



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

**PHIL BRYANT
State Auditor**

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BENTON COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2004**

*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability*

BENTON COUNTY

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BENTON COUNTY

FINANCIAL SECTION

BENTON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Benton County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Benton County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Benton County, Mississippi, as of September 30, 2004, and the respective changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Benton County, Mississippi, as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2005, on our consideration of Benton 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.

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

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 13, 2005

BENTON COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

BENTON COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	<u>Primary Government</u>
	Governmental Activities
ASSETS	
Cash	\$ 1,753,682
Property tax receivable	2,181,741
Accounts receivable (net of allowance for uncollectibles of \$304,253)	140,273
Fines receivable (net of allowance for uncollectibles of \$398,536)	129,989
Intergovernmental receivables	33,772
Other receivables	25,795
Capital assets, net	<u>3,689,029</u>
Total Assets	<u>7,954,281</u>
LIABILITIES	
Claims payable	232,144
Amounts held in custody for others	11,839
Intergovernmental payables	130,259
Deferred revenue	2,190,785
Long-term liabilities	
Due within one year:	
Capital debt	81,565
Due in more than one year:	
Capital debt	<u>165,955</u>
Total Liabilities	<u>2,812,547</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,441,509
Restricted:	
Expendable:	
General government	171,709
Public safety	273,309
Public works	544,715
Unrestricted	<u>710,492</u>
Total Net Assets	<u>\$ 5,141,734</u>

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

BENTON COUNTY
Statement of Activities
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,025,938	361,979	73,510		(1,590,449)
Public safety	900,971	67,283	71,893		(761,795)
Public works	717,739	215,561	666,920	34,587	199,329
Health and welfare	72,519		21,844		(50,675)
Culture and recreation	97,317		47,623		(49,694)
Conservation of natural resources	56,540				(56,540)
Economic development and assistance	102,244			95,244	(7,000)
Interest on long-term debt	9,051				(9,051)
Total Governmental Activities	\$ 3,982,319	644,823	881,790	129,831	(2,325,875)
General revenues:					
Property taxes				\$ 1,940,995	
Road & bridge privilege taxes				95,065	
Grants and contributions not restricted to specific programs				174,728	
Unrestricted interest income				31,029	
Miscellaneous				66,685	
Total General Revenues				2,308,502	
Changes in Net Assets				(17,373)	
Net Assets - Beginning				5,314,603	
Prior period adjustment				(155,496)	
Net Assets - Beginning, as restated				5,159,107	
Net Assets - Ending				\$ 5,141,734	

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

BENTON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2004

Exhibit 3

	Major Funds				
	General Fund	Waste Disposal Fund	Road and Bridge Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 832,127	104,912	358,125	458,518	1,753,682
Property tax receivable	1,657,682	152,995	277,749	93,315	2,181,741
Accounts receivable (net of allowance for uncollectibles of \$304,253)		140,273			140,273
Fines receivable (net of allowance for uncollectibles of \$398,536)	129,989				129,989
Intergovernmental receivables	33,772				33,772
Other receivables	5,228	15,002		5,565	25,795
Due from other funds		979	13,005	2,229	16,213
Total Assets	<u>\$ 2,658,798</u>	<u>414,161</u>	<u>648,879</u>	<u>559,627</u>	<u>4,281,465</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 132,313	24,643	53,894	21,294	232,144
Amounts held in custody for others	11,839				11,839
Intergovernmental payables	130,259				130,259
Due to other funds	16,213				16,213
Deferred revenue	1,787,671	302,312	277,749	93,315	2,461,047
Total Liabilities	<u>2,078,295</u>	<u>326,955</u>	<u>331,643</u>	<u>114,609</u>	<u>2,851,502</u>
Fund balances:					
Unreserved, reported in:					
General Fund	580,503				580,503
Special Revenue Funds		87,206	317,236	445,018	849,460
Total Fund Balances	<u>580,503</u>	<u>87,206</u>	<u>317,236</u>	<u>445,018</u>	<u>1,429,963</u>
Total Liabilities and Fund Balances	<u>\$ 2,658,798</u>	<u>414,161</u>	<u>648,879</u>	<u>559,627</u>	<u>4,281,465</u>

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

BENTON COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,429,963
Amounts reported for governmental services in the Statement of Net Assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$2,384,515.	3,689,029
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	270,262
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(247,520)</u>
Total Net Assets - Governmental Activities	<u>\$ 5,141,734</u>

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

BENTON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2004

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Waste Disposal Fund	Road and Bridge Maintenance Fund		
REVENUES					
Property taxes	\$ 1,536,814	46,592	259,184	98,405	1,940,995
Road and bridge privilege taxes			95,065		95,065
Licenses, commissions and other revenue	132,255			3,538	135,793
Fines and forfeitures	150,030				150,030
Intergovernmental revenues	407,132		609,600	169,617	1,186,349
Charges for services	12,978	206,174		55,527	274,679
Interest income	16,186	1,874	12,677	292	31,029
Miscellaneous revenues	56,531		6,224		62,755
Total Revenues	<u>2,311,926</u>	<u>254,640</u>	<u>982,750</u>	<u>327,379</u>	<u>3,876,695</u>
EXPENDITURES					
Current:					
General government	1,888,954			116,583	2,005,537
Public safety	714,635			139,098	853,733
Public works		268,807	1,010,521		1,279,328
Health and welfare	68,539				68,539
Culture and recreation	79,703				79,703
Conservation of natural resources	56,540				56,540
Economic development and assistance	7,000			95,244	102,244
Debt service:					
Principal	16,966		57,439		74,405
Interest	3,643		5,408		9,051
Total Expenditures	<u>2,835,980</u>	<u>268,807</u>	<u>1,073,368</u>	<u>350,925</u>	<u>4,529,080</u>
Excess of Revenues over (under) Expenditures	<u>(524,054)</u>	<u>(14,167)</u>	<u>(90,618)</u>	<u>(23,546)</u>	<u>(652,385)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued			79,592		79,592
Proceeds from sale of capital assets	50,149		8,226		58,375
Total Other Financing Sources and Uses	<u>50,149</u>	<u>0</u>	<u>87,818</u>	<u>0</u>	<u>137,967</u>
Net Changes in Fund Balances	<u>(473,905)</u>	<u>(14,167)</u>	<u>(2,800)</u>	<u>(23,546)</u>	<u>(514,418)</u>
Fund Balances - Beginning	<u>1,054,408</u>	<u>101,373</u>	<u>320,036</u>	<u>468,564</u>	<u>1,944,381</u>
Fund Balances - Ending	<u>\$ 580,503</u>	<u>87,206</u>	<u>317,236</u>	<u>445,018</u>	<u>1,429,963</u>

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

BENTON COUNTY
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2004

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (514,418)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$762,812 exceeded depreciation of \$268,336 in the current period.	494,476
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$18,190, and the proceeds from the sale of \$58,375 in the current period.	(76,565)
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.	82,803
Solid waste 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.	1,518
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$79,592 exceeded debt repayments of \$74,405.	<u>(5,187)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (17,373)</u></u>

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

BENTON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 8,735
Other receivables	846
Total Assets	<u>\$ 9,581</u>
LIABILITIES	
Amounts held in custody for others	\$ 1,648
Intergovernmental payables	7,933
Total Liabilities	<u>\$ 9,581</u>

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

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Benton 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 Benton County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

- Lt. General Robert M. Bond Memorial Public Library

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and 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.

Waste Disposal Fund - This fund is used to account for monies from specific revenue sources that are restricted for solid waste disposal.

Road and Bridge Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road and bridge maintenance.

BENTON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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.

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 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

H. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Benton 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.

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

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

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

I. Long-term Liabilities.

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

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

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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.

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. The county had no reserved fund balances.

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.

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct errors in prior year accumulated depreciation amounts	\$ <u><u>(155,496)</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$1,762,417, and the bank balance was \$2,094,103. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Waste Disposal	General	\$ 979
Road and Bridge Maintenance	General	13,005
Other Governmental Funds	General	<u>2,229</u>
Total		\$ <u><u>16,213</u></u>

The receivables represent the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004, consisted of the following:

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 30,735
Reimbursement for food stamps/welfare	2,317
Reimbursement for housing prisoners	720
Total Governmental Activities	\$ 33,772

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

Governmental activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 105,430		65,000		40,430
Construction in progress		15,763			15,763
Total non-depreciable capital assets	105,430	15,763	65,000	0	56,193
<u>Depreciable capital assets:</u>					
Infrastructure	843,193	586,607			1,429,800
Buildings	2,065,103				2,065,103
Improvements other than buildings	84,184				84,184
Mobile equipment	1,884,329	46,249	115,652	150,299	1,965,225
Furniture and equipment	170,490	49,593			220,083
Leased property under capital leases	338,655	64,600		(150,299)	252,956
Total depreciable capital assets	5,385,954	747,049	115,652	0	6,017,351
<u>Less accumulated depreciation for:</u>					
Infrastructure	22,505	39,383			61,888
Buildings	533,524	34,942			568,466
Improvements other than buildings	22,397	3,367			25,764

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
Mobile equipment	1,230,903	132,821	104,087	251,206	1,510,843
Furniture and equipment	113,949	32,618		(779)	145,788
Leased property under capital leases	141,492	25,205		(94,931)	71,766
Total accumulated depreciation	<u>2,064,770</u>	<u>268,336</u>	<u>104,087</u>	<u>155,496</u>	<u>2,384,515</u>
Total depreciable capital assets, net	<u>3,321,184</u>	<u>478,713</u>	<u>11,565</u>	<u>(155,496)</u>	<u>3,632,836</u>
Governmental activities capital assets, net	<u>\$ 3,426,614</u>	<u>494,476</u>	<u>76,565</u>	<u>(155,496)</u>	<u>3,689,029</u>

* These adjustments are to reclassify paid out capital leases and to correct prior year errors in accumulated depreciation.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 54,994
Public safety	77,542
Public works	114,206
Health and welfare	3,980
Culture and recreation	<u>17,614</u>
Total governmental activities depreciation expense	<u>\$ 268,336</u>

(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 \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(8) Operating Leases.

As Lessee:

The county has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$3,708 for the year ended September 30, 2004. The future minimum lease payment for these leases is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2005	\$ <u><u>2,940</u></u>

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

<u>Class of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 252,956
Less: Accumulated depreciation	<u>71,766</u>
Leased Property Under Capital Leases	\$ <u><u>181,190</u></u>

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 49,091	3,897
2006	51,995	1,428
2007	16,737	335
2008	<u>2,493</u>	<u>14</u>
Total	\$ <u><u>120,316</u></u>	<u><u>5,674</u></u>

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(10) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Equipment Note:			
Ford 655C backhoe	\$ <u>14,992</u>	3.50	06-2005
B. Capital Leases:			
2000 International 4700 dump truck	\$ 4,898	5.33	03-2005
1999 Komatsu WA-180 wheel loader	39,737	5.24	01-2006
Mack truck with Palmer dump body	19,916	4.27	10-2004
1997 Komatsu WA-180-1 rubber tire loader	30,846	3.35	12-2007
2004 ½ ton 4-door Ford F-150 truck	<u>24,919</u>	2.52	06-2007
Total Capital Leases	\$ <u>120,316</u>		
C. Other Loans:			
Capital improvements revolving loan	\$ 25,867	3.00	12-2008
Capital improvements revolving loan	42,091	3.00	08-2011
Capital improvements revolving loan	<u>44,254</u>	3.00	05-2011
Total Other Loans	\$ <u>112,212</u>		

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>Equipment Notes</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 14,992	525	17,482	3,127
2006			18,014	2,596
2007			18,561	2,048
2008			19,126	1,483
2009			15,422	939
2010 - 2014			<u>23,607</u>	<u>641</u>
Total	\$ <u>14,992</u>	<u>525</u>	<u>112,212</u>	<u>10,834</u>

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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, 2004, the amount of outstanding debt was equal to 0.04% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
Equipment notes	\$	14,992			14,992	14,992
Capital leases	113,155	64,600	57,439		120,316	49,091
Other loans	129,178		16,966		112,212	17,482
	<u>242,333</u>	<u>79,592</u>	<u>74,405</u>	<u>0</u>	<u>247,520</u>	<u>81,565</u>
Total	\$ <u>242,333</u>	<u>79,592</u>	<u>74,405</u>	<u>0</u>	<u>247,520</u>	<u>81,565</u>

(11) Contingencies.

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

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

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

The Northwest Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc and Union. The Benton County Board of Supervisors appoints one of the seven members of the board of commissioners. The county did not appropriate any funds for the maintenance and support of the commission in fiscal year 2004.

The Northeast Mississippi Planning and Development District operates in a district composed of the Counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The Benton County Board of Supervisors appoints four of the 24 members of the board of directors. The county appropriated \$6,000 for the maintenance and support of the district in fiscal year 2004.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Benton County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$98,900 for maintenance and support of the college in fiscal year 2004.

BENTON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

The Northeast Mississippi Regional Solid Waste Authority provides solid waste services to the Counties of Benton, Prentiss and Tippah along with the Cities of Ashland, Booneville and Ripley. Currently, Benton County does not receive any direct services from the authority, but rather contracts with a private firm for the collection of solid waste. The authority prepared a five-year solid waste plan for the county. Each member of the authority appoints one member of the six-member commission. The county did not appropriate any funds to the authority in fiscal year 2004.

United Community Action Commission, Inc. was created as a nonprofit organization pursuant to federal community action legislation in the mid-1960's. The commission is governed by a 21-member board, seven of whom are appointed by the Benton County Board of Supervisors. Most of the commission's operating revenue comes from federal sources. The county appropriated \$8,500 to the commission in fiscal year 2004.

(13) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% 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, 2004, 2003 and 2002 were \$129,220, \$121,522 and \$108,919, respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2004, Benton County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/06/2004	3.23	\$ 66,000	Lease purchase	Ad valorem taxes

BENTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

BENTON COUNTY

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BENTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,666,944	1,532,059	1,532,059	
Road and bridge privilege taxes	1,200	751	751	
Licenses, commissions and other revenue	122,891	130,170	130,170	
Fines and forfeitures	140,890	141,203	141,203	
Intergovernmental revenues	394,839	560,242	560,242	
Interest income	35,610	15,986	15,986	
Miscellaneous revenues	30,700	108,529	108,529	
Total Revenues	<u>2,393,074</u>	<u>2,488,940</u>	<u>2,488,940</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,300,953	2,101,613	2,101,613	
Public safety	646,935	715,605	715,605	
Public works	93,672			
Health and welfare		63,848	63,848	
Culture and recreation	74,025	74,025	74,025	
Conservation of natural resources	53,993	49,916	49,916	
Economic development and assistance	6,000	6,000	6,000	
Total Expenditures	<u>3,175,578</u>	<u>3,011,007</u>	<u>3,011,007</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(782,504)</u>	<u>(522,067)</u>	<u>(522,067)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		50,149	50,149	
Compensation for loss of capital assets		21,300	21,300	
Total Other Financing Sources and Uses	<u>0</u>	<u>71,449</u>	<u>71,449</u>	<u>0</u>
Net Change in Fund Balance	(782,504)	(450,618)	(450,618)	0
Fund Balances - Beginning	<u>853,798</u>	<u>1,173,880</u>	<u>1,173,880</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 71,294</u>	<u>723,262</u>	<u>723,262</u>	<u>0</u>

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

BENTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Waste Disposal Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 48,500	46,543	46,543	
Charges for services	193,000	209,591	209,591	
Interest income	2,647	1,874	1,874	
Total Revenues	<u>244,147</u>	<u>258,008</u>	<u>258,008</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>275,000</u>	<u>266,133</u>	<u>266,133</u>	
Total Expenditures	<u>275,000</u>	<u>266,133</u>	<u>266,133</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(30,853)</u>	<u>(8,125)</u>	<u>(8,125)</u>	<u>0</u>
Net Change in Fund Balance	(30,853)	(8,125)	(8,125)	0
Fund Balances - Beginning	<u>41,250</u>	<u>113,037</u>	<u>113,037</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 10,397</u>	<u>104,912</u>	<u>104,912</u>	<u>0</u>

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

BENTON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road and Bridge Maintenance Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 244,987	258,429	258,429	
Licenses, commissions and other revenue	91,172	94,249	94,249	
Intergovernmental revenues	609,826	626,711	626,711	
Interest income	6,410	3,921	3,921	
Miscellaneous revenues		23,206	23,206	
Total Revenues	<u>952,395</u>	<u>1,006,516</u>	<u>1,006,516</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	945,368	1,079,594	1,080,044	(450)
Total Expenditures	<u>945,368</u>	<u>1,079,594</u>	<u>1,080,044</u>	<u>(450)</u>
Excess of Revenues over (under) Expenditures	<u>7,027</u>	<u>(73,078)</u>	<u>(73,528)</u>	<u>(450)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		79,592	79,592	
Total Other Financing Sources and Uses	<u>0</u>	<u>79,592</u>	<u>79,592</u>	<u>0</u>
Net Change in Fund Balance	7,027	6,514	6,064	(450)
Fund Balances - Beginning	<u>365,364</u>	<u>352,061</u>	<u>352,061</u>	
Fund Balances - Ending	<u>\$ 372,391</u>	<u>358,575</u>	<u>358,125</u>	<u>(450)</u>

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

BENTON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Waste Disposal</u>	<u>Road & Bridge Maintenance</u>
Budget (Cash Basis)	\$ (450,618)	(8,125)	6,064
Increase (Decrease)			
Net adjustments for revenue accruals	124,616	71,913	17,222
Net adjustments for expenditure accruals	<u>(147,903)</u>	<u>(77,955)</u>	<u>(26,086)</u>
GAAP Basis	<u>\$ (473,905)</u>	<u>(14,167)</u>	<u>(2,800)</u>

BENTON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2004:

<u>Fund</u>	<u>Excess</u>
Special Revenue Fund:	
Road and Bridge Maintenance	\$ 450

The Road and Bridge Maintenance Fund is in violation of Section 9-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with this violation.

BENTON COUNTY

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BENTON COUNTY

SPECIAL REPORTS

BENTON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Benton County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements, and have issued our report thereon dated May 13, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Benton County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Benton County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 04-1.

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

Compliance and Other Matters

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

However, we noted certain instances of noncompliance or other matters which we have reported to the management of Benton County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated May 13, 2005, included within this document.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 13, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Benton County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Benton County, Mississippi, as of and for the year ended September 30, 2004. 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 Benton 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 Benton 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 findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. 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. Section 31-7-57(2), Miss. Code Ann. (1972), states that the Board of Supervisors may not ratify any purchase or pay for the same out of county funds unless said purchase was made in the manner provided by law. Out of 25 payments tested, the Board of Supervisors approved payments for two invoices that did not have the required purchasing documents and one invoice that was dated prior to the purchase requisition and purchase order dates.

Recommendation

The Board of Supervisors should establish corrective policy and procedures to ensure that all purchases are made in accordance with the central purchasing system laws. The Board of Supervisors should carefully review all claims presented to them for approval and should not approve payment for any purchases which are not made in the manner provided by law.

Board of Supervisors' Response

The Board has informed all department heads to comply with the purchasing procedure. The Board is reviewing all claims to ensure they are purchased according to the state purchase law.

Purchase Clerk.

2. 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 deviations from adequate controls related to an efficient and effective purchasing system:

- a. Some purchase requisitions were not prepared by the respective department heads.
- b. Some purchase requisitions and purchase orders did not have detailed descriptions or specific unit amounts.
- c. Some purchasing documents appear to have been prepared after the fact, as evidenced by the dates on the documents.

Recommendation

The Purchase Clerk should ensure that a properly completed and signed requisition is present prior to preparing a purchase order. He should also ensure that purchase orders are completed with sufficient detail and specific quantities and unit prices prior to making the purchase.

Purchase Clerk's Response

All department heads are now preparing requisitions for the Purchase Clerk or assistant purchase clerk to order requested supplies.

Receiving Clerk.

3. Finding

Section 31-7-109, Miss. Code Ann. (1972), states the requirements of the county receiving system. Some receiving reports were not prepared and delivered to the Purchase Clerk within three days after receipt of the merchandise.

Recommendation

The Receiving Clerk or an assistant who actually receives the material should properly prepare the receiving report at the time of receipt and that receiving report should be delivered to the Purchase Clerk no later than noon on the third regular business day after receipt.

Receiving Clerk's Response

The receiving will be done on a more timely basis and reports given to the Purchase Clerk within the three-day requirement.

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



PHIL BRYANT
State Auditor



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

May 13, 2005

BENTON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

Schedule 1

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

BENTON COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2004

Schedule 2

Our test results did not identify any emergency purchases.

BENTON COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
030/9/2004	Raytheon ACU-1000 Modular Interconnect System	\$ 24,998	Motorola

BENTON COUNTY

SCHEDULE OF FINDINGS

BENTON COUNTY

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BENTON COUNTY

Schedule of Findings
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

Tax Assessor-Collector.

04-1. Finding

Controls were inadequate over cash. The Tax Assessor-Collector is not properly maintaining the cash journal. The cash journal is not being kept daily. On December 14, 2004, the cash journal had not been posted since November 9, 2004. The cash journal is not posted in chronological order. The legislative credit receivable is not posted to the cash journal on a daily basis. The Tax Assessor-Collector is also not making timely deposits.

Recommendation

The Tax Assessor-Collector should ensure that the cash journal is properly posted in a timely manner to ensure that all collections are properly accounted for. She should also ensure that deposits are made in a timely manner.

Tax Collector's Response

I will do my best to comply and to keep the journal up to date.