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ISSAQUENA COUNTY

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ISSAQUENA COUNTY

FINANCIAL SECTION

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

Members of the Board of Supervisors
Issaquena County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Issaquena County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic 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.

Management has not maintained adequate records documenting fines receivable of the Justice Court or adopted procedures for reviewing the collectibility of these fines. As a result, fines receivable and an allowance for uncollectibles have not been recorded in the accompanying financial statements. Accounting principles generally accepted in the United States of America require the recording of fines receivable and the providing of an adequate allowance for uncollectibles, which would increase the assets, net assets, revenues and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets, revenues and expenses of governmental activities and the general fund is not reasonably determinable.

In our opinion, except for the effects, if any, of the matter described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund of Issaquena 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the Gas Excise Bond and Interest Fund, the Home Project Fund and the aggregate remaining fund information of Issaquena County, Mississippi, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2006, on our consideration of Issaquena 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.

BFMW Group, PLLC

Robert C. Wingate, CPA (Retired)
October 19, 2006

ISSAQUENA COUNTY, MISSISSIPPI
MANAGEMENT DISCUSSION AND ANALYSIS

FOR FISCAL YEAR
October 1, 2004
Through
September 30, 2005

INTRODUCTION

The discussion and analysis of Issaquena County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2005. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the county's financial performance.

Issaquena County is located along the western boundary of the State of Mississippi (which is the Mississippi River) in the north central portion of the state. The population, according to the 2000 census, is 2,200. The local economic base is driven mainly by farming.

FINANCIAL HIGHLIGHTS

Issaquena County is financially stable. The County has committed itself to financial excellence for many years, by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Issaquena County continues to grow gradually both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The tax rate has increased an average of only 3.0% over the last 5 years.

Total net assets increased \$122,284, which represents a 3.0% increase from the prior fiscal year. The County's ending cash balance decreased by \$223,917, which represents a 6.3% decrease from the prior fiscal year.

The County had \$2,573,637 in total Governmental Funds revenues. Tax revenues account for \$1,236,994 or 48.1% of total revenues. State and federal revenues in the form of reimbursements, shared revenue or grants account for \$852,283 or 33.1% of total revenues.

The County had \$2,555,788 in total Governmental Funds expenses. This represents an increase of \$686,015 or 36.7% increase over the prior fiscal year. Expenses in the amount of \$852,283 were offset by grants, outside contributions or debt being issued. General revenues of \$1,620,379 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$1,285,659 in revenues and \$1,301,700 in expenditures. The General Fund's fund balance decreased \$51,743 from the prior year.

Capital assets, net of accumulated depreciation, decreased by \$100,725.

Long-term debt decreased by \$294,466.

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 basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

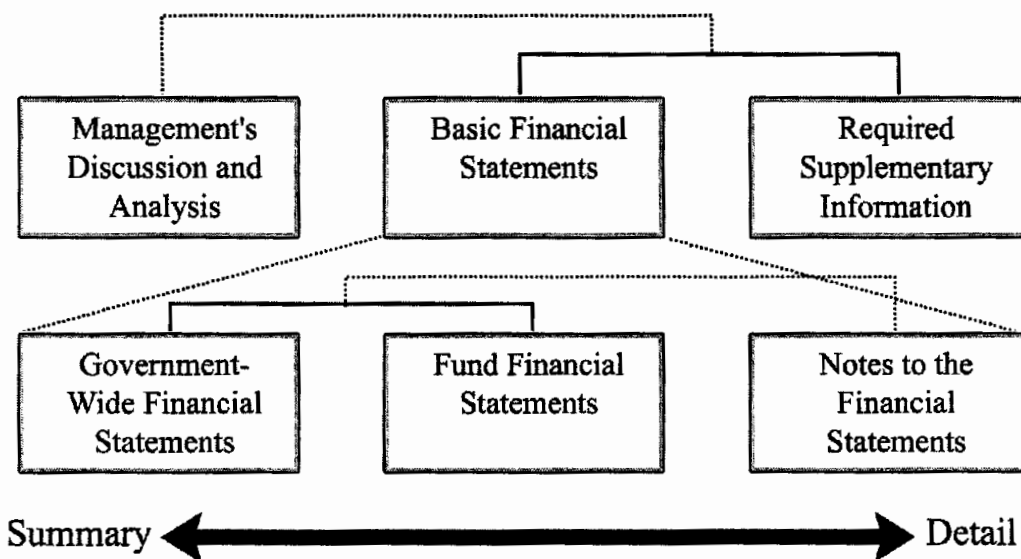


Figure 1 shows how required parts of this annual report are arranged and relate to one another. Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government and the type of information they contain. The remainder of this section of management's discussion and analysis explains the structure and content of each of the statements.

Figure 2 – Major Features of the County's Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All Activities of the County that are not proprietary or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County 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 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 result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education, economic development; and interest on long-term debt. The business-type activities of the County include the Issaquena County Correctional Facility.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 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 a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

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 funds balance sheet and the governmental funds 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 governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the 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.

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

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds.

Issaquena County does not prepare the above listed financial statements, notes, and supplementary information, but relies on the county's auditor to prepare them. Consequently, all of the above mentioned statements and notes can be found in the audit report for the fiscal year ended September 30, 2005.

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 Issaquena County, assets exceeded liabilities by \$4,189,736 as of September 30, 2005.

A large portion of the County's net assets (24.2%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results 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 summary of the County's net assets for the fiscal year ended September 30, 2004 and 2005.

	2004		2005	
	Government Activities	Proprietary Activities	Government Activities	Proprietary Activities
Current Assets	\$ 2,859,177	\$ 2,368,467	\$ 3,156,383	\$ 2,132,176
Capital Assets, Net	1,144,945	3,265,027	1,125,869	3,183,378
Total Assets	\$ 4,004,122	\$ 5,633,494	\$ 4,282,252	\$ 5,315,554
Current Liabilities	\$ 1,331,338	\$ 15,946	\$ 1,395,883	\$ 83,773
Long-Term Debt Outstanding	154,094	4,068,786	112,117	3,816,297
Total Liabilities	\$ 1,485,432	\$ 4,084,732	\$ 1,508,000	\$ 3,900,070
Net Assets:				
Invested In Capital Assets, Net Of Related Debt	\$ 990,851	\$ -	\$ 1,013,752	\$ -
Restricted	-	200,841	28,151	208,707
Unrestricted	1,527,839	1,347,921	1,732,349	1,206,777
Total Net Assets	\$ 2,518,690	\$ 1,548,762	\$ 2,774,252	\$ 1,415,484

Note: The Proprietary Activities consist of housing prisoners on a contract basis in the Issaquena County Correctional Facility.

There were no unusual or significant current year transactions that had an impact on the Statement of Net Assets.

Changes in Net Assets – Issaquena County's total revenues for the fiscal year ended September 30, 2005 and 2004 were \$5,462,091 and \$5,094,058 respectively. The total cost for all services provided in 2005 and 2004 was 5,331,105 and \$4,731,211. The increase in net assets in 2005 and 2004 was \$130,986 and \$362,847. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005 and 2004.

	2004 <u>Amount</u>	2005 <u>Amount</u>
Revenues:		
Program Revenues		
Charges For Services	\$ 3,292,824	\$ 2,989,429
Federal Grants	-	340,463
State Grants	471,057	511,820
General Revenues		
Property Taxes	1,190,866	1,217,685
Fines and Fees	24,669	12,361
Other Revenues	114,642	390,333
Total Revenues	<u>\$ 5,094,058</u>	<u>\$ 5,462,091</u>
Expenses:		
General Government	\$ 643,724	\$ 674,756
Public Safety	313,113	636,960
Public Works	673,027	727,286
Health and Welfare	164,307	97,849
Economic Development	1,265	341,728
Other Expenses	74,292	77,209
Operation of Prison	2,861,483	2,775,317
Total Expenses	<u>\$ 4,731,211</u>	<u>\$ 5,331,105</u>
Increase in Net Assets	<u>\$ 362,847</u>	<u>\$ 130,986</u>

Governmental Activities – The following table presents the cost of four major functional activities of the County: General Government, Public Safety, Public Works and Health & Welfare and Economic Development.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Issaquena County's taxpayers by each of these functions.

	2004		2005	
	Total Costs	Net Costs	Total Costs	Net Costs
General Government	643,724	606,615	674,756	642,863
Public Safety	313,113	283,913	636,960	563,477
Public Works	673,027	178,233	727,286	211,683
Health and Welfare	164,307	146,608	97,849	82,177

Proprietary Activities – The following table presents the cost of the business-type activity of the County: Issaquena County Correctional Facility.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity). The net cost shows the financial burden that was placed on Issaquena County's taxpayers by each of these functions.

2004		2005	
Total Cost	Net Cost	Total Cost	Net Cost
\$ 2,861,438	\$ (346,117)	\$ 2,775,317	\$ (89,275)

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Issaquena County's governmental funds reported a combined fund balance of \$1,765,875, an increase of \$235,316. The primary reasons for this increase are highlighted in the analysis of governmental activities.

BUDGETARY HIGHLIGHTS

Over the course of the year, Issaquena County did not revise its annual operating budget until the end of the fiscal year. At the end of the fiscal year Issaquena County amended its budget to reflect actual revenues received and expenditures made.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2005 Issaquena County's total capital assets was \$6,426,430. This includes land, buildings, mobile equipment, furniture & equipment, and leased property under capital lease.

Total accumulated depreciation as of September 30, 2005 was \$2,060,643, including \$190,678 of depreciation expense for the year. The balance in total net capital assets was \$4,309,247 at year-end.

Debt Administration - At September 30, 2005, Issaquena County had \$3,928,414 in long-term debt outstanding. This includes limited obligation notes and bonds and obligations under capital lease. \$302,677 of this debt is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. Issaquena County has no general obligation bonds outstanding.

FUTURE ITEMS OF IMPACT

The county knows of no new industries, locations, or other events that would have a significant impact on financial position in the near future.

ISSAQUENA COUNTY

BASIC FINANCIAL STATEMENTS

ISSAQUENA COUNTY
Statement of Net Assets
September 30, 2005

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 1,643,116	\$ 1,677,762	\$ 3,320,878
Property tax receivable	1,299,383		1,299,383
Accounts receivable, net		242,400	242,400
Solid waste receivable - net of allowance for doubtful accounts of \$51,630	5,924		5,924
Loans receivable	30,000		30,000
Intergovernmental receivables	39,180		39,180
Other receivables, net	110,629	3,307	113,936
Restricted assets	28,151	208,707	236,858
Capital assets, net	1,125,869	3,183,378	4,309,247
Total Assets	<u>\$ 4,282,252</u>	<u>\$ 5,315,554</u>	<u>\$ 9,597,806</u>
LIABILITIES			
Claims payable	\$ 44,157	\$ 83,773	127,930
Intergovernmental payables	26,466		26,466
Accrued interest payable	1,785		1,785
Deferred Revenue	1,299,383		1,299,383
Other payables	24,092		24,092
Long-term liabilities			
Due within one year:			
Capital related debt	41,380	261,297	302,677
Due in more than one year:			
Capital related debt	70,737	3,555,000	3,625,737
Total Liabilities	<u>\$ 1,508,000</u>	<u>\$ 3,900,070</u>	<u>\$ 5,408,070</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,013,752	\$ -	\$ 1,013,752
Restricted net assets:			-
Expendable:			-
Public Safety	28,151	1,206,777	1,234,928
Public Works	216,340		216,340
Debt Service	623,620	208,707	832,327
Unrestricted	892,389	-	892,389
Total Net Assets	<u>\$ 2,774,252</u>	<u>\$ 1,415,484</u>	<u>\$ 4,189,736</u>

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

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

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 674,756	\$ 31,893	\$ -	\$ -	\$ (642,863)	\$ -	\$ (642,863)
Public safety	636,960	48,802	24,681	-	(563,477)	-	(563,477)
Public works	727,286	44,142	432,833	38,628	(211,683)	-	(211,683)
Health and Welfare	97,849	-	15,678	-	(82,171)	-	(82,171)
Culture and recreation	23,096	-	-	-	(23,096)	-	(23,096)
Conservation of natural resources	44,554	-	-	-	(44,554)	-	(44,554)
Economic development and assistance	341,728	-	-	340,463	(1,265)	-	(1,265)
Interest on long-term debt	9,559	-	-	-	(9,559)	-	(9,559)
Total Governmental Activities	\$ 2,555,788	\$ 124,837	\$ 473,192	\$ 379,091	\$ (1,578,668)	\$ -	\$ (1,578,668)
Business-type activities:							
Regional Correctional Facility	2,775,317	2,864,592	-	-	-	89,275	89,275
Total Business-type Activities	2,775,317	2,864,592	-	-	-	89,275	89,275
Total Governmental Activities	\$ 5,331,105	\$ 2,989,429	\$ 473,192	\$ 379,091	\$ (1,578,668)	\$ 89,275	\$ (1,489,393)
General revenues:							
Taxes:							
Property taxes					\$ 1,217,685	\$ -	\$ 1,217,685
Road & bridge privilege taxes					19,309	-	19,309
Grants & contributions not restricted to specific programs					109,087	-	109,087
Unrestricted Investment Income					5,478	23,862	29,340
Miscellaneous					244,958	-	244,958
Total General Revenues, Special Item, Extraordinary Item and Transfers					1,596,517	23,862	1,620,379
Changes in Net Assets					\$ 17,849	\$ 113,137	\$ 130,986
Net Assets - Beginning					\$ 2,518,690	\$ 1,548,762	\$ 4,067,452
Fund Reclassification					246,415	(246,415)	-
Prior period adjustment					(8,702)	-	(8,702)
Net Assets - Beginning restated					\$ 2,756,403	\$ 1,302,347	\$ 4,058,750
Net Assets - Ending					\$ 2,774,252	\$ 1,415,484	\$ 4,189,736

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

ISSAQUEENA COUNTY
Balance Sheet - Governmental Funds
September 30, 2005

Exhibit 3

	General Fund	Gas Excise Bond & Int Fund	Home Project Fund	Other Government Funds	Total Government Funds
ASSETS					
Cash and investments	\$ 564,651	\$ 605,693		\$ 472,772	\$ 1,643,116
Property tax receivable	1,051,920			247,463	1,299,383
Sanitation receivable				5,924	5,924
Intergovernmental receivable	10,420		\$ 16,603	12,157	39,180
Due from other funds				12,752	12,752
Other receivables	661			109,968	110,629
Loans receivable	30,000				30,000
Restricted Assets	28,151				28,151
Total Assets	<u>\$ 1,685,803</u>	<u>\$ 605,693</u>	<u>\$ 16,603</u>	<u>\$ 861,036</u>	<u>\$ 3,169,135</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 12,815			\$ 27,752	\$ 40,567
Intergovernmental payables	25,021			945	25,966
Due to other funds	13,252				13,252
Deferred Revenue	1,051,920			247,463	1,299,383
Other Payables	7,489		\$ 16,603		24,092
Total Liabilities	<u>\$ 1,110,497</u>	<u>\$ -</u>	<u>\$ 16,603</u>	<u>\$ 276,160</u>	<u>\$ 1,403,260</u>
Fund balances:					
Reserved:					
General Fund - Loan Receivable	\$ 30,000	\$ 605,693		17927	\$ 30,000
Debt service funds					623,620
Unreserved:					
General fund	545,306				545,306
Special revenue funds					566,949
Total Fund Balances	<u>\$ 575,306</u>	<u>\$ 605,693</u>	<u>\$ 16,603</u>	<u>\$ 584,876</u>	<u>\$ 1,765,875</u>
Total Liabilities and Fund Balances	<u>\$ 1,685,803</u>	<u>\$ 605,693</u>	<u>\$ 16,603</u>	<u>\$ 861,036</u>	<u>\$ 3,169,135</u>

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

ISSAQUENA COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005Exhibit 3-1

Total Fund Balance - Governmental Funds

\$1,765,875

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 \$1,422,057.

1,125,869

Interest accrued on bonds is not due and payable in the current-period and,
therefore, are not reported in the funds.

(1,785)

Long-term liabilities are not due and payable in the current-period and, therefore,
are not reported in the funds.

(112,117)

Claims payable that are not due and payable in the current period and, therefore,
are not reported in the funds.

(3,590)

Total Net Assets - Governmental Activities

\$ 2,774,252

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

ISSAQUENA COUNTY

Exhibit 4

Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds

For the Year Ended September 30, 2005

	General Fund	Gas Excise Bond & Int Fund	Home Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Taxes	\$ 991,091			\$ 226,594	\$ 1,217,685
Road & Bridge Privilege Taxes				19,309	19,309
Licenses, Commissions, & Other Rev.	15,880				15,880
Fines and Forfeitures	12,361				12,361
Intergovernmental Revenues	150,151	\$ 76,714	\$ 340,463	394,042	961,370
Charges for Services	48,802			47,794	96,596
Interest Income	5,478				5,478
Miscellaneous Revenues	34,896			210,062	244,958
Total Revenues	\$ 1,258,659	\$ 76,714	\$ 340,463	\$ 897,801	\$ 2,573,637
EXPENDITURES					
Current:					
General Government	\$ 647,600				\$ 647,600
Public Safety	474,352			192,471	666,823
Public Works	4,274			698,574	702,848
Health & Welfare	97,849				97,849
Culture & Recreation	23,096				23,096
Conservation of Natural Resources	44,554				44,554
Economic Development Assistance	1,265		\$ 340,463		341,728
Debt Service					
Principal	22,023			40,503	62,526
Interest	7,237			2,323	9,560
Total Expenditures	\$ 1,322,250	\$ -	\$ 340,463	\$ 933,871	\$ 2,596,584
Excess of Revenue Over(Under) Expenditures	\$ (63,591)	\$ 76,714	\$ -	\$ (36,070)	\$ (22,947)
Other Financing Sources (Uses)					
Proceeds of Other Debt	\$ 20,550				\$ 20,550
Transfers in					-
Transfers out					-
Total Other Fin. Sources & Uses	\$ 20,550	\$ -	\$ -	\$ -	\$ 20,550
Net Changes in Fund Balance	\$ (43,041)	\$ 76,714	\$ -	\$ (36,070)	\$ (2,397)
Fund Balance - Beginning	627,049	528,979		374,531	1,530,559
Fund Reclassification				246,415	246,415
Prior Period Adjustments	(8,702)			-	(8,702)
Fund Balances - Ending	\$ 575,306	\$ 605,693	\$ -	\$ 584,876	\$ 1,765,875

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

ISSAQUENA COUNTY

Exhibit 4-1

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

Net Changes in Fund Balances - Governmental Funds \$ (2,397)

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

Governmental Funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense. Thus, the change in net assets
differs from the change in fund balances by the amount that depreciation
\$109,029 exceeded capital outlays \$97,646 in the current period. (11,383)

In the statement of activities, only gains and losses from the sale or retirement of
capital assets are reported, whereas in the governmental funds, proceeds from the
sale or retirement of capital assets increase financial resources and loss from the
sale or retirement of capital assets decrease financial resources. Thus the change
in net assets differs from the change in fund balances by the book value of assets
retired in the current period (cost, \$38,059 less accumulated depreciation, \$30,366). (7,693)

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
reduced 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 \$62,526 exceeded debt proceeds of \$20,550. 41,976

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:

Accrued Interest on Bonds	936	
Claims Payable	(3,590)	(2,654)

Change in Net Assets of Governmental Activities \$ 17,849

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

ISSAQUENA COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2005

Exhibit 5

	Major Fund	Total
<u>ASSETS</u>		
Current assets:		
Cash and investments	\$ 1,677,762	\$ 1,677,762
Accrued interest receivable	3,307	3,307
Accounts receivable, net	242,400	242,400
Total Current Assets	<u>\$ 1,923,469</u>	<u>\$ 1,923,469</u>
Noncurrent assets:		
Restricted assets	\$ 208,707	\$ 208,707
Capital assets, net	3,183,378	3,183,378
Total Noncurrent Assets	\$ 3,392,085	\$ 3,392,085
Total Assets	<u><u>\$ 5,315,554</u></u>	<u><u>\$ 5,315,554</u></u>
<u>LIABILITIES</u>		
Current liabilities:		
Claims payable	\$ 83,773	\$ 83,773
Current portions of long-term capital-related debt:		
Capital leases payable	1,297	1,297
Current portions of other long-term liabilities	260,000	260,000
Total Current Liabilities	<u>\$ 345,070</u>	<u>\$ 345,070</u>
Noncurrent liabilities:		
Capital-related debt:		
Other long-term liabilities	\$ 3,555,000	\$ 3,555,000
Total Noncurrent Liabilities	<u>\$ 3,555,000</u>	<u>\$ 3,555,000</u>
<u>NET ASSETS</u>		
Restricted for debt service	\$ 208,707	\$ 208,707
Restricted for Public Safety	1,206,777	1,206,777
Total Net Assets	<u><u>\$ 1,415,484</u></u>	<u><u>\$ 1,415,484</u></u>

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

ISSAQUENA COUNTY

Exhibit 6Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2005

	<u>Business-type Activities-Enterprise Fund</u>	
	<u>Major Fund</u>	<u>Totals</u>
Operating Revenues		
Charges for services	\$ 2,848,634	\$ 2,848,634
Miscellaneous	15,958	15,958
Total Operating Revenues	<u>\$ 2,864,592</u>	<u>\$ 2,864,592</u>
Operating Expenses		
Personal services	\$ 1,502,755	\$ 1,502,755
Contractual services	409,780	409,780
Materials and supplies	556,850	556,850
Depreciation expense	81,649	81,649
Insurance premiums	-	-
Total Operating Expenses	<u>\$ 2,551,034</u>	<u>\$ 2,551,034</u>
Operating Income (Loss)	<u>\$ 313,558</u>	<u>\$ 313,558</u>
Nonoperating Revenues (Expenses)		
Interest income	\$ 23,862	\$ 23,862
Interest expense	(224,283)	(224,283)
Net Non-Operating Revenue (Expenses)	<u>\$ (200,421)</u>	<u>\$ (200,421)</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	\$ 113,137	\$ 113,137
Net Assets - Beginning	\$ 1,548,762	\$ 1,548,762
Fund Reclassification	<u>(246,415)</u>	<u>(246,415)</u>
Net Assets Ending	<u>\$ 1,415,484</u>	<u>\$ 1,415,484</u>

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

ISSAQUENA COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2005

Exhibit 7

	<u>Business-Type Activities--Proprietary Fund</u>	
	<u>Major Fund</u>	<u>Totals</u>
Cash Flows From Operating Activities		
Receipts from customers	\$ 2,648,539	\$ 2,648,539
Miscellaneous Income	15,554	15,554
Payments to suppliers	(514,101)	(514,101)
Payments to employees	(1,502,214)	(1,502,214)
Other operating cash payments	(381,813)	(381,813)
Net Cash Provided (Used) by Operating Activities	<u>\$ 265,965</u>	<u>\$ 265,965</u>
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt	\$ (252,489)	\$ (252,489)
Interest paid on debt	(224,283)	(224,283)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (476,772)</u>	<u>\$ (476,772)</u>
Cash Flows From Investing Activities		
Interest and dividends on investments	21,153	21,153
Net Cash Provided (Used) by Investing Activities	<u>\$ 21,153</u>	<u>\$ 21,153</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ (189,654)</u>	<u>\$ (189,654)</u>
Cash and Cash Equivalents at Beginning of Year	2,268,578	2,268,578
Less: Amounts reclassified to special revenue	<u>(192,455)</u>	<u>(192,455)</u>
Adjusted Cash and Cash Equivalents at Beginning of Year	<u>2,076,123</u>	<u>2,076,123</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,886,469</u>	<u>\$ 1,886,469</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ 313,558	\$ 313,558
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	81,649	81,649
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(209,589)	(209,589)
(Increase) decrease in intergovernmental receivables	5,500	5,500
(Increase) decrease in Due To Other Funds	3,590	3,590
Increase (decrease) in claims payable	71,257	71,257
Total Adjustments	<u>\$ (47,593)</u>	<u>\$ (47,593)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 265,965</u>	<u>\$ 265,965</u>

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

ISSAQUENA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 8

ASSETS

Cash and investments	\$	70,332
Due from other funds		500
Total Assets	\$	<u>70,832</u>

LIABILITIES

Intergovernmental payables		70,832
Total Liabilities	\$	<u>70,832</u>

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

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

1 Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Issaquena 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 Issaquena County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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. Blended Component Units.

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government.

The Issaquena County Public Improvement Corporation is governed by a three-member board appointed by the Issaquena County Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct county public buildings.

The Issaquena County Regional Correctional Facility Financing Corporation is governed by a three-member board appointed by the Issaquena County Board of Supervisors. Although it is legally separate from the county, the corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct a regional correctional facility.

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

C. 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 which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements:

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

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

D. Measurement Focus and Basis of Accounting.

The government-wide, proprietary fund 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.

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

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

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 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.

Gas Excise Bond and Interest Fund - Accounts for resources accumulated and used in paying long term debt principal, interest and related cost of borrowing. Currently there is no debt related to this fund.

Home Project Fund - This fund is used to account for federal funds received from HUD for housing rehabilitation.

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

The county reports the following major proprietary funds:

Issaquena County Correctional Facility - The correctional facility fund accounts for the county's activities of housing prisoners on a contract basis for the MS Department of Corrections and others.

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

E. 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.

F. 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.

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

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 represent funds deposited with Hancock Bank as trustee as required by bond documents and are stated at fair value.

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Restricted Assets.

Proprietary Fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. Capital Assets.

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

General infrastructure assets acquired prior to October 1, 2002, are not reported in the basic financial statements.

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

ISSAQUENA 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 reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ -	n/a
Infrastructure	-	20-50 years
Buildings	50,000	40 years
Improvements other than Buildings	25,000	20 years
Mobile Equipment	5,000	5-10 years
Furniture and Equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

K. 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 from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

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

L. 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.

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

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.

M. 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.

N. 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.

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

O. 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 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.

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 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 statement have been incorporated in the financial statements and accompanying notes.

3 Fund Reclassification.

Inmate Welfare Fund and Inmate Canteen Fund were previously included as business-type funds in combination with the ICCF (Prison Facility) Fund. These two funds have been reclassified to the Governmental Activities Funds as special revenue funds.

	Other Govt. Funds	Business Type Funds
Beginning Fund Balance	\$ 374,531	\$ 1,548,762
Reclassification	<u>246,415</u>	<u>(246,415)</u>
Corrected Beginning Fund Balance	<u><u>\$ 620,946</u></u>	<u><u>\$ 1,302,347</u></u>

4 Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities and Exhibit 4 - Statement of Revenues,
Expenditures, and Changes in Fund Balance - Governmental Funds

Explanation	Amount
Prior Year Fines Receivable - Not recorded in current year - Governmental Activities	<u><u>\$ (8,702)</u></u>

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

5 Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$1,902,711, and the bank balance was \$2,054,299. 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:

At year end, the carrying amount of the county's investments was \$1,725,185, and the cost was \$1,725,185. The county's investments at year end consisted entirely of money market mutual funds held by the Hancock Bank trust department in the county's name for the Issaquena County, Mississippi Regional Correction Facility, \$5,100,000 Urban Renewal Revenue Bonds. The investments are uninsured and unregistered and are held by the counterparty's trust department or by its agent in the county's name.

Presentation:

Cash and investments are presented in the statement as follows:

Exhibit 1 -	Cash and Investments - Unrestricted	\$3,320,878	
	Cash and Investments - Restricted	236,858	
	Total Exhibit 1		\$3,557,736
Exhibit 8 -			70,332
	Total Cash and Investments per Statements		\$3,628,068
	Less: Petty Cash included in Exhibit 1		172
	Total Cash and Investments Per Note 5 (In Depositories)		<u>\$3,627,896</u>

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

6 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>
Non Major Governmental Funds	General Fund	\$ 12,752
Agency Funds	General Fund	500
Total		<u>\$ 13,252</u>

The purpose of the due from/due to other fund balances was to provide funds to operate.

All interfund balances are expected to be repaid within one year from the date of the financial statements.

7 Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Legislative Credit - Motor Vehicle	6,869
Welfare Payment - State of MS	1,385
Harvest Permit - State of MS	984
Timber Severance - State of MS	554
Petroleum Tax - State of MS	10,737
Additional Priv. Tax - State of MS	2,048
Home Program - Federal	16,603
Total Governmental Activities	<u>\$ 39,180</u>

8 Loans Receivable.

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

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Town of Mayersville	10/30/1998	N/A	10/1/2018	\$ 30,000
Total				<u>\$ 30,000</u>

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

9 Capital Assets.

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

Governmental Activities:

	Balance Oct. 1, 2004	Increases	Decreases	Adjust. *	Balance Sept.30, 2005
<u>Non Depreciable Capital Assets</u>					
Land	\$ 86,272				\$ 86,272
Total Non Depreciable Capital Assets	\$ 86,272	\$ -	\$ -	\$ -	\$ 86,272
<u>Depreciable Capital Assets</u>					
Buildings	\$ 737,242				\$ 737,242
Improvement Other than Buildings	336,061				336,061
Mobile Equipment	987,441	52,207	(38,059)	96,407	1,097,996
Other Furniture & Equipment	116,866	24,889			141,755
Leased Property - Capital Leases	224,457	20,550		(96,407)	148,600
Total Depreciable Capital Assets	\$ 2,402,067	\$ 97,646	\$ (38,059)	\$ -	\$ 2,461,654
<u>Less: Accumulated Depreciation</u>					
Buildings	\$ (281,461)	\$ (11,218)			\$ (292,679)
Improvement Other than Buildings	(101,424)	(13,443)			(114,867)
Mobile Equipment	(806,822)	(55,763)	30,366	(43,383)	(875,602)
Other Furniture & Equipment	(64,207)	(13,379)			(77,586)
Leased Property - Capital Leases	(89,480)	(15,226)		43,383	(61,323)
Total Accumulated Depreciation	\$ (1,343,394)	\$ (109,029)	\$ 30,366	\$ -	\$ (1,422,057)
Total Depreciable Capital Assets - Net	\$ 1,058,673	\$ (11,383)	\$ (7,693)	\$ -	\$ 1,039,597
Governmental Activities Cap. Assets-Net	\$ 1,144,945	\$ (11,383)	\$ (7,693)	\$ -	\$ 1,125,869

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

Business-type Activities:

	Balance Oct. 1, 2004	Increases	Decreases	Balance Sept.30,2005
<u>Non Depreciable Capital Assets</u>				
Land	\$ 17,500	\$ -	\$ -	\$ 17,500
Total Non Depreciable Capital Assets	\$ 17,500	\$ -	\$ -	\$ 17,500
 Depreciable Capital Assets				
Buildings	\$ 3,851,891			\$ 3,851,891
Mobile Equipment	42,907			42,907
Other Furniture & Equipment	48,554			48,554
Leased Property - Capital Leases	21,423			21,423
Total Depreciable Capital Assets	\$ 3,964,775	\$ -	\$ -	\$ 3,964,775
 Less: Accumulated Depreciation				
Buildings	\$ (625,689)	\$ (77,037)		\$ (702,726)
Mobile Equipment	(37,861)	(4,612)		(42,473)
Other Furniture & Equipment	(45,986)			(45,986)
Leased Property - Capital Leases	(7,712)			(7,712)
Total Accumulated Depreciation	\$ (717,248)	\$ (81,649)	\$ -	\$ (798,897)
Total Depreciable Cap. Assets - Net	\$ 3,247,527	\$ (81,649)	\$ -	\$ 3,165,878
Business Type Activities Cap.Assets-Net	\$ 3,265,027	\$ (81,649)	\$ -	\$ 3,183,378

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 19,188
Public safety	20,006
Public works	69,835
Total governmental activities depreciation expense	<u>\$ 109,029</u>
 Business-type activities:	
Correctional facility	\$ 81,649
Total business-type activities depreciation expense	<u>\$ 81,649</u>

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

10 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 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.

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

11 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>	<u>Business-Type Activities</u>
Mobile Equipment	\$ 148,600	\$ -
Less: Accumulated Depreciation	<u>61,323</u>	<u> </u>
Leased Property under Capital Leases	<u>\$ 87,277</u>	<u>\$ -</u>

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

Year Ending September 30

	<u>Governmental Activities</u>		<u>Business -Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 24,380	\$ 954	\$ 1,297	\$ 11
2007	7,127	217		
2008	610	2		
2009				
2010 - 2014	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 32,117</u>	<u>\$ 1,173</u>	<u>\$ 1,297</u>	<u>\$ 11</u>

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

12 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 Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Limited Obligation Note:			
Detention Facility	\$ 80,000 *	6.8	May, 2010
B. Capital Leases:			
Kubota tractor	\$ 3,243	5.75	April, 2006
Case tractor	6,756	5.75	June, 2006
Case tractor	7,591	5.75	June, 2006
2004 Chevy Trailblazer	14,527	4.85	Nov, 2007
Total Capital Leases	<u>\$ 32,117</u>		
Business Type Activities			
A. Limited Obligation Bonds			
ICCF	\$ 3,815,000 **	5/6.75	Feb, 2016
B. Capital Leases:			
2003 Ford Crown Victoria	\$ 1,297	6.55	Nov, 2005
Total Capital Leases	<u>\$ 1,297</u>		

- * A limited obligation promissory note, designed as "qualified tax exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986, was issued with a face value of \$200,000 for the purpose of financing the construction of a new county jail. The note is not a general obligation of the county and, therefore, is not secured by the full faith and credit of the county. However, the county, as lessee, is obligated pursuant to a 15 year lease purchase agreement with the lessor, Issaquena County Public Improvement Corporation, as the sole source of the payment for the note; therefore, the lease obligation is not recorded. Instead, the note is considered, in substance, a limited debt obligation of the county. Title to the property will transfer to the county upon satisfactory performance of the lease term payments.

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

** Limited obligation urban renewal bonds, designed as "qualified tax exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986, were issued with a face value of \$5,100,000 for the purpose of financing the construction and equipping of the Issaquena County Mississippi Regional Correctional Facility. The bonds are not a general obligation of the county and, therefore, are not secured by the full faith and credit of the county. However, the county, as lessee, is obligated pursuant to a 20 year lease purchase agreement with the lessor, Issaquena County Regional Correctional Facility Financing Corporation, is the sole source of the payment for the revenue bonds. The county's obligation to make the lease payments is also the sole source of the payment for the revenue bonds; therefore, the lease obligation is not recorded. Instead, the revenue bonds are considered, in substance, limited debt obligations of the county and, accordingly, are recorded as a long term debt item in the Proprietary (Enterprise Fund). Title to the property will transfer to the county upon satisfactory performance of the lease term payments.

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

Governmental Activities

Year Ending Sept. 30	Limited Obligation Notes	
	Principal	Interest
2006	\$ 17,000	\$ 5,440
2007	18,000	4,284
2008	19,000	3,060
2009	21,000	1,768
2010	5,000	340
2011-2015	-	-
Total	<u>\$ 80,000</u>	<u>\$ 14,892</u>

Business Type Activities

Year Ending Sept. 30	Limited Obligation Revenue Bonds	
	Principal	Interest
2006	\$ 260,000	\$ 205,745
2007	275,000	192,232
2008	290,000	177,608
2009	305,000	161,760
2010	325,000	144,588
2011-2015	1,910,000	418,565
2016-2017	450,000	13,050
Total	<u>\$ 3,815,000</u>	<u>\$ 1,313,548</u>

ISSAQUENA 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 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 0% of the latest property assessments.

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

	Balance Oct.1, 2004	Additions	Reductions	Adjustments	Balance Sept.30, 2005	Amount due within one year
Governmental						
Activities:						
Limited obligation						
Notes	\$ 96,000		\$ 16,000		\$ 80,000	\$ 17,000
Capital leases	58,093	20,550	46,526		32,117	24,380
Total	\$ 154,093	\$ 20,550	\$ 62,526	\$ -	\$ 112,117	\$ 41,380
Business-type						
Activities:						
Limited obligation						
Bonds	\$ 4,060,000	\$ -	\$ 245,000	\$ -	\$ 3,815,000	\$ 260,000
Capital Leases	8,786	-	7,489	-	1,297	1,297
Total	\$ 4,068,786	\$ -	\$ 252,489	\$ -	\$ 3,816,297	\$ 261,297

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

13 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 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.

14 Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Delta Community Mental Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The Issaquena County Board of Supervisors appoints one of the four members of the board of commissioners. The county appropriated \$15,000 for support in fiscal year 2005.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Issaquena County Board of Supervisors appoints one of the 20 members of the college board of trustees. The county appropriated \$53,335 for maintenance and support of the college in fiscal year 2005.

South Delta Planning and Development District operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Issaquena County Board of Supervisors appoints three of the 22 members of the board of directors. The county appropriated \$1,265 for support in fiscal year 2005.

The Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Issaquena County Board of Supervisors appoints one of the 21 members of the board of commissioners. The entity is financed by a .61 mill tax levy.

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

15 Defined Benefit Pension Plan.

Plan Description. Issaquena 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 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 \$173,019, \$171,839 and \$161,754 respectively, to the required contributions for each year.

16 Subsequent Events.

The Board of Supervisors authorized the purchase of computer system upgrades from a single source supplier to effect voter registration and voter roll upgrade to conform to new laws and requirements. This system was authorized by the Board of Supervisors in July and August of 2005 in Minute Book 10A, Pages 609 and 632, but it was not complete until after September 30, 2005. Total cost of the system was \$56,554, and the contract was completed and the purchase made on March 25, 2006.

ISSAQUENA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

ISSAQUENA 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	\$ 1,038,138	\$ 990,757	\$ 990,757	0
Licenses, commissions and other revenue	23,914	10,498	10,498	0
Fines and forfeitures	293	22,959	22,959	0
Intergovernmental revenues	27,527	169,671	169,671	0
Charges for services	40,000	49,012	49,012	0
Interest income	14,200	5,478	5,478	0
Miscellaneous revenues	2,800	35,220	35,220	0
Total Revenues	<u>\$ 1,146,872</u>	<u>\$ 1,283,595</u>	<u>\$ 1,283,595</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	\$ 958,171	\$ 652,730	\$ 652,730	0
Public safety	395,651	452,197	452,197	0
Public works	8,000	4,213	4,213	0
Health and welfare	99,231	98,034	98,034	0
Culture and recreation	27,725	23,096	23,096	0
Education		21,297	21,297	0
Conservation of natural resources	45,547	43,737	43,737	0
Economic development and assistance	1,765	1,265	1,265	0
Debt service:				
Principal	22,528	22,024	22,024	0
Interest		7,236	7,236	0
Other costs		28,151	28,151	0
Total Expenditures	<u>\$ 1,558,618</u>	<u>\$ 1,353,980</u>	<u>\$ 1,353,980</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>\$ (411,746)</u>	<u>\$ (70,385)</u>	<u>\$ (70,385)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0</u>
Net Change in Fund Balance	\$ (411,746)	\$ (70,385)	\$ (70,385)	0
Fund Balances - Beginning	567,431	567,431	567,431	0
Fund Balances - Ending	<u>\$ 155,685</u>	<u>\$ 497,046</u>	<u>\$ 497,046</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes				0
Licenses, commissions and other revenue				0
Fines and forfeitures				0
Intergovernmental revenues	350,000	323,860	323,860	0
Charges for services				0
Interest income				0
Miscellaneous revenues				0
Total Revenues	<u>\$ 350,000</u>	<u>\$ 323,860</u>	<u>\$ 323,860</u>	<u>0</u>
EXPENDITURES				
Current:				
General government				0
Public safety				0
Public works				0
Health and welfare				0
Culture and recreation				0
Education				0
Conservation of natural resources				0
Economic development and assistance	350,000	323,860	323,860	0
Debt service:				
Principal				0
Interest				0
Other costs				0
Total Expenditures	<u>\$ 350,000</u>	<u>\$ 323,860</u>	<u>\$ 323,860</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Total Other Financing Sources and Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0</u>
Fund Balances - Beginning				0
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>0</u>

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

ISSAQUENA 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).

ISSAQUENA COUNTY

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

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

Excess of Revenues & Other Sources Over (Under) Expenditures and Other Uses	<u>Governmental Fund Type</u> General Fund	<u>Governmental Fund Type</u> Home Project Fund
Budget (Cash Basis)	\$ (70,385)	\$ -
Increase (Decrease)		
Net adjustments for revenue accruals	(24,936)	16,603
Net adjustments for expenditure accruals	52,280	(16,603)
GAAP Basis	<u>\$ (43,041)</u>	<u>\$ -</u>

ISSAQUENA COUNTY

SPECIAL REPORTS

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

Members of the Board of Supervisors
Issaquena County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Issaquena County, Mississippi, as of and for the year ended September 30, 2005, and have issued our report thereon dated October 19, 2006. The auditor's report is qualified on the General Fund because internal controls over certain fines receivable were not sufficient to allow the expression of an opinion on that particular item. 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 Issaquena County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the general-purpose financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Issaquena County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 05-1 through 05-8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05-8 to be a material weakness.

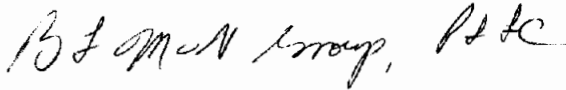
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Issaquena County, Mississippi's 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*.

However, we noted certain instances of noncompliance (or other matters) which we have reported to the management of Issaquena County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 19, 2006, included within this document.

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 these specified parties. However, this report is a matter of public record and its distribution is not limited.

BFMW Group, PLLC

A handwritten signature in cursive script that reads "BFMW Group, PLLC".

October 19, 2006

BFMW Group, PLLC
Certified Public Accountants

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

Members of the Board of Supervisors
Issaquena County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Issaquena 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 Issaquena 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 Issaquena 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, Issaquena 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 Issaquena 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.

BFMW Group, PLLC

BFMW Group, PLLC

October 19, 2006

ISSAQUENA 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.

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

Schedule 2

One Such Purchase Found.

The ICCF (Prison Facility) had to replace its gas-fired boiler and hot water heating system on an emergency basis, and the Board authorized the emergency purchase from I. S., Inc. on July 5, 2005. The order of the Board of Supervisors is recorded in Minute Book 10A, Page 613.

I. S., Inc. bid - \$22,551.

ISSAQUENA COUNTY

Schedule 3

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

One Such Purchase Authorized.

The Board of Supervisors authorized the purchase of computer upgrades for voter rolls and registration upgrades from Premise, Inc. Authorization discussed and awarded in Minute Book 10A, Page 609, and again in Minute Book 10A, Page 632 (July and August, 2005). Actual purchase was not consummated until March 25, 2006.

Premise, Inc. bid - \$56,554.

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

October 19, 2006

Members of the Board of Supervisors
Issaquena County, Mississippi

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

In addition, for areas not considered material to Issaquena 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 October 19, 2006, on the financial statements of Issaquena 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 internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Chancery Clerk.

1 Finding

Section 27-45-1, Miss. Code Ann. (1972), requires the Chancery Clerk to make land redemption settlements within 20 days after the end of each month and to make a complete report thereof to the Board of Supervisors. As reported in the last six years' audit reports, the Chancery Clerk did not make timely settlements and did not file a complete report to the Board of Supervisors.

Recommendation

The Chancery Clerk should make timely settlements and a complete report to the Board of Supervisors.

Chancery Clerk's Response

I will comply.

2 Finding

Section 27-31-85, Miss. Code Ann. (1972), requires the Chancery Clerk to settle one-half of mineral documentary tax collections to the General Fund and one-half to the schools after retaining 5% of the collection. As reported in the last five years' audit reports, mineral stamp collections were not settled properly.

Recommendation

The Chancery Clerk should settle mineral stamp collections properly.

Chancery Clerk's Response

I will comply.

Tax Collector.

3 Finding

Section 27-53-17, Miss. Code Ann. (1972), describes the seizure, sale, notices required, period of redemption, interest, penalties and other costs of collection assessed for nonpayment of delinquent mobile home taxes. As reported in the last five years' audit reports, the Tax Collector did not sell mobile homes for taxes.

Recommendation

The Tax Collector should enforce statutory procedures for collecting mobile home taxes.

Tax Collector's Response

I will comply.

4 Finding

Sections 27-49-1 and 27-49-9, Miss. Code Ann. (1972), specify the actions to be taken for the sale of property, real or personal, of business taxpayers who are either insolvent or delinquent. As reported in the last three year's audit reports, we found no evidence that the Tax Collector seized and sold property in order to collect delinquent business taxes.

Recommendation

The Tax Collector should make a concerted effort to collect delinquent business taxes by following statutory procedures pertaining to the seizure and sale of property.

Tax Collector's Response

I will comply.

5 Finding

Section 27-51-29, Miss. Code Ann. (1972) requires the tax collector to make motor vehicle tax settlements within 20 days after the end of the month. Road and bridge privilege taxes were not settled in a timely manner.

Recommendation

The tax collector should make timely settlements.

Tax Collector's Response

I will comply.

Circuit Clerk.

6 Finding

Sections 9-7-135, 9-13-21 and 11-7-217, Miss. Code Ann. (1972), require the Circuit Clerk to promptly settle all collections of fines and court costs into the county treasury after the end of each court term. As reported in the last eight years' audit reports, the Circuit Clerk did not make timely settlements of fines and courts costs.

Recommendation

The Circuit Clerk should settle all collections when required.

Circuit Clerk's Response

I will comply.

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 these specified parties. However, this report is a matter of public record and its distribution is not limited.

BFMW Group, PLLC

BFMW Group, PLLC

October 19, 2006

ISSAQUENA COUNTY

SCHEDULE OF FINDINGS

ISSAQUENA 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 financial statements:

Governmental Activities	Unqualified
Major Funds	
General Fund	Qualified
Gas Excise Bond and Interest Fund	Unqualified
Home Project Fund	Unqualified
Aggregate Remaining Fund Information	Unqualified
Business-Type Activities	Unqualified

2. Internal control over financial reporting:

a. Material weakness identified:	Yes
b. Reportable conditions identified that are not considered to be material weaknesses?	Yes

3. Noncompliance material to the financial statements: No

Section 2: Financial Statement Findings

Chancery Clerk.

05-1. Finding

As reported in the last nine years' audit reports, there was no separation of duties in the handling of transactions. One employee issued and posted all receipts and disbursements. The same employee reconciled the bank accounts. The lack of segregation of duties increases the chances that funds could be mishandled.

Recommendation

The Chancery Clerk should ensure that there is an adequate separation of duties in the collection, deposit preparation, disbursement, recording and reconciling functions. If a separation of duties is not possible, another employee or the Chancery Clerk should review receipts, disbursements and reconciliations periodically and investigate any unusual items.

Chancery Clerk's Response

Due to limited personnel, this cannot be done.

Auditor's Note

The Chancery Clerk also serves as the Circuit Clerk.

05-2. Finding

The county has adopted a policy of compensated absences for its employees. The Chancery Clerk, as county auditor and treasurer, should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of year compensated absences liability which is derived by multiplying the number of accumulated leave hours for each employee (up to the maximum that will be compensated upon leaving employment) times the current hourly rate of pay for each employee. Accounting principles generally accepted in the United States of America require the resulting liability to be reported in the financial statements. As reported in the last seven years' audit reports, the Chancery Clerk did not maintain the necessary records to calculate the compensated absence liability.

Recommendation

The Chancery Clerk should maintain adequate records so the total compensated absences liability can be calculated and reported in the financial statements as required by accounting principles generally accepted in the United States of America.

Chancery Clerk's Response

We will comply.

05-3. Finding

Bank accounts containing county funds should be properly reconciled each month to ensure that cash, receipts, and disbursements on the county books have been properly recorded and are not misstated as reported in last year's audit report. The clerk prepared reconciliations each month but did not reconcile differences between the reconciled bank balance and the book balance.

Recommendation

The clerk should ensure that banks containing county funds are reconciled each month. Any differences between the reconciled bank balance and the book balance should be investigated and corrected to ensure that the county books are correct.

Chancery Clerk's Response

We will comply.

Tax Collector.

05-4. Finding

As reported in the last seven years' audit reports, there is not adequate segregation of duties in the collection, deposit preparation and recording functions. Failure to properly segregate accounting duties increases the chance that funds could be mishandled.

Recommendation

The Tax Collector should ensure that there is an adequate segregation of duties in the collection, deposit preparation functions and recording function.

Tax Collector's Response

Due to limited staff, it would be difficult to separate duties.

05-5. Finding

The tax collector must prepare a report at September 30 of each year identifying the distribution of all funds held by the tax collector in order to include these funds in the financial statements of the county. This report should specify the revenues that are due to the general fund, other funds, state government or others. The tax collector should submit this report to the Chancery Clerk by October 31, of each year. This report was not prepared.

Recommendation

The tax collector should prepare a report of the distribution of tax collector funds as of September 30 and submit it to the Chancery Clerk by October 31 of the year.

Response

I will comply.

Justice Court Clerk.

05-6. Finding

As reported in the last four years' audit reports, there is not adequate segregation of duties in the collection, deposit preparation and recording functions. Failure to properly segregate accounting duties increases the chance that funds could be mishandled.

Recommendation

The Justice Court Clerk should ensure that there is an adequate segregation of duties in the collection, deposit preparation functions and recording function. If a segregation of duties is not possible, the Chancery Clerk, as county auditor, should review the Justice Court Clerk's records periodically and investigate any unusual items.

Justice Court Clerk's Response

I cannot separate duties. I am the only person employed in this office. I will discuss this with the Chancery Clerk.

05-7. Finding

The justice court clerk must prepare a report at September 30 of each year identifying the distribution of all funds held by the Justice Court Clerk in order to include these funds in the financial statements of the county. This report should specify the revenues that are due to the general fund, other funds, state government or others. The Justice Court Clerk should submit this report to the Chancery Clerk by October 31, of each year. This report was not prepared.

Recommendation

The Justice Court Clerk should prepare a report of the distribution of Justice Court funds as of September 30 and submit it to the Chancery Clerk by October 31 of the year.

Response

I will comply.

05-8. Finding

Judges may allow defendants to pay assessments, court costs, and fines on a partial payment basis (Section 99-19-20, Mississippi Code Ann. (1972)). An accounts receivable system must be maintained for all amounts due to court where partial payments are accepted. The Justice Court Clerk does not have an adequate accounts receivable system in place.

Recommendation

The Justice Court Clerk should establish and maintain an adequate accounts receivable system.

Justice Court Clerk's Response

I will establish and maintain an adequate accounts receivable system.