



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

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SHARKEY 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*

SHARKEY COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR'S REPORT 3

PRIMARY GOVERNMENT FINANCIAL STATEMENTS 5

 Statement of Net Assets 6

 Statement of Activities 7

 Balance Sheet - Governmental Funds 8

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 9

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds 10

 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities 11

 Statement of Fiduciary Assets and Liabilities 12

 Notes to Financial Statements 13

REQUIRED SUPPLEMENTARY INFORMATION 25

 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund 27

 Notes to the Required Supplementary Information 28

SPECIAL REPORTS 31

 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* 33

 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)) 35

SCHEDULE OF FINDINGS 41

SHARKEY COUNTY

FINANCIAL SECTION

SHARKEY 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
Sharkey County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Sharkey 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.

As discussed in Note 1(H) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the capital assets reported on the Statement of Net Assets at \$7,829,433, as of September 30, 2004. Also, management has not maintained depreciation schedules or reported depreciation expense on the capital assets. Accounting principles generally accepted in the United States of America require that capital assets be depreciated which would decrease the assets and increase the expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

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

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of Sharkey 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 September 28, 2005, on our consideration of Sharkey County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Sharkey 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 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.



PHIL BRYANT
State Auditor



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

September 28, 2005

SHARKEY COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

SHARKEY COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

| | Primary Government |
|--|------------------------------------|
| | <u>Governmental Activities</u> |
| ASSETS | |
| Cash | \$ 1,033,393 |
| Property tax receivable | 1,819,350 |
| Accounts receivable (net of allowance for uncollectibles of \$48,077) | 160,955 |
| Fines receivable (net of allowance for uncollectibles of \$45,956) | 183,721 |
| Loans receivable | 4,103 |
| Intergovernmental receivables | 21,821 |
| Other receivables | 11,726 |
| Capital assets | <u>7,829,433</u> |
| Total Assets | <u>11,064,502</u> |
| LIABILITIES | |
| Claims payable | 77,403 |
| Amounts held in custody for others | 260 |
| Intergovernmental payables | 36,187 |
| Accrued interest payable | 12,462 |
| Deferred revenue | 1,819,350 |
| Long-term liabilities | |
| Due within one year: | |
| Capital debt | 292,217 |
| Non-capital debt | 155,186 |
| Due in more than one year: | |
| Capital debt | 720,668 |
| Non-capital debt | <u>335,000</u> |
| Total Liabilities | <u>3,448,733</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 6,816,548 |
| Restricted: | |
| Expendable: | |
| Debt service | 29,382 |
| Public safety | 120,074 |
| Public works | 655,430 |
| Health and welfare | 145 |
| Culture and recreation | 17,991 |
| Economic development | 32,642 |
| Other purposes | 4,103 |
| Unrestricted | <u>(60,546)</u> |
| Total Net Assets | <u>\$ 7,615,769</u> |

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

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

Exhibit 2

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and |
|--|--------------|----------------------|------------------------------------|----------------------------------|---------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Changes in Net Assets |
| | | | | | <u>Primary Government</u> |
| | | | | | Governmental Activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 1,178,011 | 108,473 | 3,000 | | (1,066,538) |
| Public safety | 463,172 | 36,496 | 12,099 | | (414,577) |
| Public works | 1,198,764 | 131,557 | 611,109 | 287,090 | (169,008) |
| Health and welfare | 360,339 | | 113,985 | | (246,354) |
| Culture and recreation | 69,734 | | | | (69,734) |
| Conservation of natural resources | 35,913 | | | | (35,913) |
| Economic development and assistance | 209,674 | | | 27,844 | (181,830) |
| Interest on long-term debt | 85,515 | | | | (85,515) |
| Total Governmental Activities | \$ 3,601,122 | 276,526 | 740,193 | 314,934 | (2,269,469) |
| General revenues: | | | | | |
| Property taxes | | | | \$ 2,036,596 | |
| Road & bridge privilege taxes | | | | 51,945 | |
| Grants and contributions not restricted to specific programs | | | | 216,567 | |
| Unrestricted interest income | | | | 15,411 | |
| Miscellaneous | | | | 86,586 | |
| Total General Revenues | | | | 2,407,105 | |
| Changes in Net Assets | | | | | 137,636 |
| Net Assets - Beginning | | | | | 7,478,133 |
| Net Assets - Ending | | | | | \$ 7,615,769 |

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

SHARKEY COUNTY
Balance Sheet - Governmental Funds
September 30, 2004

Exhibit 3

| | <u>Major Fund</u> | | |
|--|---------------------|------------------|------------------|
| | General | Other | Total |
| | Fund | Governmental | Governmental |
| | <u>Fund</u> | <u>Funds</u> | <u>Funds</u> |
| ASSETS | | | |
| Cash | \$ 155,646 | 877,747 | 1,033,393 |
| Property tax receivable | 1,298,287 | 521,063 | 1,819,350 |
| Accounts receivable (net of allowance for uncollectibles of \$48,077) | | 160,955 | 160,955 |
| Fines receivable (net of allowance for uncollectibles of \$45,956) | 183,721 | | 183,721 |
| Loans receivable | | 4,103 | 4,103 |
| Intergovernmental receivables | 21,821 | | 21,821 |
| Other receivables | 1,726 | 10,000 | 11,726 |
| Due from other funds | | 7,886 | 7,886 |
| Advances to other funds | | 21,248 | 21,248 |
| Total Assets | <u>\$ 1,661,201</u> | <u>1,603,002</u> | <u>3,264,203</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities: | | | |
| Claims payable | \$ 38,648 | 38,755 | 77,403 |
| Amounts held in custody for others | 260 | | 260 |
| Intergovernmental payables | 34,451 | | 34,451 |
| Due to other funds | 9,622 | | 9,622 |
| Advances from other funds | 21,248 | | 21,248 |
| Deferred revenue | <u>1,482,008</u> | <u>682,018</u> | <u>2,164,026</u> |
| Total Liabilities | <u>1,586,237</u> | <u>720,773</u> | <u>2,307,010</u> |
| Fund balances: | | | |
| Reserved for: | | | |
| Debt service | | 41,844 | 41,844 |
| Loans receivable | | 4,103 | 4,103 |
| Advances | | 21,248 | 21,248 |
| Non-current receivable | | 10,000 | 10,000 |
| Unreserved, reported in: | | | |
| General Fund | 74,964 | | 74,964 |
| Special Revenue Funds | | 805,034 | 805,034 |
| Total Fund Balances | <u>74,964</u> | <u>882,229</u> | <u>957,193</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,661,201</u> | <u>1,603,002</u> | <u>3,264,203</u> |

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

SHARKEY COUNTY

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

Exhibit 3-1

| | <u>Amount</u> |
|--|---------------------|
| Total Fund Balance - Governmental Funds | \$ 957,193 |
| Amounts reported for governmental services in the Statement of Net Assets are different because: | |
| Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds. | 7,829,433 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 344,676 |
| Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds. | (1,503,071) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | <u>(12,462)</u> |
| Total Net Assets - Governmental Activities | <u>\$ 7,615,769</u> |

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

SHARKEY COUNTY

Exhibit 4

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

| | <u>Major Fund</u> | Other | Total |
|---|-------------------|------------------|------------------|
| | General | Governmental | Governmental |
| | Fund | Funds | Funds |
| REVENUES | | | |
| Property taxes | \$ 1,424,437 | 612,159 | 2,036,596 |
| Road and bridge privilege taxes | | 51,945 | 51,945 |
| Licenses, commissions and other revenue | 60,286 | 1,695 | 61,981 |
| Fines and forfeitures | 57,482 | 1,680 | 59,162 |
| Intergovernmental revenues | 209,819 | 1,061,875 | 1,271,694 |
| Charges for services | 13,235 | 176,063 | 189,298 |
| Interest income | 15,411 | | 15,411 |
| Miscellaneous revenues | 41,005 | 45,581 | 86,586 |
| Total Revenues | <u>1,821,675</u> | <u>1,950,998</u> | <u>3,772,673</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General government | 1,178,011 | | 1,178,011 |
| Public safety | 445,166 | 18,006 | 463,172 |
| Public works | | 1,198,764 | 1,198,764 |
| Health and welfare | 148,834 | 211,505 | 360,339 |
| Culture and recreation | 3,742 | 65,992 | 69,734 |
| Conservation of natural resources | 35,913 | | 35,913 |
| Economic development and assistance | 2,266 | 207,408 | 209,674 |
| Debt service: | | | |
| Principal | 1,347 | 318,414 | 319,761 |
| Interest | 488 | 72,565 | 73,053 |
| Total Expenditures | <u>1,815,767</u> | <u>2,092,654</u> | <u>3,908,421</u> |
| Excess of Revenues over (under) Expenditures | <u>5,908</u> | <u>(141,656)</u> | <u>(135,748)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Long-term non-capital debt issued | | 30,000 | 30,000 |
| Total Other Financing Sources and Uses | <u>0</u> | <u>30,000</u> | <u>30,000</u> |
| Net Changes in Fund Balances | <u>5,908</u> | <u>(111,656)</u> | <u>(105,748)</u> |
| Fund Balances - Beginning | <u>69,056</u> | <u>993,885</u> | <u>1,062,941</u> |
| Fund Balances - Ending | <u>\$ 74,964</u> | <u>882,229</u> | <u>957,193</u> |

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

SHARKEY COUNTY

Exhibit 4-1

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

| | <u>Amount</u> |
|---|-------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ (105,748) |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| 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. | (7,100) |
| Solid waste fee 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. | (26,815) |
| 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 repayments of \$319,761 exceeded debt proceeds of \$30,000. | 289,761 |
| 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 the amount of increase in accrued interest payable. | <u>(12,462)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 137,636</u> |

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

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

Exhibit 5

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 117,319 |
| Due from other funds | 1,736 |
| Total Assets | <u>\$ 119,055</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 41,739 |
| Intergovernmental payables | 77,316 |
| Total Liabilities | <u>\$ 119,055</u> |

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

SHARKEY COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Sharkey-Issaquena Community Hospital
- Sharkey-Issaquena 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.

SHARKEY 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 Fund:

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

SHARKEY 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 that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

FIDUCIARY FUND 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." 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.

SHARKEY 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. However, the capital assets amount reported on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets, adequate records documenting the county's infrastructure, or records documenting depreciation on applicable assets. 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. Sharkey 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. Also, general infrastructure assets acquired subsequent to October 1, 2002, are not reported on the government-wide financial statements, because the county did not maintain adequate records documenting the value of the county's infrastructure.

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.

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 - Since depreciation of capital assets is not recorded in governmental activities, invested in capital assets, net of related debt in governmental activities consists of capital assets including restricted capital assets reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction 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."

SHARKEY COUNTY

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

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.

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 benefits; however, adequate records are not maintained for determining the amount of the liability. Therefore, no liability is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe the effects of the unrecorded liability on the financial statements are immaterial.

SHARKEY COUNTY

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

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$1,150,712, and the bank balance was \$1,195,078. 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.

(3) 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> |
|--------------------------|---------------------|------------------------|
| Other Governmental Funds | General | \$ 7,886 |
| Agency Funds | General | <u>1,736</u> |
| Total | | \$ <u><u>9,622</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.

B. Advances from/to Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|---------------------|-------------------------|
| Other Governmental Funds | General | \$ <u><u>21,248</u></u> |

The General Fund payable represents the correction of an error.

(4) Intergovernmental Receivables.

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

| <u>Description</u> | <u>Amount</u> |
|---|-------------------------|
| Governmental Activities: | |
| Legislative tag credit | \$ 21,121 |
| Reimbursement for housing state prisoners | <u>700</u> |
| Total Governmental Activities | \$ <u><u>21,821</u></u> |

SHARKEY COUNTY

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

(5) Loans Receivable.

Loans receivable is comprised of \$4,103 of funds due from homeowners. The origin of these funds was provided by a federal grant to improve living conditions in impoverished areas.

(6) Capital Assets.

The capital assets balances at September 30, 2004, are as follows:

Governmental activities:

| | Balance <u>Sept. 30, 2004</u> |
|---|----------------------------------|
| <u>Non-depreciable capital assets:</u> | |
| Land | \$ <u>82,638</u> |
| <u>Depreciable capital assets:</u> | |
| Land and buildings | 5,330,252 |
| Mobile equipment | 1,709,387 |
| Furniture and equipment | 245,341 |
| Leased property under capital leases | <u>461,815</u> |
| Total depreciable capital assets | <u>7,746,795</u> |
| Governmental activities assets | \$ <u><u>7,829,433</u></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.

SHARKEY COUNTY

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

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$22,126 for the year ended September 30, 2004. The future minimum lease receivables for these leases are as follows:

| <u>Year Ended September 30</u> | <u>Amount</u> |
|---------------------------------|------------------|
| 2005 | \$ 22,126 |
| 2006 | <u>22,126</u> |
| Total Minimum Payments Required | <u>\$ 44,252</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>Classes of Property</u> | <u>Governmental Activities</u> |
|--------------------------------------|------------------------------------|
| Mobile equipment | \$ 672,782 |
| Other furniture and equipment | <u>7,115</u> |
| Leased Property Under Capital Leases | <u>\$ 679,897</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 | \$ 238,950 | 14,109 |
| 2006 | 54,592 | 5,764 |
| 2007 | 114,767 | 2,916 |
| 2008 | <u>2,693</u> | <u>16</u> |
| Total | <u>\$ 411,002</u> | <u>22,805</u> |

SHARKEY 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. General Obligation Bonds: | | | |
| Courthouse renovation bonds | \$ <u>410,000</u> | 3.20% | 02-08 |
| B. Capital Leases: | | | |
| Xerox digital copier | \$ 3,902 | 10.50% | 02-07 |
| Caterpillar motor grader | 82,525 | 5.85% | 05-05 |
| Massey Ferguson tractor | 18,400 | 4.30% | 05-07 |
| Case 580L backhoe | 2,645 | 5.10% | 11-04 |
| Dodge Ram truck | 7,430 | 6.48% | 06-06 |
| Motor grader | 117,243 | 4.05% | 05-07 |
| Caterpillar motor grader | 93,294 | 5.60% | 02-05 |
| 2 Palmer TA24H dump trailers | 26,591 | 4.09% | 10-07 |
| 2003 GMC pickup truck | 9,571 | 3.91% | 12-07 |
| New Holland TL100 cab tractor | 20,282 | 3.89% | 01-07 |
| 1999 International 490 truck | 11,806 | 3.45% | 05-06 |
| 2003 Witzco Lowboy semi-trailer | 12,237 | 4.09% | 12-07 |
| 1994 International 920 truck | <u>5,076</u> | 4.45% | 10-04 |
| Total Capital Leases | \$ <u>411,002</u> | | |
| C. Other Loans: | | | |
| Capital improvement loan - Stonecraft project | \$ 601,883 | 4.00% | 02-14 |
| Working capital loan - District 5 | 10,186 | 5.75% | 09-05 |
| Working capital loan - District 4 | 40,000 | 5.75% | 09-05 |
| Working capital loan - District 3 | <u>30,000</u> | 5.75% | 08-07 |
| Total Other Loans | \$ <u>682,069</u> | | |

SHARKEY COUNTY

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

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

Governmental Activities:

| <u>Year Ending September 30</u> | <u>General Obligation Bonds</u> | | <u>Other Loans</u> | |
|---------------------------------|---------------------------------|-----------------|--------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2005 | \$ 95,000 | 11,600 | 113,453 | 26,706 |
| 2006 | 100,000 | 8,480 | 65,419 | 23,279 |
| 2007 | 105,000 | 5,200 | 67,658 | 19,174 |
| 2008 | 110,000 | 1,760 | 59,988 | 16,844 |
| 2009 | | | 62,411 | 14,421 |
| 2010 - 2014 | | | 313,140 | 32,501 |
| Total | <u>\$ 410,000</u> | <u>27,040</u> | <u>682,069</u> | <u>132,925</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, 2004, the amount of outstanding debt was equal to 1.26% 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:

| | <u>Balance</u> | | | | <u>Balance</u> | <u>Amount due</u> |
|--------------------------|---------------------|------------------|-------------------|--------------------|-----------------------|-------------------|
| | <u>Oct. 1, 2003</u> | <u>Additions</u> | <u>Reductions</u> | <u>Adjustments</u> | <u>Sept. 30, 2004</u> | <u>within one</u> |
| | | | | | | <u>year</u> |
| Governmental Activities: | | | | | | |
| General obligation bonds | \$ 500,000 | | 90,000 | | 410,000 | 95,000 |
| Capital leases | 518,462 | | 107,460 | | 411,002 | 238,950 |
| Other loans | 774,370 | 30,000 | 122,301 | | 682,069 | 113,453 |
| Total | <u>\$ 1,792,832</u> | <u>30,000</u> | <u>319,761</u> | <u>0</u> | <u>1,503,071</u> | <u>447,403</u> |

(11) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2004:

| <u>Fund</u> | <u>Deficit</u> |
|-------------|----------------|
| | <u>Amount</u> |
| Law Library | \$ <u>395</u> |

SHARKEY COUNTY

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

(12) Contingencies.

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

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

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Delta Community Mental Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The Sharkey County Board of Supervisors appoints one of the four members of the board of commissioners. The county made no appropriations for support in fiscal year 2004.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 20 members of the college board of trustees. The county appropriated \$74,251 for maintenance and support of the college in fiscal year 2004.

South Delta Planning and Development District operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 22 members of the board of directors. The county contributes only a small part of the entity's total revenues.

The Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Sharkey County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county contributed \$20,583 to support the district in fiscal year 2004.

(14) Defined Benefit Pension Plan.

Plan Description. Sharkey 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.

SHARKEY COUNTY

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

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 \$104,221, \$104,161 and \$106,804, respectively, equal to the required contributions for each year.

(15) Subsequent Event.

Subsequent to September 30, 2004, Sharkey 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> |
|-------------------|----------------------|---------------------|--------------------------|----------------------------|
| 8/02/05 | 6.25% | \$ 30,000 | Note | Ad valorem taxes |

SHARKEY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SHARKEY COUNTY

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SHARKEY 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 | \$ 1,298,040 | 1,298,040 | 1,420,434 | 122,394 |
| Licenses, commissions and other revenue | 85,400 | 85,400 | 59,231 | (26,169) |
| Fines and forfeitures | 75,000 | 75,000 | 56,767 | (18,233) |
| Intergovernmental revenues | 142,825 | 142,825 | 185,575 | 42,750 |
| Charges for services | 13,500 | 13,500 | 12,535 | (965) |
| Interest income | 7,000 | 7,000 | 15,414 | 8,414 |
| Miscellaneous revenues | 27,300 | 27,300 | 44,005 | 16,705 |
| Total Revenues | <u>1,649,065</u> | <u>1,649,065</u> | <u>1,793,961</u> | <u>144,896</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,148,292 | 1,148,292 | 1,158,260 | (9,968) |
| Public safety | 404,165 | 404,165 | 448,228 | (44,063) |
| Health and welfare | 203,920 | 203,920 | 147,781 | 56,139 |
| Culture and recreation | 10,000 | 10,000 | 3,470 | 6,530 |
| Conservation of natural resources | 40,481 | 40,481 | 35,409 | 5,072 |
| Economic development and assistance | 2,266 | 2,266 | 2,266 | |
| Total Expenditures | <u>1,809,124</u> | <u>1,809,124</u> | <u>1,795,414</u> | <u>13,710</u> |
| Excess of Revenues over (under) Expenditures | <u>(160,059)</u> | <u>(160,059)</u> | <u>(1,453)</u> | <u>158,606</u> |
| Net Change in Fund Balance | (160,059) | (160,059) | (1,453) | 158,606 |
| Fund Balances - Beginning | 160,059 | 160,059 | 70,741 | (89,318) |
| Fund Balances - Ending | <u>\$ 0</u> | <u>0</u> | <u>69,288</u> | <u>69,288</u> |

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

SHARKEY 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. 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:

| | Governmental Fund Type |
|--|---------------------------|
| | General Fund |
| Budget (Cash Basis) | \$ (1,453) |
| Increase (Decrease) | |
| Net adjustments for revenue accruals | (2,372) |
| Net adjustments for expenditure accruals | 9,733 |
| | \$ 5,908 |
| GAAP Basis | |

SHARKEY 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 funds had an excess of actual expenditures over budget for the year ended September 30, 2004:

| <u>Fund</u> | | <u>Excess</u> |
|-----------------------------|----|---------------|
| Special Revenue Funds: | | |
| Federal Forestry Set-Aside | \$ | 15,117 |
| District 3 Road Maintenance | | 88,270 |
| District 4 Road Maintenance | | 634 |
| District 5 Road Maintenance | | 18,525 |
| State Aid Clearing | | 11,114 |

All the funds listed above are in violation of Section 9-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with these violations.

E. Unbudgeted Funds.

The following funds were not budgeted for the year ended September 30, 2004:

| |
|----------------------------|
| Special Revenue Funds: |
| CDBG Maiden Addition |
| Blue Front Grant Monies |
| Child Support Grant |
| Courthouse Renovation Bond |

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

SHARKEY COUNTY

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SHARKEY COUNTY

SPECIAL REPORTS

SHARKEY 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
Sharkey County, Mississippi

We have audited the primary government financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Sharkey 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 September 28, 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 units. Our report includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of the governmental activities capital assets. 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 Sharkey 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 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 Sharkey 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 04-1, 04-2 and 04-3.

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 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, of the reportable conditions described above, we consider item 04-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sharkey County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain instance of noncompliance which we have reported to the management of Sharkey County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated September 28, 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

September 28, 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
Sharkey County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Sharkey 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 Sharkey 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 Sharkey County, Mississippi, has established centralized purchasing for all funds of the county and has not 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of the governmental activities capital assets.

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 a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. As reported in the prior year audit report, management did not maintain an accurate inventory or adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets. Records were not maintained documenting the depreciation of capital assets. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation

The Inventory Control Clerk should establish procedures documenting the completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Purchase Clerk's Response

We are currently in the process of determining infrastructure assets and depreciation expense on those assets and other depreciable assets and will record those assets and the accompanying depreciation expense after a determination has been made.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Sharkey 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 Sharkey 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

September 28, 2005

SHARKEY 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.

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

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

SHARKEY COUNTY

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SHARKEY COUNTY

SCHEDULE OF FINDINGS

SHARKEY COUNTY

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SHARKEY 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:

| | |
|--------------------------------------|-------------|
| Governmental activities | Adverse |
| General Fund | Unqualified |
| Aggregate remaining fund information | Unqualified |

2. Internal control over financial reporting:
 - a. Material weakness identified? Yes

 - b. Reportable conditions identified that are not considered to be material weaknesses? Yes

3. Noncompliance material to the primary government financial statements? No

Section 2: Financial Statement Findings

Inventory Control Clerk.

04-1. Finding

As reported in the prior year audit report, management did not maintain an accurate inventory or adequate subsidiary records documenting the existence, completeness and valuation of governmental activities capital assets. Records were not maintained documenting the depreciation of capital assets. Therefore, the Independent Auditor's Report includes an adverse opinion on the financial position of the governmental activities.

Recommendation

The Inventory Control Clerk should establish procedures documenting the existence, completeness and valuation of the capital assets. Also, records should be maintained documenting depreciation on capital assets.

Inventory Control Clerk's Response

We are currently in the process of determining infrastructure assets and depreciation expense on those assets and other depreciable assets and will record those assets and the accompanying depreciation expense after a determination has been made.

SHARKEY COUNTY

Schedule of Findings
For the Year Ended September 30, 2004

Chancery Clerk.

04-2. Finding

The county has adopted a policy of compensated absences for its employees. The Chancery Clerk, as county auditor and treasurer, should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of year compensated absences liability. Generally accepted accounting principles require the resulting liability to be reported in the financial statements. As reported in the prior two years' audit reports, the Chancery Clerk did not maintain the necessary records to calculate the compensated absence liability.

Recommendation

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

Chancery Clerk's Response

I will comply.

04-3. Finding

The following weaknesses in internal control over cash came to our attention:

- a. The county made several general journal adjusting entries to cash balances that resulted in some funds' cash balances being misstated. Adjustments were proposed and made to correct these errors.
- b. Some bank accounts were not properly reconciled to book balances.

Recommendation

The Chancery Clerk should ensure that adjusting entries to cash are proper and that bank accounts are properly reconciled to book balances.

Chancery Clerk's Response

We will establish procedures to ensure that all entries to accounting records are necessary and correct, all transactions are properly recorded and bank reconciliations are properly prepared.