<u>11,942,487</u>	<u>1,458,295</u>	<u>(56,323)</u>	<u>(12,506)</u>	<u>13,331,953</u>
Governmental activities capital assets, net	<u>\$ 12,618,976</u>	<u>2,985,743</u>	<u>(97,848)</u>	<u>(12,506)</u>	<u>15,494,365</u>

Depreciation expense was charged to the following functions:

Governmental Activities	Amount
General government	\$ 34,757
Public safety	98,181
Public works	439,058
Health and welfare	46,273
Culture and recreation	29,988
Economic development	<u>62,558</u>
Total governmental activities depreciation expense	<u>\$ 710,815</u>

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

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
State Aid Bridge replacement BR-0004(13)BO	\$ 8,806	11/17/05
State Aid Bridge replacement BR-0664(3)B	12,975	12/31/05
State Aid LSBP (04)9	63,559	3/31/06
Industrial Park Road Improvement	13,040	10/31/05

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

8. Claims and Judgments

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for 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 pools' retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Until October 1, 2004, the county financed its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims servicing organization with the county retaining the risk of loss on all claims to which the county was exposed. Premium payments to the pool were determined on a actuarial basis. The county purchased commercial insurance to cover all claims in excess of premium contributions. Claims expenses and liabilities were reported when it was probable that a loss had occurred and the amount of that loss could be reasonably estimated.

The county had no year end liability because the county terminated their participation in the risk pool on October 1, 2004, and a commercial insurance company began providing coverage.

9. Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$377,810 for the year ended September 30, 2005. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2006	\$ 426,946
2007	426,946
2008	397,696
2009	387,946
2010	387,946
2011-2015	465,862
2016-2020	465,862
2021-2025	<u>403,747</u>
Total Minimum Payments Required	\$ <u>3,362,951</u>

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

10. Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 732,660
Furniture and equipment	<u>69,762</u>
Total	802,422
Less: Accumulated depreciation	<u>193,348</u>
Leased Property Under Capital Leases	\$ <u>609,074</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 137,656	10,781
2007	114,983	8,324
2008	92,547	4,510
2009	51,860	1,804
2010	<u>16,000</u>	<u>260</u>
Total	\$ <u>413,046</u>	<u>25,679</u>

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

11. Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
Industrial Park (Garan Building)	\$ 275,000	7.50-7.70	09/01/10
Series 2005 Industrial Bonds (Jack Post Property)	<u>1,900,000</u>	4.875-5.5	02/01/20
Total General Obligation Bonds	\$ <u>2,175,000</u>		
B. Capital Leases:			
Street Sweeper	\$ 10,102	3.75	01/01/07
IBM Computer	57,847	3.05	06/10/09
2004 Ingersol-Rand Smooth Drum Roller	45,000	3.45	12/10/08
District 1 Backhoe	5,000	4.66	12/10/05
2004 International Dump Truck	20,000	2.90	12/01/06
District 5 International Dump Truck	8,333	3.60	12/10/05
District 3 1998 Caterpillar 12H Motor Grader	28,187	3.21	09/05/07
District 4 1998 Caterpillar 12H motor Grader	13,077	3.12	07/10/06
Ferguson Drum Roller	37,500	3.65	06/10/08
Fire Truck	128,000	3.25	01/10/10
2006 International 7400 Truck	<u>60,000</u>	3.52	07/10/08
Total Capital Leases	\$ <u>413,046</u>		

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 130,000	166,911
2007	140,000	109,814
2008	150,000	101,339
2009	160,000	92,229
2010	170,000	82,352
2011-2015	615,000	296,550
2016-2020	<u>810,000</u>	<u>113,802</u>
Total	\$ <u>2,175,000</u>	<u>962,997</u>

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

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by the state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the amount of outstanding debt was equal to 1.02% of the latest property assessments.

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

	Balance			Balance	Amount due
	<u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Sept. 30, 2005</u>	<u>within one</u>
					<u>Year</u>
Governmental Activities:					
Claims and judgments	\$ 114,011		(114,011)	-	-
General obligation bonds	320,000	1,900,000	(45,000)	2,175,000	130,000
Capital leases	<u>305,449</u>	<u>270,000</u>	(<u>162,403</u>)	<u>413,046</u>	<u>137,656</u>
Total	\$ <u>739,460</u>	<u>2,170,000</u>	(<u>321,414</u>)	<u>2,588,046</u>	<u>267,656</u>

12. Contingencies.

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

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

13. Joint Venture.

The county participates in the following joint venture:

Attala County is a participant with the City of Kosciusko in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Attala County Airport Commission. The joint venture was created to manage, control and operate the Attala County Airport and is governed by a five-member board of commissioners appointed as follows: Attala County, two; City of Kosciusko, two; rotation, one. The county has appropriated \$10,000 from the General Fund this year to the joint venture. Financial statements are not available for the Attala County Airport Commission.

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

14. Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Homes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Attala County Board of Supervisors appoints one of the 22 members of the college board of trustees. The county appropriated \$515,246 for maintenance and support of the college in fiscal year 2005.

Mid-Mississippi Regional Library System operates in a district composed of the Counties of Attala, Holmes, Leake, Montgomery and Winston. The Attala County Board of Supervisors appoints one of the five members of the library board of directors. The county appropriated \$191,385 for maintenance and support of the library in the fiscal year 2005.

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 Attala County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$50,000 for maintenance and support of the center in fiscal year 2005.

Central Mississippi Emergency Medical Services District operates in a district composed of the counties of Attala, Clark, Copiah, Holmes, Lucedale, Leake, Madison, Rankin, Scott, Smith, Warren and Yazoo. The Attala County Board of Supervisors appoints two of the 26 members of the board of commissioners. The county did not provide any support for the district in fiscal year 2005.

North Central Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Attala County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$32,518 for support of the district in fiscal year 2005.

14. Defined Benefit Pension Plan.

Plan Description. Attala 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 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004 and 2003 were \$249,672, \$227,587 and \$216,194, respectively, equal to the required contributions for each year.

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

15. Subsequent Events.

Subsequent to September 30, 2005, the County issued the following obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
02/06/06	4.10%	\$ 39,980	Capital Lease	Merchants & Farmers Bank

Subsequent to September 30, 2005, the County made the purchase commitments reported below:

1. Accepted bid of \$62,838 from Waters Truck and Tractor for a 2006 International 7400 Dump Truck.
2. Accepted proposal of \$298,700 from Sanders and Associates for reappraisal maintenance and mapping.
3. Accepted bid of \$39,980 from Tubb Equipment for purchase of roller.
4. Accepted bid of \$83,809 from Tubb Equipment for purchase of a Case 590 Tractor.
5. Approved purchase of 2006 Ford Truck for \$28,016 for sheriff.

ATTALA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,356,975	3,356,975	3,068,258	(288,717)
Licenses, commissions and other revenue	271,325	271,325	244,847	(26,478)
Fines and forfeitures	261,500	261,500	204,941	(56,559)
Intergovernmental revenues	441,652	441,652	698,046	256,394
Charges for services	75,000	75,000	69,710	(5,290)
Interest income	27,500	27,500	49,174	21,674
Miscellaneous revenues	250,710	250,710	292,393	41,683
Total Revenues	<u>4,684,662</u>	<u>4,684,662</u>	<u>4,627,369</u>	<u>(57,293)</u>
EXPENDITURES				
Current:				
General government	2,451,158	2,418,381	2,404,429	13,952
Public safety	1,112,314	1,521,032	1,493,880	27,152
Public works	150,785	111,749	111,749	-
Health and welfare	305,100	281,444	281,444	-
Culture and recreation	100,786	104,009	104,009	-
Conservation of natural resources	102,837	93,380	93,380	-
Economic development and assistance	131,682	92,518	92,518	-
Debt service:				
Principal			39,781	(39,781)
Interest			1,323	(1,323)
Total Expenditures	<u>4,354,662</u>	<u>4,622,513</u>	<u>4,622,513</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>330,000</u>	<u>62,149</u>	<u>4,856</u>	<u>(57,293)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			160,000	160,000
Proceeds from sale of capital assets			50,000	50,000
Other financing uses	(287,500)			-
Total Other Financing Sources and Uses	<u>(287,500)</u>	<u>-</u>	<u>210,000</u>	<u>210,000</u>
Net Change in Fund Balance	42,500	62,149	214,856	152,707
Fund Balances - Beginning	1,169,000	1,169,000	1,801,040	632,040
Fund Balances - Ending	<u>\$ 1,211,500</u>	<u>1,231,149</u>	<u>2,015,896</u>	<u>784,747</u>

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

Attala County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
State Aid Road Fund
For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 50,000	107,000	106,271	(729)
Total Revenues	<u>50,000</u>	<u>107,000</u>	<u>106,271</u>	<u>(729)</u>
EXPENDITURES				
Current:				
Public works	50,000	133,162	133,162	-
Total Expenditures	<u>50,000</u>	<u>133,162</u>	<u>133,162</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(26,162)</u>	<u>(26,891)</u>	<u>(729)</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(26,162)	(26,891)	(729)
Fund Balances - Beginning		35,000	26,891	(8,109)
Fund Balances - Ending	<u>\$ -</u>	<u>8,838</u>	<u>-</u>	<u>(8,838)</u>

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

ATTALA COUNTY

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

Notes to the Required Supplementary Information

A. Budgetary Information.

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>State Aid Road Fund</u>
Budget (Cash Basis)	\$ 214,856	(26,891)
Increase (Decrease)		
Net adjustments for revenue accruals	240,803	
Net adjustments for expenditure accruals	(15,814)	26,891
GAAP Basis	\$ <u>439,845</u>	<u>-</u>

ATTALA COUNTY

SPECIAL REPORTS



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

Members of the Board of Supervisors
Attala County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Attala County, Mississippi, as of and for the year ended September 30, 2005 and have issued our report thereon dated June 27, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Attala County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Attala County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 05-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
June 27, 2006



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

Members of the Board of Supervisors
Attala County, Mississippi

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

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

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

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

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

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

Watkins, Ward and Stafford, PLLC
Louisville, Mississippi
June 27, 2006

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

Schedule 1

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

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/04/04	Fly Ash (District 2)	\$ 4,322	ISG Resources, Inc.
6/06/05	Radio Connectors	15,000	Central MS Communications
9/19/05	Water Line Repair	17,039	Galen Shumaker

ATTALA COUNTY

SCHEDULE OF FINDINGS

**ATTALA COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the primary government financial statements: Unqualified
2. Internal control over financial reporting:
 - a. Material weakness identified? No
 - b. Reportable condition identified that is not considered to be a material weakness? Yes
3. Noncompliance material to the primary government financial statement? No

Section 2: Financial Statement Findings

Board of Supervisors

05-1 Finding

It was noted the county did not maintain adequate records for reporting the liability for accumulated unpaid employee benefits.

Recommendation

We recommend the county maintain adequate records for reporting the liability for accumulated unpaid employee benefits.

Board of Supervisor's Response

We will maintain adequate records for reporting the liability for accumulated unpaid employee benefits.



Watkins, Ward and Stafford
 Professional Limited Liability Company
 Certified Public Accountants

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 J. Randy Scrivner, CPA
 Kimberly S. Caskey, CPA
 Susan M. Lummus, CPA

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW
 MANAGEMENT REPORT**

Members of the Board of Supervisors
 Attala County, Mississippi

In planning and performing our audit of the primary government financial statements of Attala County, Mississippi for the year ended September 30, 2005, we considered Attala 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 Attala County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 27, 2006, on the primary government financial statements of Attala County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Watkins, Ward and Stafford, PLLC
 Louisville, Mississippi
 June 27, 2006