



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

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State Auditor**

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SUNFLOWER 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*

SUNFLOWER COUNTY

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SUNFLOWER COUNTY

FINANCIAL SECTION

SUNFLOWER 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
Sunflower County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sunflower 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 Sunflower 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 Sunflower 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 Sunflower 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 August 8, 2005, on our consideration of Sunflower 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.

Sunflower 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.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Sunflower County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



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

August 8, 2005

SUNFLOWER COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

SUNFLOWER COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	<u>Primary Government</u>
	Governmental
	<u>Activities</u>
ASSETS	
Cash	\$ 4,289,400
Cash on deposit with risk pool	24,378
Accrued interest receivable	3,070
Property tax receivable	5,283,185
Accounts receivable (net of allowance for uncollectibles of \$342,666)	8,600
Fines receivable (net of allowance for uncollectibles of \$5,542,845)	89,964
Loans receivable	853,300
Intergovernmental receivables	420,638
Other receivables	97,555
Capital assets, net	22,878,464
Total Assets	<u>33,948,554</u>
LIABILITIES	
Claims payable	705,955
Intergovernmental payables	182,572
Accrued interest payable	20,288
Deferred revenue	5,300,205
Other payables	37,570
Long-term liabilities	
Due within one year:	
Capital debt	268,101
Non-capital debt	842,337
Due in more than one year:	
Capital debt	1,161,281
Non-capital debt	3,751,664
Total Liabilities	<u>12,269,973</u>
NET ASSETS	
Invested in capital assets, net of related debt	21,449,082
Restricted:	
Expendable:	
General government	8,182
Debt service	1,672,918
Public safety	548,685
Public works	787,005
Health and welfare	14,635
Culture and recreation	98,659
Economic development	8,713
Unemployment compensation	21,224
Other purposes	24,378
Unrestricted	(2,954,900)
Total Net Assets	<u>\$ 21,678,581</u>

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

SUNFLOWER 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
					Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,924,567	600,233	1,901		(2,322,433)
Public safety	2,060,419	439,366	190,151	25,168	(1,405,734)
Public works	2,449,273	185,326	762,053	33,500	(1,468,394)
Health and welfare	587,271		43,455		(543,816)
Culture and recreation	192,010				(192,010)
Conservation of natural resources	100,020				(100,020)
Economic development and assistance	349,839			433,559	83,720
Interest on long-term debt	342,881				(342,881)
Total Primary Government	\$ 9,006,280	1,224,925	997,560	492,227	(6,291,568)
General revenues:					
Property taxes				\$ 6,384,053	
Road & bridge privilege taxes				228,057	
Grants and contributions not restricted to specific programs				433,514	
Unrestricted gifts and donations				83,105	
Unrestricted interest income				127,656	
Miscellaneous				51,038	
Total General Revenues				7,307,423	
Changes in Net Assets				1,015,855	
Net Assets - Beginning				12,613,400	
Prior period adjustment				8,049,326	
Net Assets - Beginning, as restated				20,662,726	
Net Assets - Ending				\$ 21,678,581	

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

SUNFLOWER COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2004

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Road Maintenance Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 1,046,657	431,191	2,811,552	4,289,400
Cash on deposit with risk pool	24,378			24,378
Accrued interest receivable	28	310	2,732	3,070
Property tax receivable	3,268,411	431,800	1,582,974	5,283,185
Accounts receivable (net of allowance for uncollectibles of \$342,666)			8,600	8,600
Fines receivable (net of allowance for uncollectibles of \$5,542,845)	89,964			89,964
Loans receivable			853,300	853,300
Intergovernmental receivables	196,716		223,922	420,638
Other receivables	3,292		94,263	97,555
Due from other funds		30,194	49,041	79,235
Total Assets	<u>\$ 4,629,446</u>	<u>893,495</u>	<u>5,626,384</u>	<u>11,149,325</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 260,079	57,335	388,541	705,955
Intergovernmental payables	168,069			168,069
Due to other funds	93,738			93,738
Deferred revenue	3,358,375	431,800	1,608,594	5,398,769
Other payables	37,570			37,570
Total Liabilities	<u>3,917,831</u>	<u>489,135</u>	<u>1,997,135</u>	<u>6,404,101</u>
Fund balances:				
Reserved for:				
Debt service			1,693,203	1,693,203
Loans receivable			853,300	853,300
Amount on deposit with risk pool	24,378			24,378
Unemployment compensation			21,224	21,224
Unreserved, reported in:				
General Fund	687,237			687,237
Special Revenue Funds		404,360	1,061,522	1,465,882
Total Fund Balances	<u>711,615</u>	<u>404,360</u>	<u>3,629,249</u>	<u>4,745,224</u>
Total Liabilities and Fund Balances	<u>\$ 4,629,446</u>	<u>893,495</u>	<u>5,626,384</u>	<u>11,149,325</u>

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

SUNFLOWER 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	\$ 4,745,224
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, net of accumulated depreciation of \$41,231,852.	22,878,464
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	98,564
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(6,023,383)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(20,288)</u>
Total Net Assets - Governmental Activities	<u>\$ 21,678,581</u>

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

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

	Major Funds			Total Governmental Funds
	General Fund	Road Maintenance Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 3,613,510	556,236	2,214,306	6,384,052
Road and bridge privilege taxes		228,057		228,057
Licenses, commissions and other revenue	339,911	3,466	10,196	353,573
Fines and forfeitures	352,255		337	352,592
Intergovernmental revenues	551,505	661,874	793,027	2,006,406
Charges for services	197,138	2,036	372,343	571,517
Interest income	34,427	310	92,919	127,656
Miscellaneous revenues	51,038			51,038
Total Revenues	5,139,784	1,451,979	3,483,128	10,074,891
EXPENDITURES				
Current:				
General government	2,818,634		8,889	2,827,523
Public safety	1,652,537		336,603	1,989,140
Public works	27,896	1,675,655	947,894	2,651,445
Health and welfare	364,149		198,416	562,565
Culture and recreation			192,010	192,010
Conservation of natural resources	98,461		10	98,471
Economic development and assistance	135,683		536,727	672,410
Debt service:				
Principal		13,390	1,008,650	1,022,040
Interest		1,337	261,651	262,988
Total Expenditures	5,097,360	1,690,382	3,490,850	10,278,592
Excess of Revenues over (under) Expenditures	42,424	(238,403)	(7,722)	(203,701)
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued	340,000			340,000
Proceeds from sale of capital assets	21,588			21,588
Compensation for loss of capital assets		8,136		8,136
Transfers in	27,662		73,214	100,876
Transfers out	(39,558)	(20,040)	(41,278)	(100,876)
Total Other Financing Sources and Uses	349,692	(11,904)	31,936	369,724
Net Changes in Fund Balances	392,116	(250,307)	24,214	166,023
Fund Balances - Beginning	319,499	654,667	3,605,035	4,579,201
Fund Balances - Ending	\$ 711,615	404,360	3,629,249	4,745,224

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

SUNFLOWER 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	\$ 166,023
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 \$963,968 exceeded depreciation of \$617,871 in the current period.	346,097
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 loss of \$20,447 and the proceeds from the sale of \$21,588 and insurance proceeds of 8,136 in the current period.	(50,171)
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.	(54,696)
Garbage 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.	1,940
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 \$1,022,040 exceeded debt proceeds of \$340,000.	682,040
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in accrued interest payable	(20,288)
The amount of decrease in:	
Compensated absences	6,959
Claims and judgements payable	17,951
The amortization of:	
Issuance cost on refunding bond	(20,395)
Refunding bond deferred charges	(44,692)
Discount on refunding bonds	<u>(14,913)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,015,855</u>

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

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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 83,391
Due from other funds	<u>14,503</u>
Total Assets	<u><u>\$ 97,894</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 9,008
Other liabilities	42,855
Intergovernmental payables	<u>46,031</u>
Total Liabilities	<u><u>\$ 97,894</u></u>

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

SUNFLOWER COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Sunflower 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 Sunflower 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.

- North Sunflower County Hospital
- South Sunflower County Hospital
- Sunflower County 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.

SUNFLOWER 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.

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

SUNFLOWER 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.

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

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

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.

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

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

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. Capital assets in the government-wide financial statements are depreciated over the following estimated useful lives of the respective assets.

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

* Leased property 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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

SUNFLOWER 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, 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."

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.

SUNFLOWER 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.

M. Compensated Absences.

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

(2) 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 error in capital assets, net	\$ <u><u>8,049,326</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$4,372,791, and the bank balance was \$4,851,485. 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>
Road Maintenance	General	\$ 30,194
Other Governmental Funds	General	49,041
Agency Funds	General	<u>14,503</u>
Total		\$ <u><u>93,738</u></u>

SUNFLOWER COUNTY

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

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. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 27,662
Other Governmental Funds	General Fund	39,558
Other Governmental Funds	Road Maintenance Fund	20,040
Other Governmental Funds	Other Governmental Funds	<u>13,616</u>
Total		<u>\$ 100,876</u>

The principal purpose of interfund transfers was to provide funds for operating expenses. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Community development block grant	\$ 223,922
Homeland Security grant	101,682
Legislative tax credit	87,745
Officer training grant	4,300
CERT grant	<u>2,989</u>
Total Governmental Activities	<u>\$ 420,638</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2004, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Delta Pride Catfish, Inc.	08/00	6.50	05/16	<u>\$ 853,300</u>

SUNFLOWER COUNTY

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

(7) 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	\$ 204,062				204,062
Construction in progress	263,493	98,754		(362,247)	0
Total non-depreciable capital assets	<u>467,555</u>	<u>98,754</u>	<u>0</u>	<u>(362,247)</u>	<u>204,062</u>
<u>Depreciable capital assets:</u>					
Infrastructure	28,905,570	379,739	190,125	24,856,517	53,951,701
Buildings	4,070,197				4,070,197
Improvements other than buildings	8,986	363,845			372,831
Mobile equipment	3,819,590	32,981	62,455	103,497	3,893,613
Furniture and equipment	1,429,587	88,649	2,118	23,085	1,539,203
Leased property under capital leases	174,706			(95,997)	78,709
Total depreciable capital assets	<u>38,408,636</u>	<u>865,214</u>	<u>254,698</u>	<u>24,887,102</u>	<u>63,906,254</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	19,680,535	115,506	139,431	16,455,223	36,111,833
Buildings	895,729	81,382			977,111
Improvements other than buildings	719	14,913			15,632
Mobile equipment	2,572,132	258,831	63,507	63,372	2,830,828
Furniture and equipment	1,134,941	131,515	1,589	17,413	1,282,280
Leased property under capital leases	58,923	15,724		(60,479)	14,168
Total accumulated depreciation	<u>24,342,979</u>	<u>617,871</u>	<u>204,527</u>	<u>16,475,529</u>	<u>41,231,852</u>
Total depreciable capital assets, net	<u>14,065,657</u>	<u>247,343</u>	<u>50,171</u>	<u>8,411,573</u>	<u>22,674,402</u>
Governmental activities capital assets, net	<u>\$ 14,533,212</u>	<u>346,097</u>	<u>50,171</u>	<u>8,049,326</u>	<u>22,878,464</u>

* Adjustments are to correct prior year errors and to reclassify paid out lease purchases and completed construction in progress.

SUNFLOWER COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 91,936
Public safety	158,085
Public works	304,946
Health and welfare	26,428
Culture and recreation	1,549
Economic development	<u>34,927</u>
 Total governmental activities depreciation expense	 \$ <u><u>617,871</u></u>

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$20,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The county had no year end liability because cash on deposit in the risk pool exceeded the pool's accrued unpaid claims in the amount of \$24,378, reported on the balance sheet.

SUNFLOWER COUNTY

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

(9) Capital Leases.

As Lessee:

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

Class of Property	Governmental Activities
Mobile equipment	\$ 78,709
Less: Accumulated depreciation	<u>14,168</u>
Leased Property Under Capital Leases	<u>\$ 64,541</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2005	\$ 13,773	952
2006	14,166	559
2007	<u>12,115</u>	<u>156</u>
Total	<u>\$ 40,054</u>	<u>1,667</u>

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Jail refunding bonds	\$ 640,000	4.10/4.30	02/08
MBIA bonds - Dollar General	400,000	3.00	11/07
North Sunflower County Hospital bonds 1997	535,000	4.80/5.20	10/12
South Sunflower County Hospital refunding bonds	265,000	4.60/4.70	05/06
Public improvement 2002	735,000	3.50/4.00	08/11
Road & bridge refunding bonds 2003	<u>2,005,000</u>	1.75/3.45	04/12
Total General Obligation Bonds	<u>\$ 4,580,000</u>		
B. Capital Leases:			
Tiger ditcher & boom mower	\$ 7,514	2.99	07/07
John Deere tractor	<u>32,540</u>	2.99	07/07
Total Capital Leases	<u>\$ 40,054</u>		

SUNFLOWER COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
Series 2002 note	\$ 172,269	3.40	09/05
CDBG - Delta Pride Catfish, Inc.	853,300	6.50	05/16
Courthouse roof note	14,328	5.74	06/05
Series 2004-A note	<u>340,000</u>	3.45	09/07
Total Other Loans	<u>\$ 1,379,897</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2005	\$ 750,000	157,169	346,665	72,385
2006	780,000	131,343	167,233	58,542
2007	655,000	103,386	174,754	51,021
2008	685,000	79,965	61,410	43,123
2009	430,000	60,205	65,523	39,010
2010 - 2014	1,280,000	80,342	399,617	123,047
2015 - 2019			<u>164,695</u>	<u>9,527</u>
Total	<u>\$ 4,580,000</u>	<u>612,410</u>	<u>1,379,897</u>	<u>396,655</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 3.93% of the latest property assessments.

SUNFLOWER COUNTY

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

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:						
Bonds Payable						
General obligation bonds	\$ 5,305,000		725,000		4,580,000	750,000
Less deferred amounts:						
For issuance discounts	(14,913)		14,913			
On refunding	(44,692)		44,692			
Total bonds payable	<u>5,245,395</u>	<u>0</u>	<u>784,605</u>	<u>0</u>	<u>4,580,000</u>	<u>750,000</u>
Capital leases	57,002		16,948		40,054	13,773
Other loans	1,319,989	340,000	280,092		1,379,897	346,665
Compensated absences	30,391		6,959		23,432	
Claims and judgments	17,951			(17,951)		
Total	<u>\$ 6,670,728</u>	<u>340,000</u>	<u>1,088,604</u>	<u>(17,951)</u>	<u>6,023,383</u>	<u>1,110,438</u>

* This adjustment is to remove claims and judgments from long-term liabilities.

(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:

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Sunflower County Board of Supervisors appoints six of the 20 members of the college board of trustees. The county appropriated \$462,445 for maintenance and support of the college in fiscal year 2004.

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 Sunflower County Board of Supervisors appoints one of the members of the 21 district board of commissioners. The county levied a .61 mill tax, which brought in \$79,148 for the maintenance and support of the district in fiscal year 2004.

SUNFLOWER COUNTY

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

Region Six Mental Health/Mental Retardation Center/Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Sunflower County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$57,300 to the entity 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 Sunflower County Board of Supervisors appoints four of the 22 members of the district board of directors. The county appropriated \$8,440 for support of the district in fiscal year 2004.

(13) Defined Benefit Pension Plan.

Plan Description. Sunflower 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 \$286,780, \$283,979 and \$293,758 respectively, equal to the required contributions for each year.

(14) Subsequent Events.

Subsequent to September 30, 2004, Sunflower 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>
07/13/05	3.74	\$ 300,000	Negotiable note	Ad valorem taxes

On February 25, 2005, Anna Addison, Tax Assessor-Collector, plead guilty to embezzlement and related offenses. She was sentenced to five years house arrest and five years probation and ordered to pay \$97,766.67 to the county, \$13,720.13 to the State Tax Commission, \$250 to the Crime Victims Compensation Fund, a \$10,000 fine and court cost.

SUNFLOWER COUNTY

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SUNFLOWER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SUNFLOWER COUNTY

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SUNFLOWER 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	\$ 3,632,080	3,763,455	3,573,646	(189,809)
Licenses, commissions and other revenue	233,000	263,202	344,284	81,082
Fines and forfeitures	486,100	377,113	359,070	(18,043)
Intergovernmental revenues	374,975	539,745	439,696	(100,049)
Charges for services	185,000	210,000	197,138	(12,862)
Interest income	50,000	30,204	34,586	4,382
Miscellaneous revenues	13,450	28,057	53,876	25,819
Total Revenues	<u>4,974,605</u>	<u>5,211,776</u>	<u>5,002,296</u>	<u>(209,480)</u>
EXPENDITURES				
Current:				
General government	2,976,649	3,018,903	2,775,993	242,910
Public safety	1,556,778	1,820,859	1,668,833	152,026
Public works	237,269	57,346	36,671	20,675
Health and welfare	342,193	355,912	338,273	17,639
Conservation of natural resources	100,701	75,861	99,084	(23,223)
Economic development and assistance	147,746	154,457	135,986	18,471
Debt service:				
Principal	261,900	261,900		261,900
Total Expenditures	<u>5,623,236</u>	<u>5,745,238</u>	<u>5,054,840</u>	<u>690,398</u>
Excess of Revenues over (under) Expenditures	<u>(648,631)</u>	<u>(533,462)</u>	<u>(52,544)</u>	<u>480,918</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued		336,420	340,000	3,580
Proceeds from sale of capital assets		21,587	21,587	
Transfers in		116,538	257,662	141,124
Transfers out		(214,558)	(243,889)	(29,331)
Total Other Financing Sources and Uses	<u>0</u>	<u>259,987</u>	<u>375,360</u>	<u>115,373</u>
Net Change in Fund Balance	(648,631)	(273,475)	322,816	596,291
Fund Balances - Beginning		405,160	376,541	(28,619)
Fund Balances - Ending	<u>\$ (648,631)</u>	<u>131,685</u>	<u>699,357</u>	<u>567,672</u>

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

SUNFLOWER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road 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	\$ 510,540	510,540	551,881	41,341
Road and bridge privilege taxes	220,000	220,000	227,812	7,812
Licenses, commissions and other revenue	2,867	2,867	3,466	599
Intergovernmental revenues	536,871	566,871	661,874	95,003
Charges for services	2,000	2,000	2,036	36
Total Revenues	<u>1,272,278</u>	<u>1,302,278</u>	<u>1,447,069</u>	<u>144,791</u>
EXPENDITURES				
Current:				
Public works	828,400	1,886,649	1,758,724	127,925
Debt service:				
Principal	13,391	13,390	13,390	
Interest	1,335	1,335	1,335	
Total Expenditures	<u>843,126</u>	<u>1,901,374</u>	<u>1,773,449</u>	<u>127,925</u>
Excess of Revenues over (under) Expenditures	<u>429,152</u>	<u>(599,096)</u>	<u>(326,380)</u>	<u>272,716</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		8,136	8,136	
Transfers out		(20,040)	(20,040)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(11,904)</u>	<u>(11,904)</u>	<u>0</u>
Net Change in Fund Balance	429,152	(611,000)	(338,284)	272,716
Fund Balances - Beginning		611,000	499,475	(111,525)
Fund Balances - Ending	<u>\$ 429,152</u>	<u>0</u>	<u>161,191</u>	<u>161,191</u>

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

SUNFLOWER 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:

	Governmental Fund Types	
	General Fund	Road Maintenance Fund
Budget (Cash Basis)	\$ 322,816	(338,284)
Increase (Decrease)		
Net adjustments for revenue accruals	137,488	4,908
Net adjustments for expenditure accruals	(68,188)	83,069
GAAP Basis	\$ 392,116	(250,307)

SUNFLOWER COUNTY

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SUNFLOWER COUNTY

SUPPLEMENTAL INFORMATION

SUNFLOWER COUNTY

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SUNFLOWER COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1119-02-067-ED-01	\$ <u>371,314</u>
Total Expenditures of Major Federal Awards			<u>371,314</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	M02-SG-28-01-0190	<u>23,059</u>
U.S. Department of Justice Office of Juvenile Justice and Delinquency Prevention/ Passed-through the Mississippi Department of Public Safety Juvenile accountability incentive block grants	16.523	OJB1671	<u>1,901</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>3,232</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	3SUP-58	36,200
State domestic preparedness equipment support program	97.004	3SSG-3083	<u>53,854</u>
Total			90,054
Community emergency response teams	97.054	CERT	2,989
State homeland security program	97.073	2DPG-64	<u>24,128</u>
Total Department of Homeland Security			<u>117,171</u>
Total Expenditures of Other Federal Awards			<u>145,363</u>
Total Expenditures of Federal Awards			<u>\$ 516,677</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

SUNFLOWER COUNTY

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SUNFLOWER COUNTY

SPECIAL REPORTS

SUNFLOWER 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
Sunflower County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sunflower 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 August 8, 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. 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 Sunflower 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

August 8, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Sunflower County, Mississippi

Compliance

We have audited the compliance of Sunflower County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2004. Sunflower County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Sunflower County, Mississippi's management. Our responsibility is to express an opinion on Sunflower County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sunflower County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sunflower County, Mississippi's compliance with those requirements.

In our opinion, Sunflower County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2004.

Internal Control Over Compliance


The management of Sunflower County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Sunflower County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

August 8, 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
Sunflower County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Sunflower 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 Sunflower 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 Sunflower County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Sunflower 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 Sunflower 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

August 8, 2005

SUNFLOWER 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.

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09/18/04	Telephone system	\$ 6,599	Connections Plus	Lightning destroyed the old phone system at the Sheriff's department.

SUNFLOWER 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.

SUNFLOWER COUNTY

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SUNFLOWER COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUNFLOWER COUNTY

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SUNFLOWER COUNTY

Schedule of Findings and Questioned Costs
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? | No |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| 4. | Internal control over major program: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |
| 5. | Type of auditor's report issued on compliance for major federal program: | Unqualified |
| 6. | Any audit finding disclosed as required by Section ____.510(a) of Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| | Community development block grants/state's program, CFDA No. 14.228 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.