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**ITAWAMBA COUNTY**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**YEAR ENDED SEPTEMBER 30, 2005**

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## **FINANCIAL SECTION**

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**INDEPENDENT AUDITORS' REPORT  
ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

Members of the Board of Supervisors  
Itawamba County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Itawamba 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.

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 and the aggregate remaining fund information of Itawamba 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 September 1, 2006, on our consideration of Itawamba County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Itawamba County, Mississippi's basic financial statements.

Tupelo, Mississippi  
September 1, 2006

*J E Tance & Company*

**ITAWAMBA COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

**INTRODUCTION**

The discussion and analysis of Itawamba 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.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Itawamba County is located in the northern portion of Mississippi approximately 166 miles northeast of Jackson, Mississippi, the state Capital. The population, according to the 2000 census, is 22,770. The local economic base is driven primarily by manufacturing.

**FINANCIAL HIGHLIGHTS**

Itawamba 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.

Itawamba County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without any tax increase. The County government tax rate has remained constant over the last 5 years. This does not include School tax increases.

Total net asset increased \$3,095,868, which represents a 42% increase from the prior fiscal year.

The County had \$9,558,143 in total revenues during the current fiscal year compared to \$9,887,390 during fiscal year 2004. Property tax revenues account for \$4,141,801 and \$3,931,309 or 43% and 40% of total revenues during fiscal years ended 2005 and 2004 respectively. State and federal revenues in the form of reimbursements, shared revenue, or grants accounted for \$1,145,777 and \$2,460,752 or 12% and 25% of total revenues during fiscal years ended 2005 and 2004 respectively. Total expenses amounted to \$6,462,275 during 2005 and \$8,127,251 during 2004.

Among major funds, the General Fund had \$3,821,860 in revenues and \$3,466,268 in expenditures. The General Fund's fund balance increased \$408,155 over the prior year.

The Countywide Road Maintenance Fund had \$1,530,024 in revenues and \$1,403,310 in expenditures. The fund balance increased \$73,494 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$1,979,327. This significant change was due to several capital projects by the County.

Long-term debt increased by \$1,654,004.

## 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**

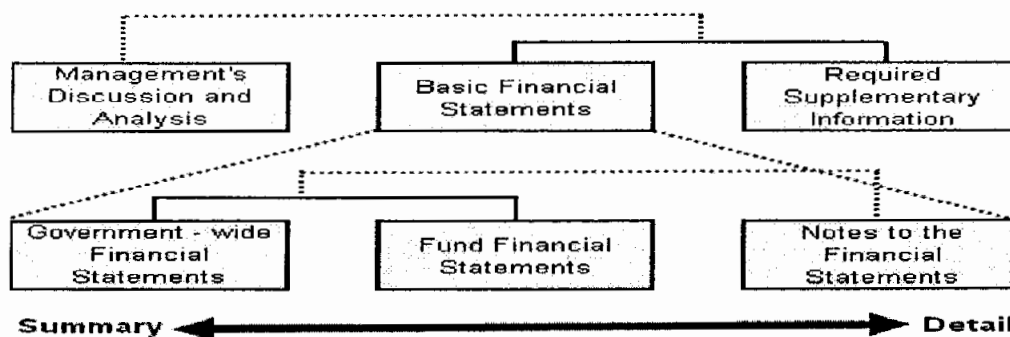


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types 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

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type 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
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset/liability information</b>	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
<b>Type of inflow/outflow information</b>	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; economic development; and interest on long-term debt.

Component units are not included in our basic financial statements and consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The Government-wide Financial Statements can be found on pages 18 and 19 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate 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. These reconciliations are on pages 21 and 23, respectively.

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental 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.

The basic governmental funds financial statements can be found on pages 20-26 of this report.

**Proprietary funds**—Services for which Itawamba County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. The County has only one type of proprietary funds—enterprise funds. The County's enterprise funds are the same as its business-type activities yet provide more detail and additional information, such as cash flows. The measurement focus of proprietary funds is upon determination of net income, financial position and change in financial position. These funds are maintained on the accrual basis of accounting. The Statement of Net Assets, Statement of Revenues, Expenses and Changes in Fund Net Assets, and Statement of Cash Flows are all required statements.

**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 purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 27 of this report.

**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. The notes can be found on pages 29-50 of this report.

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. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 51-56 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**—Net assets may serve over time as a useful indicator of the government's financial position. In the case of Itawamba County, assets exceeded liabilities by \$10,444,503 as of September 30, 2005.

A large portion of the County's net assets, 5,320,827 or 51%, 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, 2005 and 2004.

	Governmental Activities	
	2005	2004
Current assets	10,608,131	7,443,764
Capital assets, net	13,416,536	11,437,209
Total assets	\$ 24,024,667	\$ 18,880,973
Current liabilities	5,417,385	4,949,638
Long-term debt outstanding	8,841,412	7,184,487
Total liabilities	14,258,797	12,134,125
Net assets:		
Invested in capital assets, net of related debt	5,130,059	4,669,887
Restricted	3,601,111	1,391,724
Unrestricted	1,034,700	685,237
Total net assets	\$ 9,765,870	\$ 6,746,848
	Business-type Activities	
	2005	2004
Current assets	627,162	593,111
Capital assets, net	190,768	139,297
Total assets	\$ 817,930	\$ 732,408
Current liabilities	130,834	123,647
Long-term debt outstanding	8,463	6,974
Total liabilities	139,297	130,621
Net assets:		
Invested in capital assets, net of related debt	190,768	134,887
Restricted	487,865	466,900
Total net assets	\$ 678,633	\$ 601,787

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

- \$2,209,177 of long-term debt principal was issued.
- Capital assets increased by \$1,979,327 from the construction of a new bridge crane, improvements on rail spur at the port, and other capital improvements.

Changes in Net Assets—Itawamba County's total revenues for the fiscal year ended September 30, 2005 were \$9,558,143. The total cost for all services provided was \$6,462,275. The increase in net assets was \$3,095,868. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2005 and 2004.

	<u>2005</u>	<u>2004</u>
<b>Revenues:</b>		
Program Revenues		
Charges for services	\$ 2,223,734	\$ 2,076,797
Federal grants	267,644	1,657,112
Other grants and intergovernmental revenues	878,133	803,640
General Revenues		
Property taxes	4,141,801	3,931,309
Road and bridge privilege taxes	309,155	260,021
Interest income	109,364	46,449
Other	1,628,330	1,112,062
<b>Total Revenues</b>	<u><b>9,558,143</b></u>	<u><b>9,887,390</b></u>
<b>Expenses:</b>		
General government	2,618,754	2,512,525
Public safety	1,625,002	1,493,525
Public works	586,249	2,449,298
Health and welfare	120,153	242,674
Culture and recreation	80,042	79,538
Education	563	-0-
Conservation of natural resources	71,576	76,122
Economic development	179,771	201,483
Interest on long-term debt	266,133	273,544
Solid waste management	914,032	798,542
<b>Total Expenses</b>	<u><b>6,462,275</b></u>	<u><b>8,127,251</b></u>
<b>Increase in Net Assets</b>	<u><b>\$ 3,095,868</b></u>	<u><b>\$ 1,760,139</b></u>

Governmental Activities—The following information presents the cost of ten major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Education, Conservation of Natural Resources, Economic Development and Assistance, Interest on Long-term Debt, and Solid Waste Management.

The information 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 Itawamba County's taxpayers by each of these functions.

	2005 Total Expenses	2005 Net(Expense) Revenue	2004 Total Expenses	2004 Net(Expense) Revenue
General government	\$ 2,618,754	\$ (1,850,134)	\$ 2,512,525	\$ (1,793,727)
Public safety	1,625,002	(740,226)	1,493,525	(850,750)
Public works	586,249	120,074	2,449,298	(263,265)
Health and welfare	120,153	(99,909)	242,674	(224,088)
Culture and recreation	80,042	(80,042)	79,538	(79,538)
Education	563	(563)	-0-	-0-
Conservation of natural resources	71,576	(71,576)	76,122	(76,122)
Economic development	179,771	(170,173)	201,483	(178,110)
Interest on long-term debt	266,133	(266,133)	273,544	(273,544)
Solid waste management	914,032	65,918	798,542	149,442
Total expenses	<u>\$ 6,462,275</u>	<u>\$ (3,092,764)</u>	<u>\$ 8,127,251</u>	<u>\$ (3,589,702)</u>

## FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

**Governmental funds**—At the close of the fiscal year, Itawamba County's governmental funds reported a combined fund balance of \$4,983,370, an increase of \$2,661,890. The primary reason for this increase is highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance are as follows:

- The county had received grant and loan proceeds in the prior year that were expended in the current year related to several capital projects funds.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$408,155.

## BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Itawamba County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Budgeted expenditures for facilities construction was increased due primarily to change orders caused by unforeseen circumstances.

Even with these adjustments, actual disbursements were below final budget amounts by \$340,019 in the General Fund.

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets**—As of September 30, 2005, Itawamba County's total capital assets was \$18,769,456. This includes land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$2,754,944. The majority of this increase is due to improvements for economic development and various infrastructure projects.

Total accumulated depreciation as of September 30, 2005 was \$5,352,920, including \$824,219 of depreciation expense for the year. The balance in total net capital assets was \$13,416,536 at year-end.

Additional information on Itawamba County's capital assets can be found in note 6 on pages 41-42 of this report.

**Debt Administration**—At September 30, 2005, Itawamba County had \$8,767,607 in long-term debt outstanding. This includes general obligation bonds, capital leases and other loans. Of this debt, \$1,105,418 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. The County's outstanding debt is significantly below its current limit of 16 million dollars.

Additional information on Itawamba County's long-term debt can be found in note 10 on pages 45-47 of this report.

## **CURRENT AND FUTURE ITEMS OF IMPACT**

Itawamba County continues to develop and attract industrial development in the area with future plans for expansion of its industrial park.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator's office at P.O. Box 776, Fulton, MS 38843-0776.

## **FINANCIAL STATEMENTS**

**Itawamba County**  
**Statement of Net Assets**  
**September 30, 2005**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 5,752,016	468,779	6,220,795
Accrued interest receivable	2,495		2,495
Property tax receivable	4,150,670		4,150,670
Accounts receivable, net		104,021	104,021
Fines receivable, net	271,879		271,879
Intergovernmental receivables	167,271	3,827	171,098
Other receivables, net	60,725	72,279	133,004
Prepaid items	181,331		181,331
Internal balances	21,744	(21,744)	-0-
Capital assets, net	13,416,536	190,768	13,607,304
Total Assets	24,024,667	817,930	24,842,597
<b>LIABILITIES</b>			
Claims payable	706,900	59,640	766,540
Intergovernmental payables	409,115	7,103	416,218
Accrued interest payable	64,503		64,503
Deferred revenue	4,150,670	64,091	4,214,761
Other payables	86,197		86,197
Long-term liabilities			
Due within one year:			
Capital related debt	1,070,905		1,070,905
Non-capital debt	34,513		34,513
Due in more than one year:			
Capital related debt	7,215,572		7,215,572
Non-capital debt	520,422	8,463	528,885
Total Liabilities	14,258,797	139,297	14,398,094
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,130,059	190,768	5,320,827
Restricted net assets:			
Expendable:			
General government	16,962		16,962
Debt service	407,684		407,684
Public safety	300,894		300,894
Public works	1,830,391	487,865	2,318,256
Health and welfare	438,122		438,122
Economic development	589,901		589,901
Capital projects	5,001		5,001
Other purposes	12,156		12,156
Unrestricted	1,034,700		1,034,700
Total Net Assets	\$ 9,765,870	678,633	10,444,503

The accompanying notes and auditors' reports are integral parts of the statements.

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

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	\$ 2,618,754	751,891	16,729		(1,850,134)	(1,850,134)
Public safety	1,625,002	507,520	236,440	140,816	(740,226)	(740,226)
Public works	586,249		468,096	238,227	120,074	120,074
Health and welfare	120,153		20,244		(99,909)	(99,909)
Culture and recreation	80,042				(80,042)	(80,042)
Education	563				(563)	(563)
Conservation of natural resources	71,576				(71,576)	(71,576)
Economic development and assistance	179,771			9,598	(170,173)	(170,173)
Interest on long-term debt	266,133				(266,133)	(266,133)
Total Governmental Activities	5,548,243	1,259,411	741,509	388,641	(3,158,682)	(3,158,682)
Business-type activities:					-0-	
Solid Waste	914,032	964,323	15,627		65,918	65,918
Total Business-type Activities	914,032	964,323	15,627	-0-	65,918	65,918
Total Primary Government	\$ 6,462,275	2,223,734	757,136	388,641	(3,158,682)	(3,092,764)
General revenues:						
Taxes:						
Property taxes					\$ 4,141,801	4,141,801
Road & bridge privilege taxes					309,155	309,155
Unrestricted investment income					98,418	109,346
Miscellaneous					1,628,330	1,628,330
Total General Revenues					6,177,704	6,188,632
Changes in Net Assets					3,019,022	3,095,868
Net Assets - Beginning					6,746,848	601,787
Net Assets - Ending					9,765,870	678,633
					\$	10,444,503

The accompanying notes and auditors' reports are integral parts of the statements.

Itawamba County  
Balance Sheet - Governmental Funds  
September 30, 2005

Exhibit 3

	Major Funds				Total
	General Fund	2005 Road and Bridge Fund	Countywide Road Maint. Fund	Other Governmental Funds	Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 1,705,830	1,359,907	659,190	2,027,089	5,752,016
Accrued interest receivable	290			2,205	2,495
Property tax receivable	2,564,625		625,000	961,045	4,150,670
Fines receivable	271,879				271,879
Intergovernmental receivables	136,241		22	27,167	163,430
Other receivables	3,529			57,196	60,725
Due from other funds	13,429		43,426	26,635	83,490
Advances to other funds	12,156				12,156
Prepaid items	181,331				181,331
Total Assets	\$ 4,889,310	1,359,907	1,327,638	3,101,337	10,678,192
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 171,299	370,257	103,226	62,118	706,900
Intergovernmental payables	395,339		9,342	4,434	409,115
Due to other funds	70,061				70,061
Other payables	86,197				86,197
Deferred revenue	2,836,504		625,000	961,045	4,422,549
Total Liabilities	3,559,400	370,257	737,568	1,027,597	5,694,822
Fund balances:					
Reserved for:					
Advances	12,156				12,156
Economic development				589,901	589,901
Unreserved, reported in:					
General fund	1,317,754				1,317,754
Special revenue funds		989,650	590,070	1,006,651	2,586,371
Debt service funds				472,187	472,187
Capital project funds				5,001	5,001
Total Fund Balances	1,329,910	989,650	590,070	2,073,740	4,983,370
Total Liabilities and Fund Balances	\$ 4,889,310	1,359,907	1,327,638	3,101,337	10,678,192

The accompanying notes and auditors' reports are integral parts of these statements.

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

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 4,983,370
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds	13,416,536
Capital assets net of depreciation as of 10-1-04	11,437,209
Plus capital outlay expenditures made during the year	3,218,235
Less depreciation expense recorded during the year	(824,219)
Less book value of capital assets sold during the year	(414,689)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	271,879
(Such as fine receivables)	
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	(8,905,915)
Long-term liabilities	8,841,412
Accrued interest on bonds	64,503
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>9,765,870</u></u>

The accompanying notes and auditors' reports are integral parts of these statements.

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

Exhibit 4

	Major Funds				
	General	2005 Road	Countywide	Other	Total
	Fund	and Bridge	Road Maint.	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>REVENUES</b>					
Property taxes	\$ 2,543,838		612,841	932,073	4,088,752
Road and bridge privilege taxes	49,981		53,048		103,029
Licenses, commissions and other revenue	357,240		259,174	7,284	623,698
Fines and forfeitures	277,832		5,585	27,460	310,877
Intergovernmental revenues	499,075		561,025	625,835	1,685,935
Charges for services	49,314			470,631	519,945
Interest income	28,601	13,438	11,815	44,564	98,418
Miscellaneous revenues	15,979		26,536	1,024,443	1,066,958
Total Revenues	<u>3,821,860</u>	<u>13,438</u>	<u>1,530,024</u>	<u>3,132,290</u>	<u>8,497,612</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,106,684			3,330	2,110,014
Public safety	975,017			680,431	1,655,448
Public works		1,023,788	1,340,951	691,018	3,055,757
Health and welfare	90,626			2,825	93,451
Culture and recreation	80,042				80,042
Education	563				563
Conservation of natural resources	71,576				71,576
Economic development and assistance	86,011			93,760	179,771
Debt service:					
Principal	52,226		58,534	521,003	631,763
Interest	3,523		3,825	220,345	227,693
Bond issue costs				3,519	3,519
Total Expenditures	<u>3,466,268</u>	<u>1,023,788</u>	<u>1,403,310</u>	<u>2,216,231</u>	<u>8,109,597</u>
Excess of Revenues over (under) Expenditures	<u>355,592</u>	<u>(1,010,350)</u>	<u>126,714</u>	<u>916,059</u>	<u>388,015</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	78,299	2,000,000	47,062	2,500	2,127,861
Long-term non-capital debt issued				146,014	146,014
Transfers in	272,745		14,627	570,770	858,142
Transfers out	(298,481)		(114,909)	(444,752)	(858,142)
Total Other Financing Sources and Uses	<u>52,563</u>	<u>2,000,000</u>	<u>(53,220)</u>	<u>274,532</u>	<u>2,273,875</u>
Net Changes in Fund Balances	<u>408,155</u>	<u>989,650</u>	<u>73,494</u>	<u>1,190,591</u>	<u>2,661,890</u>
Fund Balances - Beginning	<u>921,755</u>	<u>-0-</u>	<u>516,576</u>	<u>883,149</u>	<u>2,321,480</u>
Fund Balances - Ending	<u>\$ 1,329,910</u>	<u>989,650</u>	<u>590,070</u>	<u>2,073,740</u>	<u>4,983,370</u>

The accompanying notes and auditors' reports are integral parts of these statements.

**Itawamba County**Exhibit 4-1**Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
September 30, 2005**

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 2,661,890
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$3,218,235 exceeded depreciation \$824,219 in the current period.	2,394,016
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$414,689.	(414,689)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	69,651
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds \$2,273,875 exceeded debt repayments \$631,763.	(1,642,112)
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:	
The amount of increase in compensated absences.	(14,813)
The amount of increase in accrued interest payable.	(34,921)
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>3,019,022</u></u>

The accompanying notes and auditors' reports are integral parts of these statements.

Itawamba County  
Statement of Net Assets - Proprietary Funds  
September 30, 2005

Exhibit 5

Business-type Activities-Enterprise Funds

	<u>Solid Waste</u>
ASSETS	
Current assets:	
Cash and investments	\$ 468,779
Accounts receivable (net of allowance for uncollectibles of \$195,481)	104,021
Intergovernmental receivables	3,827
Other receivables	72,279
Total Current Assets	<u>648,906</u>
Noncurrent assets:	
Capital assets, net	190,768
Total Noncurrent Assets	<u>190,768</u>
Total Assets	<u>839,674</u>
LIABILITIES	
Current liabilities:	
Claims payable	59,640
Intergovernmental payables	7,103
Due to other funds	12,587
Advances from other funds	9,157
Total Current Liabilities	<u>88,487</u>
Noncurrent liabilities:	
Deferred revenue	64,091
Non-capital debt:	
Compensated absences payable	8,463
Total Noncurrent Liabilities	<u>72,554</u>
NET ASSETS	
Invested in capital assets, net of related debt	190,768
Restricted for public works	487,865
Total Net Assets	<u>\$ 678,633</u>

The accompanying notes and auditors' reports are integral parts of these statements.

## Itawamba County

Exhibit 6

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

	Business-type Activities-Enterprise Funds
	<u>Solid Waste</u>
Operating Revenues	
Charges for services	\$ 944,692
Total Operating Revenues	<u>944,692</u>
Operating Expenses	
Personal services	325,718
Contractual services	357,915
Materials and supplies	169,173
Depreciation expense	48,618
Indirect administrative cost	12,587
Total Operating Expenses	<u>914,011</u>
Operating Income (Loss)	<u>30,681</u>
Nonoperating Revenues (Expenses)	
Interest income	10,926
Operating grants	15,627
Interest expense	(20)
Other income (expense)	19,632
Net Nonoperating Revenue (Expenses)	<u>46,165</u>
Changes in Net Assets	<u>76,846</u>
Net Assets - Beginning	<u>601,787</u>
Net Assets Ending	<u>\$ 678,633</u>

The accompanying notes and auditors' reports are integral parts of these statements.

Itawamba County  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2005

Exhibit 7

Business-type Activities-Enterprise Funds

	Solid Waste
Cash Flows From Operating Activities	
Receipts from customers	\$ 940,683
Payments to suppliers	(516,495)
Payments to employees	(325,718)
Net Cash Provided by Operating Activities	<u>98,470</u>
Cash Flows From Noncapital Financing Activities	
Operating grants received	<u>15,627</u>
Net Cash Provided by Noncapital Financing Activities	<u>15,627</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(100,089)
Principal paid on long-term debt	(4,410)
Interest paid on debt	(20)
Other receipts	<u>19,632</u>
Net Cash Used by Capital and Related Financing Activities	<u>(84,887)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	<u>10,926</u>
Net Cash Provided by Investing Activities	<u>10,926</u>
Net Increase in Cash and Cash Equivalents	40,136
Cash and Cash Equivalents at Beginning of Year	428,643
Cash and Cash Equivalents at End of Year	<u>\$ 468,779</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating income	\$ 30,681
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	48,618
Provision for uncollectible accounts	11,337
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(12,926)
(Increase) decrease in other receivables	(4,893)
(Increase) decrease in intergovernmental receivable	(20)
Increase (decrease) in claims payable	8,982
Increase (decrease) in interfund payables	3,430
Increase (decrease) in intergovernmental payables	122
Increase (decrease) in compensated absences liability	1,489
Increase (decrease) in deferred revenue	2,493
Increase (decrease) in advances from other funds	9,157
Total Adjustments	<u>67,789</u>
Net Cash Provided by Operating Activities	<u>\$ 98,470</u>

The accompanying notes and auditors' reports are integral parts of these statements.

**Itawamba County**  
**Statement of Fiduciary Net Assets**  
**September 30, 2005**

Exhibit 8

	<u>Private-purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and investments	136,044	34,518
Total Assets	\$ <u>136,044</u>	\$ <u>34,518</u>
 <b>LIABILITIES</b>		
Amounts held in custody for others		1,267
Intergovernmental payables		29,410
Due to other funds		842
Advances from other funds		2,999
Total Liabilities	<u>-0-</u>	\$ <u>34,518</u>
 <b>NET ASSETS</b>		
Held in trust for:		
Individuals, organizations, and other governments	\$ <u>136,044</u>	

The accompanying notes and auditors' reports are integral parts of these statements.

**Itawamba County**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended September 30, 2005**

Exhibit 9

	<u>Private-purpose Trust Fund</u>
ADDITIONS	
Investment income:	
Interest and dividends	732
Total Additions	\$ <u>732</u>
DEDUCTIONS	
Total Deductions	<u>-0-</u>
Changes in Net Assets	732
Net Assets - Beginning	135,312
Net Assets - Ending	\$ <u>136,044</u>

The accompanying notes and auditors' reports are integral parts of these statements.

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

**(1) Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

Itawamba 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 Itawamba County to present these financial statements on the 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 financial statements.

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

**B. Basis of Presentation**

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

**Government-wide Financial Statements**

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

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

**B. Basis of Presentation (Continued)**

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

**Fund Financial Statements**

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

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

The Government-wide, Proprietary 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 assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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.

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

**C. Measurement Focus and Basis of Accounting (Continued)**

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

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

The county reports the following major Governmental Funds:

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

2005 Road and Bridge Fund – This fund is used to account for monies from the issuance of the Series 2005 Road and Bridge general obligation bonds.

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

The county reports the following major Proprietary Fund:

Solid Waste Fund – This fund is used to account for the county's activities of disposal of solid waste within the county.

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

**C. Measurement Focus and Basis of Accounting (Continued)**

Additionally, the county reports the following fund types:

**Governmental Fund Types**

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

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

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

**Proprietary Fund Type**

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 Type**

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.

Private-purpose Trust Funds – These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

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

**D. Account Classifications**

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

**E. Deposits and Investments**

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

**F. Receivables**

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

**G. Interfund Transactions and Balances**

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

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

**H. Capital Assets**

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

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements 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.

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

**H. Capital Assets (Continued)**

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

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

**I. Long-Term Liabilities**

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

In the government-wide financial statements and in the Proprietary Funds 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 Funds Statement of Net Assets.

**J. Equity Classifications**

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other 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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

**J. Equity Classifications (Continued)**

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

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

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

**K. Property Tax Revenues**

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

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

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.

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

**L. Intergovernmental Revenues in Governmental Funds**

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

**M. Compensated Absences**

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

**(2) Changes in Accounting Standards**

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

**(3) Deposits and Investments**

Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$6,255,313 and the bank balance was \$5,401,847. 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.

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

**(3) Deposits and Investments (Continued)**

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 the 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

Investments balances at September 30, 2005 are as follows:

<u>Investment Type</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>	<u>Rating</u>
AIM Treasury Portfolio Money Market Fund	various	\$ 136,044	various
Total Investments		<u>\$ 136,044</u>	

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk – Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

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

**(4) Interfund Transactions and Balances**

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

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 12,587
General Fund	Agency Funds	842
Countywide Road Maintenance Fund	General Fund	43,426
Other Governmental Funds	General Fund	26,635
Total		<u>\$ 83,490</u>

The payables from General Fund represent the tax revenue collected but not settled until October 2005. The payables from the Agency funds represent errors in posting revenue during the year. The payable from the Solid Waste Fund represents the amount owed for indirect costs paid by the General Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

**B. Advances from/to Other Funds:**

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 9,157
General Fund	Fiduciary Funds	2,999
Total		<u>\$ 12,156</u>

The payables from the Solid Waste Fund represent the amount owed for indirect costs paid by the General Fund in the prior year. The amount payable by the Fiduciary Funds represents errors noted in a prior year audit.

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

**(4) Interfund Transactions and Balances (Continued)**

C. Transfers In/Out

Transfer In	Transfer Out	Amount
General Fund	Countywide Road Maintenance Fund	\$ 114,909
General Fund	Other Governmental Funds	157,836
Countywide Road Maintenance Fund	Other Governmental Funds	14,627
Other Governmental Funds	General Fund	298,481
Other Governmental Funds	Other Governmental Funds	272,289
Total		<u>\$ 858,142</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**(5) Intergovernmental Receivables**

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

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 126,388
Other	<u>37,042</u>
Total Governmental Activities	<u>\$ 163,430</u>

Business-type Activities:

Charges for services	\$ <u>3,827</u>
Total Business-type Activities	<u>\$ 3,827</u>

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

**(6) Capital Assets**

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

Governmental activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets</u>					
Land	\$ 906,633		(287,545)		619,088
Construction in progress	4,038,540	407,711		(4,446,251)	-0-
Total non-depreciable capital assets	<u>4,945,173</u>	<u>407,711</u>	<u>(287,545)</u>	<u>(4,446,251)</u>	<u>619,088</u>
<u>Depreciable capital assets</u>					
Infrastructure	292,079	2,411,608			2,703,687
Buildings	4,613,839		(175,746)		4,438,093
Improvements other than buildings	-0-			4,446,251	4,446,251
Mobile equipment	3,985,469	195,947		242,094	4,423,510
Furniture and equipment	248,787	77,608		60,021	386,416
Leased property under capital leases	1,929,165	125,361		(302,115)	1,752,411
Total depreciable assets	<u>11,069,339</u>	<u>2,810,524</u>	<u>(175,746)</u>	<u>4,446,251</u>	<u>18,150,368</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	19,009	40,706			59,715
Buildings	1,356,441	91,398	(48,602)		1,399,237
Improvements other than buildings	-0-	177,850			177,850
Mobile equipment	2,464,910	383,918		136,327	2,985,155
Furniture and equipment	175,658	41,270		59,421	276,349
Leased property under capital leases	561,285	89,077		(195,748)	454,614
Total accumulated depreciation	<u>4,577,303</u>	<u>824,219</u>	<u>(48,602)</u>	<u>-0-</u>	<u>5,352,920</u>
Total depreciable capital assets, net	<u>6,492,036</u>	<u>1,986,305</u>	<u>(127,144)</u>	<u>4,446,251</u>	<u>12,797,448</u>
Governmental activities capital assets, net	<u>\$ 11,437,209</u>	<u>2,394,016</u>	<u>(414,689)</u>	<u>-0-</u>	<u>13,416,536</u>

The adjustments are due to the reclassification of assets from leased property to either mobile equipment or furniture and equipment.

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

**(6) Capital Assets (Continued)**

Business-type activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Depreciable capital assets</u>					
Mobile equipment	541,633	100,089		75,317	717,039
Leased property under capital leases	75,317			(75,317)	-0-
Total depreciable assets	<u>616,950</u>	<u>100,089</u>	<u>-0-</u>	<u>-0-</u>	<u>717,039</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	436,981	35,061		54,229	526,271
Leased property under capital leases	40,672	13,557		(54,229)	-0-
Total accumulated depreciation	<u>477,653</u>	<u>48,618</u>	<u>-0-</u>	<u>-0-</u>	<u>526,271</u>
Total depreciable capital assets, net	<u>139,297</u>	<u>51,471</u>	<u>-0-</u>	<u>-0-</u>	<u>190,768</u>
Business-type activities capital assets, net	<u>\$ 139,297</u>	<u>51,471</u>	<u>-0-</u>	<u>-0-</u>	<u>190,768</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 105,614
Public safety	232,681
Public works	459,224
Health and welfare	26,700
Total governmental activities depreciation expense	<u>\$ 824,219</u>
Business-type activities:	
Public works	\$ 48,618
Total business-type activities depreciation expense	<u>\$ 48,618</u>

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

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

**(8) Operating Leases**

**As Lessor:**

The county receives income from property it leases under a noncancellable operating lease. Total income from such lease was \$234,957 for the year ended September 30, 2005. The future minimum lease receivables for this leases is as follows:

<u>Year Ended September 30,</u>		<u>Amount</u>
2006	\$	233,453
2007		235,162
2008		234,776
2009		232,395
2010		<u>176,997</u>
Total Minimum Payments Required	\$	<u><u>1,112,783</u></u>

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

**(9) Capital Leases**

**As Lessee:**

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Building	\$ 1,335,000
Mobile equipment	335,685
Furniture and equipment	<u>81,726</u>
Total	1,752,411
Less: Accumulated Depreciation	<u>454,614</u>
Leased Property Under Capital Lease	<u><u>\$ 1,297,797</u></u>

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

	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
Year Ending September 30,		
2006	\$ 194,934	60,588
2007	185,783	47,631
2008	149,412	35,883
2009	146,829	24,688
2010	155,739	12,694
2011-2015		
Total	<u><u>\$ 832,697</u></u>	<u><u>181,484</u></u>

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

**(10) Long-term Debt**

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

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
<b>Governmental Activities</b>			
A. General Obligation Bonds:			
2001 road and bridge	1,645,000	4/5.5	04/01/2016
Series 2003 refunding bonds	1,500,000	1.3/3.55	10/15/2011
2005 road and bridge	2,000,000	3.4	06/01/2015
Total General Obligation Bonds	<u>5,145,000</u>		
B. Capital Leases			
2003 Ford truck	2,073	3.44	01/17/2006
Two 2005 Ford Crown Victorias	27,783	2.89	10/05/2007
2003 Ford Crown Victoria	2,283	3.44	01/17/2006
Two 2004 Ford Crown Victorias	19,298	3.06	03/01/2007
Two 2005 Ford Crown Victorias	33,839	3.47	04/13/2008
2003 Diamond SPEC 4200 dump truck	16,886	3.69	01/17/2008
Case 580M turbo loader/backhoe	8,892	3.67	02/03/2008
John Deere 6420 tractor	7,381	3.19	04/07/2006
2006 Ford F-750 truck	45,036	3.57	06/29/2010
Canon copier	4,257	9.45	01/01/2008
2003 Ford F-750	15,710	3.74	09/05/2007
Nursing home	634,000	8.50	07/01/2010
2003 International 4400 SBA Tanker Chassis	14,823	3.82	10/05/2007
E911 Equipment	436	3.58	09/20/2005
Total Capital Leases	<u>832,697</u>		
C. Other Loans:			
Port Itawamba	30,503	3.00	10/01/2008
Port Commission	547,785	4.75	05/01/2012
Port Development	940,008	0.25	04/18/2003
Peoploungers, Inc.	354,037	2.25	05/05/2013
Peoploungers, Inc.	436,448	3.00	05/01/2018
PSP Project	335,115	4.75	07/01/2017
Port Dredging	146,014	3.00	08/01/2015
Total Other Loans	<u>\$ 2,789,910</u>		

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

**(10) Long-term Debt (Continued)**

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2006	\$ 660,000	166,342	250,484	59,781
2007	525,000	153,632	256,298	53,967
2008	550,000	136,387	262,280	47,986
2009	570,000	118,169	268,481	41,785
2010	460,000	100,601	266,656	35,403
2011-2015	2,190,000	254,011	1,040,292	88,824
2016-2020	190,000	4,038	445,419	8,893
Total	<u>\$ 5,145,000</u>	<u>933,180</u>	<u>2,789,910</u>	<u>336,639</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the amount of outstanding debt was equal to 4.60% 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:

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

**(10) Long-term Debt (Continued)**

	Balance Oct. 1, 2004	Additions	Reductions	Balance Sept. 30, 2005	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 58,992	14,813		73,805	
General obligation bonds	3,325,000	2,000,000	180,000	5,145,000	660,000
Capital leases	932,707	125,361	225,371	832,697	194,934
Other loans	2,867,788	148,514	226,392	2,789,910	250,484
Totals	<u>7,184,487</u>	<u>2,288,688</u>	<u>631,763</u>	<u>8,841,412</u>	<u>1,105,418</u>
Business-type Activities:					
Compensated absences	6,974	1,489		8,463	
Capital leases	4,410		4,410	-0-	
Totals	<u>\$ 11,384</u>	<u>1,489</u>	<u>4,410</u>	<u>8,463</u>	<u>-0-</u>

**(11) Deficit Fund Balances of Individual Funds**

The following funds reported a deficit fund balance at September 30, 2005:

Issue	Deficit Amount
Mantachie Fire District	\$ 479
Itawamba County E911	9,342
Homeland Security	9,762
Port B&I	21
Road & Bridge 2000 Debt	43,832

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

**(12) Contingencies**

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

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

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. As part of a solid waste disposal service agreement between Itawamba County and Three Rivers Solid Waste Management Authority, the county has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The county's pro rata share of the \$5,305,000 refunding bonds balance at September 30, 2005, is \$355,966.

**(13) Joint Venture**

The county participates in the following joint venture:

Itawamba County is a participant with the City of Fulton in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Fulton/Itawamba Airport Authority. The joint venture was created to provide air service to the area. Itawamba County provided no support to the authority during the 2005 fiscal year.

**(14) Jointly Governed Organizations**

The county participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc, and Union and the Cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Itawamba County Board of Supervisors appoints one of the fourteen members of the authority's board. The county did not appropriate any funds for the support of the authority in fiscal year 2005.

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

**(14) Jointly Governed Organizations (Continued)**

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc, and Union. The Itawamba County Board of Supervisors appoints five of the forty members of the district board of directors. The county appropriated \$19,536 for the maintenance and support of the district in fiscal year 2005.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe, and Pontotoc. The Itawamba County Board of Supervisors appoints six of the thirty members of the college board of trustees. The county appropriated \$1,010,634 for the maintenance and support of the college in fiscal year 2005.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe, and Union. The Itawamba County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$16,787 for maintenance and support of the commission in fiscal year 2005.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints two of the twenty-four members of the board of directors. The county appropriated \$4,365 in fiscal year 2005 to the organization.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Itawamba County Board of Supervisors appoints four of the thirty-six members of the board of directors. Itawamba County appropriated \$15,939 for support of the district in fiscal year 2005.

**(15) Defined Benefit Pension Plan**

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

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

**(15) Defined Benefit Pension Plan (Continued)**

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 2002, were \$233,846, \$210,453, and \$204,659, respectively, equal to the required contributions for each year.

**(16) Subsequent Events**

Subsequent to September 30, 2005, Itawamba County borrowed the following amount under the Mississippi Development Bank Loan Program:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
02/02/06	3.84	20,813	Capital lease	General fund revenue
03/01/06	3.59	39,308	Capital lease	General fund revenue
05/18/06	4.00	80,000	Loan	Debt service revenue

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Itawamba 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)
<b>REVENUES</b>				
Property taxes	\$ 2,486,471	2,612,471	2,610,565	(1,906)
Licenses, commissions and other revenue	226,268	250,000	249,721	(279)
Fines and forfeitures	290,000	290,000	277,832	(12,168)
Intergovernmental revenues	830,600	862,000	882,152	20,152
Charges for services	47,100	47,100	48,755	1,655
Use of money	43,000	43,000		(43,000)
Interest income			25,468	25,468
Miscellaneous revenues	64,500	155,000	153,466	(1,534)
Total Revenues	<u>3,987,939</u>	<u>4,259,571</u>	<u>4,247,959</u>	<u>(11,612)</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	2,559,356	2,710,526	2,466,231	244,295
Public safety	994,953	995,232	907,262	87,970
Health and welfare	89,816	105,754	90,113	15,641
Culture and recreation	80,500	80,800	80,622	178
Education		78,404	563	77,841
Conservation of natural resources	76,062	128,511	74,709	53,802
Economic development and assistance	129,591		86,011	(86,011)
<b>Debt service:</b>				
Principal			50,878	(50,878)
Interest			2,819	(2,819)
Total Expenditures	<u>3,930,278</u>	<u>4,099,227</u>	<u>3,759,208</u>	<u>340,019</u>
Excess of Revenues over (under) Expenditures	<u>57,661</u>	<u>160,344</u>	<u>488,751</u>	<u>328,407</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		64,912	63,061	(1,851)
Transfers out			(138,379)	(138,379)
Total Other Financing Sources and Uses	<u>-0-</u>	<u>64,912</u>	<u>(75,318)</u>	<u>(140,230)</u>
Net Change in Fund Balance	57,661	225,256	413,433	188,177
Fund Balances - Beginning	268,052	431,763	845,509	413,746
Fund Balances - Ending	<u>\$ 325,713</u>	<u>657,019</u>	<u>1,258,942</u>	<u>601,923</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	13,438	13,438	-0-
Total Revenues	-0-	13,438	13,438	-0-
EXPENDITURES				
Current:				
Public works		705,000	653,530	51,470
Total Expenditures	-0-	705,000	653,530	51,470
Excess of Revenues over (under) Expenditures	-0-	(691,562)	(640,092)	(51,470)
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term capital debt		2,000,000	2,000,000	-0-
Total Other Financing Sources and Uses	-0-	2,000,000	2,000,000	-0-
Net Change in Fund Balance	-0-	1,308,438	1,359,908	51,470
Fund Balances - Beginning	-0-	-0-	-0-	-0-
Fund Balances - Ending	\$ -0-	1,308,438	1,359,908	51,470

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

Itawamba County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance Fund  
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 565,000	610,000	619,914	9,914
Road and bridge privilege taxes			298,326	298,326
Licenses, commissions and other revenue	215,000	299,500	15,896	(283,604)
Intergovernmental revenues	569,600	614,600	486,187	(128,413)
Interest income	6,000	13,000	11,815	(1,185)
Miscellaneous revenues	25,000	43,000	26,536	(16,464)
Total Revenues	<u>1,380,600</u>	<u>1,580,100</u>	<u>1,458,674</u>	<u>(121,426)</u>
<b>EXPENDITURES</b>				
Current:				
Public works	1,436,822	1,481,822	1,232,873	248,949
Debt service:				
Principal			58,955	(58,955)
Interest			3,404	(3,404)
Total Expenditures	<u>1,436,822</u>	<u>1,481,822</u>	<u>1,295,232</u>	<u>186,590</u>
Excess of Revenues over (under) Expenditures	<u>(56,222)</u>	<u>98,278</u>	<u>163,442</u>	<u>65,164</u>
Net Change in Fund Balance	(56,222)	98,278	163,442	65,164
Fund Balances - Beginning	218,704	423,704	495,749	(72,045)
Fund Balances - Ending	<u>\$ 162,482</u>	<u>521,982</u>	<u>659,191</u>	<u>(137,209)</u>

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

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

**A. Budgetary Information**

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

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

**B. Basis of Presentation**

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

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

**C. Budget/GAAP Reconciliation (Continued)**

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types		
	General Fund	2005 Road and Bridge Fund	Countywide Road Maint. Fund
Budget (Cash Basis)	413,433	1,359,908	163,442
Increase (Decrease)			
Net adjustments for revenue accruals	816,045		119,968
Net adjustments for expenditure accruals	(821,323)	(370,258)	(209,916)
GAAP Basis	<u>408,155</u>	<u>989,650</u>	<u>73,494</u>

**D. Unbudgeted Funds**

The following funds were not budgeted for year ended September 30, 2005:

Special Revenue Fund:

- District 1 Economic District
- District 2 Economic District
- District 3 Economic District
- District 4 Economic District
- District 5 Economic District

The unbudgeted funds are in violation of state law. However, the county has no liability associated with the violation.

## **SPECIAL REPORTS**

**J.E. VANCE & COMPANY, P.A.**  
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**INDEPENDENT AUDITORS' 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  
Itawamba 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 Itawamba County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 1, 2006. 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 Itawamba County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 Itawamba 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, 05-2, and 05-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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 05-1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itawamba 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*.

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

Tupelo, Mississippi  
September 1, 2006

*J E Vance & Company*

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

Members of the Board of Supervisors  
Itawamba County, Mississippi

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

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

## Purchase Clerk

### Finding

Section 31-7-103, Miss. Code Ann. (1972), requires a purchase requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972), and except for purchases of not more than \$100.

We noted the following deviation from adequate controls related to an efficient and effective purchasing system:

Purchasing documents appear to have been prepared after the fact.

### Recommendation

The Purchase Clerk should ensure that purchase orders are properly completed prior to making purchases.

### Purchase Clerk's Response

All purchase orders in the future will be properly completed.

### Auditor's Note

The Purchase Clerk was not given notice of this finding for fiscal year 2004 until after the end of fiscal year 2005. Since being notified of the errors, the Purchase Clerk has corrected the problem.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Itawamba 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 Itawamba 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.

*J.E. Vance & Company*

Tupelo, Mississippi  
September 1, 2006

**Itawamba County**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
**For the Year Ended September 30, 2005**

**Schedule 1**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Emergency Purchase</u>
12/20/2004	Hot mix	\$ 34.00	Bonds Paving Company	32.75	Closer location to destination.
2/22/2005	Truck	28,822.00	Davis Ford Sales, Inc.	26,387.00	Section 31-7018, Miss. Code Ann. (1972)
3/21/2005	Dump truck	47,062.00	Truck Centers, Inc.	46,245.00	Greater resale value

**Itawamba County  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2005**

**Schedule 2**

Our test results did not identify any emergency purchases.

**Itawamba County**  
**Schedule of Purchases Made Noncompetitively from a Sole Source**  
**For the Year Ended September 30, 2005**

**Schedule 3**

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

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**Limited Internal Control and Compliance Review Management Report**

Members of the Board of Supervisors  
Itawamba County, Mississippi

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

In addition, for areas not considered material to Itawamba 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 September 1, 2006, on the financial statements of Itawamba County, Mississippi.

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

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

## Board of Supervisors

### 1. Finding

Section 19-9-9, Miss Code Ann. (1972), requires the Board of Supervisors to levy sufficient taxes to provide for the payment of bonded debt. There were funds that sustained negative cash balances because the levies were not sufficient to pay the yearly principal and interest payments.

#### Recommendation

The Board of Supervisors should increase these levies to provide sufficient funds to pay their yearly obligations.

#### Board of Supervisors' Response

This will be corrected.

### 2. Finding

Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. Many of the employee bonds were written as "continuous" or "indefinite" coverage for the entire period of employment rather than the term of the elected officials. This would limit the amount available for recovery if a loss occurred over multiple elected terms.

#### Recommendation

The Board of Supervisors should ensure that the bonds are corrected.

#### Board of Supervisors' Response

The bonding companies were contacted in prior years; some of the bonds were corrected. Several of the companies reported the only way they could write the bonds were either continuous or indefinite coverage for the entire period of employment. We will continue working to clear this matter up.

3. Finding

Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare a budget for all funds, except Trust and Agency Funds. The county violated this law in the following areas:

- a. As reported in the last four years' audit report, some funds were not budgeted.
- b. The county used budgeted funds in one department to cover expenses in other departments

Recommendation

The Board of Supervisors should adhere to the requirements of Section 19-11-11, Miss. Code Ann. (1972).

Board of Supervisors' Response

The Jail and E911 were sharing employees. From time to time, salaries were switched from one fund to another. This has been stopped and monies allocated to budgeted funds.

Chancery Clerk

1. Finding

Section 19-13-43, Miss. Code Ann. (1972), requires funds to have cash available before checks are written. Checks were written on county funds which did not have sufficient cash balances.

Recommendation

The Chancery Clerk should ensure that no checks are written on funds when cash is not available.

Chancery Clerk's Response

Due to the timing of the debt payment, the certificate of deposit maturity, and approval of the check by the Board of Supervisors, funds are not available in the checking accounts until after the due dates on certain occasions.

2. Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the State Treasurer the responsibility for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. The following discrepancies were noted:

- a. The quarterly report from the State Treasurer was not reconciled to the county's bank records.
- b. Bank officials were not notified when increases in deposits exceeded 25% of the average daily balance.

Recommendation

The Chancery Clerk should ensure the reconciliation function is prepared quarterly and the bank is notified when appropriate.

Chancery Clerk's Response

This problem will be corrected in the future.

3. Finding

Section 27-39-323, Miss. Code Ann. (1972), requires the Chancery Clerk to deposit into a special account excess ad valorem tax collections over and above the 110% cap authorized by Section 27-39-320, Miss. Code Ann. (1972). The Chancery Clerk did not establish a special account even though some levies exceeded the 110% cap.

Recommendation

The Chancery Clerk should deposit into a special account, out of the following year's tax collections, the excess amount over the 110% cap. Further, the excess funds should be calculated into the budget of the county for the next fiscal year. Also, taxes imposed for the year should be reduced by the amount of excess funds available.

Chancery Clerk's Response

The county failed to set up a special account but did escrow an amount and reduced the tax calculation on the next budget year by the amount collected in excess of the 110%.

Tax Collector

Finding

Section 27-9-11, Miss. Code Ann. (1972), requires reporting of all taxes and fees collected during the preceding month to be made on the first day of each month or within 20 days thereafter. The Tax Collector has been late making settlements numerous times during the year.

Recommendation

The Tax Collector should adhere to the requirements of Section 27-9-11, Miss. Code Ann. (1972).

Tax Collector's Response

This will be corrected in the future.

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

Tupelo, Mississippi  
September 1, 2006

*J E Vance & Company*

## **SCHEDULE OF FINDINGS**

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

**Section 1: Summary of Auditors' Results**

**Financial Statements:**

- |   |             |
|---|-------------|
| 1. Type of auditors' report issued on the financial statements:                           | Unqualified |
| 2. Material noncompliance relating to the financial statements?                           | No          |
| 3. Internal control over financial reporting:   |             |
| a. Material weakness(es) identified?  | Yes         |
| b. Reportable conditions identified that are<br>not considered to be material weaknesses? | Yes         |

**Section 2: Financial Statement Findings**

Board of Supervisors

05-1 Finding

Expenditures in amounts material to the financial statements were classified to incorrect accounts. Audit adjustments were made to properly reflect the affected accounts.

Recommendation

The Board of Supervisors should establish procedures to ensure expenditures are properly classified and recorded.

Board of Supervisors' Response

We will correct this in the future.

Auditor's Note

The county was not given notice of this finding for fiscal year 2004 until after the end of fiscal year 2005. Since being notified of the classification errors, the county has corrected this problem.

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

**Section 2: Financial Statement Findings (Continued)**

Tax Collector

05-2 Finding

Audit procedures disclosed a lack of segregation of accounting duties in the Tax Collector's office, thereby subjecting the county to the risk of fraud. The same employee prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements, and disburses all funds.

Recommendation

The Tax Collector should assign cash collections and disbursement functions to other personnel in the office.

Tax Collector's Response

I now handle daily deposits for the county.

Chancery Clerk

05-3 Finding

We noted the following deficiencies in the internal control structure in the Chancery Clerk's office:

- c. Cash journals were not properly maintained. No cash balance was calculated or determined.
- d. Bank statements were not reconciled to the cash journal because a true cash balance is not maintained in the journal. Reconciling bank accounts to transactions recorded in the cash journals is an important control to help prevent the loss of public funds.

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

**Section 2: Financial Statement Findings (Continued)**

Recommendation

The Chancery Clerk should maintain his fee journal in a manner that fulfills requirements prescribed in the *Mississippi County Financial Accounting Manual*. Specifically, a cash balance should be maintained and the monthly bank reconciliations should be reconciled back to the cash balance.

Chancery Clerk's Response

We will contact Gordon Easterling at Three Rivers Planning and Development District to correct this in the future.