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UNION COUNTY
AUDITED PRIMARY GOVERNMENT FINANCIAL
STATEMENTS AND SPECIAL REPORTS
YEAR ENDED SEPTEMBER 30, 2004

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FINANCIAL SECTION

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

Members of the Board of Supervisors
Union County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Union County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion 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 Union 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 Union 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 financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Union County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 3, 2006, on our consideration of Union County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Tupelo, Mississippi
March 3, 2006

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in dark ink and is positioned to the right of the date and location text.

Union County Board of Supervisors

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Danny Jordan, Third District, Vice-President
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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of Union County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2004. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

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

Union County is located in Northeastern Mississippi along Hwy. 78 (the Future Interstate I-22). The population, according to the 2000 census, is 25,000. The local economic base is driven mainly by manufacturing.

FINANCIAL HIGHLIGHTS

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

Union County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net assets decreased \$48,031, which represents less than a 1% decrease from the prior fiscal year. The County's ending cash balance increased by \$511,919, which represents a 3% increase from the previous year.

The County had \$11,600,203 in total revenues. Tax revenues account for \$5,820,763 or 50% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$2,309,764 or 20% of total revenues. Charges for services account for \$1,572,284 or 14% of total revenue. Other revenues such as fines, fees, interest income and etc. account for the remaining 16% of total revenues.

The County had \$11,648,234 in total expenses, which represents an increase of \$185,480 or 2% increase from the prior fiscal year. Expenses in the amount of \$2,309,764 were offset by grants or outside contributions. General revenues of \$7,718,155 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$4,978,678 in revenues and \$4,418,401 in expenditures. The General Fund's fund balance decreased \$64,005 from the prior year.

Among major funds, the Road Fund had \$2,167,260 in revenues and \$2,623,476 in expenditures. The Road Fund's fund balance increased \$393,393 from the prior year.

Among major funds, the Bridge Fund had \$1,687,255 in revenues and \$1,794,341 in expenditures. The Bridge Fund's fund balance decreased \$107,086 from the prior year.

Among major funds, the Health Foundation Fund had \$233,734 in revenues and \$116,004 in expenditures. The Health Foundation Fund's fund balance increased \$117,730 from the prior year.

Capital Assets, net of accumulated depreciation, decreased by \$514,880. This represents a 1% decrease.

Long-term debt decreased by \$76,910.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

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

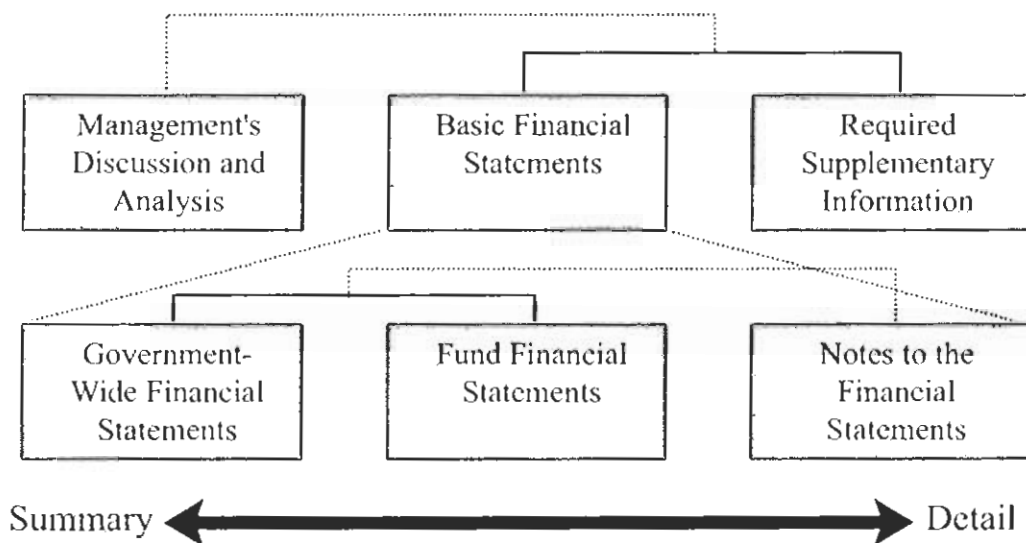


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

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

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

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

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

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

The Government-wide Financial Statements can be found on pages 19-20 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 22 and 24, respectively.

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

The basic governmental funds financial statements can be found on pages 21 and 23 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses an enterprise fund to account for the Garbage Disposal Fund.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Garbage Disposal Fund is considered to be a major fund of the County. The proprietary funds financial statements can be found on pages 25-27 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 28 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 29-50 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 52-54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government’s financial position. In the case of Union County, assets exceeded liabilities by \$83,085,897 as of September 30, 2004.

By far, the largest portion of the County’s net assets (81%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County’s financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County’s net assets for the fiscal year ended September 30, 2004.

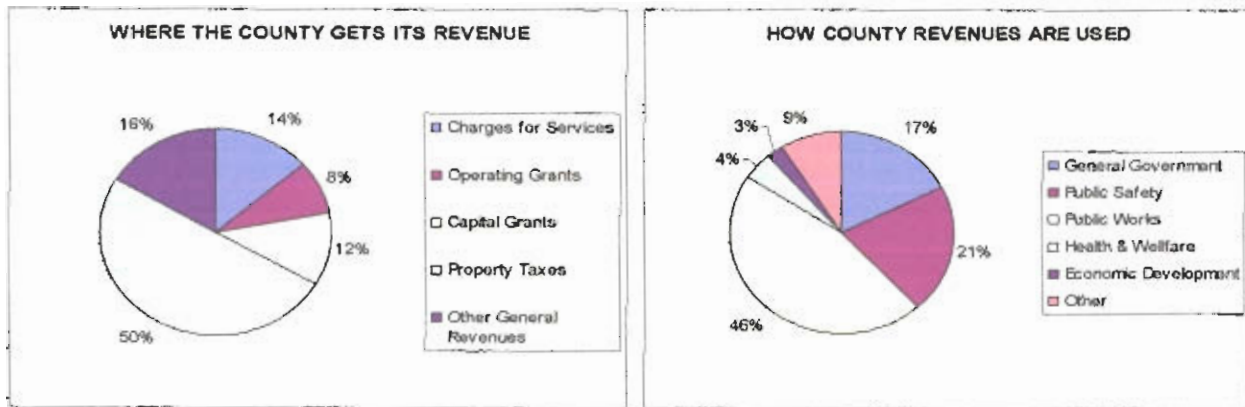
	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Current assets	19,539,698	18,796,877
Capital assets, net	69,933,616	70,645,403
Total assets	<u>\$ 89,473,314</u>	<u>\$ 89,442,280</u>
Current liabilities	5,669,216	5,377,170
Long-term debt outstanding	1,973,927	2,166,361
Total liabilities	<u>7,643,143</u>	<u>7,543,531</u>
Net assets:		
Invested in capital assets, net of related debt	67,359,150	67,991,962
Restricted	11,594,238	10,952,953
Unrestricted	2,876,783	2,953,834
Total net assets	<u><u>\$ 81,830,171</u></u>	<u><u>\$ 81,898,749</u></u>

	Business-type Activities	
	2004	2003
Current assets	1,064,998	1,236,049
Capital assets, net	258,170	61,263
Total assets	\$ 1,323,168	\$ 1,297,312
Current liabilities	62,755	58,139
Long-term debt outstanding	4,687	3,994
Total liabilities	67,442	62,133
Net assets:		
Invested in capital assets, net of related debt	258,170	61,263
Unrestricted	997,556	173,916
Total net assets	\$ 1,255,726	\$ 235,179

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee of \$ 8.00 charged on each home & various charges for commercial garbage service based on the service provided such as dumpster size and number of pickups per week.

Changes in Net Assets – Union County’s total revenues for the fiscal year ended September 30, 2004 was \$11,600,203. The total cost for all services provided was \$11,648,234. The decrease in net assets was \$48,031. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2004.

	<u>2004</u>	<u>2003</u>
Revenues:		
Program revenues		
Charges for services	\$ 1,572,284	1,591,321
Operating grants	959,034	938,439
Capital grants	1,350,730	899,088
General revenues		
Property taxes	5,820,763	5,306,629
Other General Revenue	1,897,392	1,533,101
Total Revenues	<u>\$ 11,600,203</u>	<u>10,268,578</u>
Expenses:		
General government	\$ 2,035,670	2,269,291
Public safety	2,407,493	2,162,934
Public works	5,370,534	5,431,617
Health and welfare	507,707	499,358
Culture and recreation	158,935	158,960
Conservation of natural resources	105,662	104,922
Economic development	300,836	59,505
Interest on long-term debt	94,824	118,531
Garbage disposal (Business type)	666,573	657,636
Total Expense	<u>\$ 11,648,234</u>	<u>11,462,754</u>
Decrease in Net Assets	\$ (48,031)	(1,194,176)



Governmental Activities – The following table presents the cost of eight major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Economic Development, Culture & Recreation, Conservation of Natural Resources and Interest on Debt.

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

	Total Costs	Net Costs
General Government	\$ 2,035,670	\$ 1,528,966
Public Safety	2,407,493	1,724,291
Public Works	5,370,534	3,861,005
Health & Welfare	507,707	202,824
Economic Development	300,836	65,795
Culture & Recreation	158,935	158,935
Conservation of Natural Resources	105,662	105,662
Interest on Debt	94,824	94,824

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

Governmental funds -- At the close of the fiscal year, Union County’s governmental funds reported a combined fund balance of \$14,498,585, a increase of \$570,997 or 4% from the previous year.

Business-type fund – Operating Revenue from the County’s Garbage Disposal Fund decreased by 2% to \$642,689 and expenses increased approximately 1% to \$666,573, which is not a significant change on Revenue or Expenses.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

The Original Budget was amended to actual at year end. The only significant variances from the Original Budget in regard to total Revenues and Expenditures occurred in the County wide Bridge and Culvert Fund. These variances resulted from the timing of State Aid Bridge projects that were either delayed or discontinued by the state.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2004, Union County's total capital assets was \$99,674,635. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$2,613,770 or approximately 3%.

Total accumulated depreciation as of September 30, 2004 was \$29,482,849, including \$3,412,834 of deprecation expense for the year. The balance in total net capital assets was \$70,191,786 at year-end.

Additional information on Union County's capital assets can be found in note 5 on page 40 of this report.

Debt Administration – At September 30, 2004, Union County had \$2,574,466 in long-term debt outstanding. This includes general obligation bonds, Mississippi Business Investment Act notes and obligations under capital lease. Of this debt, \$673,890 is due within one year.

Additional information on Union County's long-term debt can be found in note 8 on page 45 of this report.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Union County Administrator or Chancery Clerk's office at P.O. Box 847, New Albany, MS 38652.

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Union County
Statement of Net Assets
September 30, 2004

Exhibit I

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 15,157,846	940,529	16,098,375
Accrued interest receivable	116,087	1,803	117,890
Property tax receivable	3,866,798		3,866,798
Accounts receivable (net of allowance for uncollectibles of \$211,181)		98,580	98,580
Fines receivable, (net of allowance for uncollectibles of \$154,747)	61,966		61,966
Intergovernmental receivables	262,500		262,500
Other receivables	44,539	54,048	98,587
Internal balances	29,962	(29,962)	-0-
Capital assets, net	69,933,616	258,170	70,191,786
Total Assets	<u>89,473,314</u>	<u>1,323,168</u>	<u>90,796,482</u>
LIABILITIES			
Claims payable	712,901	28,407	741,308
Intergovernmental payables	346,624	38	346,662
Accrued interest payable	16,179		16,179
Deferred revenue	3,866,798	34,310	3,901,108
Other payables	52,824		52,824
Long-term liabilities			
Due within one year:			
Capital related debt	673,890		673,890
Due in more than one year:			
Capital related debt	1,900,576		1,900,576
Non-capital debt	73,351	4,687	78,038
Total Liabilities	<u>7,643,143</u>	<u>67,442</u>	<u>7,710,585</u>
NET ASSETS			
Invested in capital assets, net of related debt	67,359,150	258,170	67,617,320
Restricted net assets:			
Expendable:			
General government	18,136		18,136
Debt service	471,798		471,798
Public safety	362,286		362,286
Public works	2,538,680		2,538,680
Health and welfare	43,714		43,714
Culture and recreation	13,342		13,342
Capital projects	246,748		246,748
Other purposes	7,899,534		7,899,534
Unrestricted	2,876,783	997,556	3,874,339
Total Net Assets	\$ <u>81,830,171</u>	<u>1,255,726</u>	<u>83,085,897</u>

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

Union County
Statement of Activities
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,035,670	445,289	61,415		(1,528,966)		(1,528,966)
Public safety	2,407,493	484,306	177,462	21,434	(1,724,291)		(1,724,291)
Public works	5,370,534		646,690	862,839	(3,861,005)		(3,861,005)
Health and welfare	507,707		73,467	231,416	(202,824)		(202,824)
Culture and recreation	158,935				(158,935)		(158,935)
Conservation of natural resources	105,662				(105,662)		(105,662)
Economic development and assistance	300,836			235,041	(65,795)		(65,795)
Interest on long-term debt	94,824				(94,824)		(94,824)
Total Governmental Activities	10,981,661	929,595	959,034	1,350,730	(7,742,302)		(7,742,302)
Business-type activities:							
Garbage disposal	666,573	642,689			(23,884)		(23,884)
Total Business-type Activities	666,573	642,689	-0-	-0-	(23,884)		(23,884)
Total Primary Government	\$ 11,648,234	1,572,284	959,034	1,350,730	(7,742,302)		(7,766,186)
General revenues:							
Property taxes					\$ 5,820,763		5,820,763
Road & bridge privilege taxes					283,317		283,317
Unrestricted gifts and donations					4,539		4,539
Unrestricted investment income					311,856	21,724	333,580
Miscellaneous					1,253,249	10	1,253,259
Other financing source - gain on sale of capital assets						22,697	22,697
Total General Revenues					7,673,724	44,431	7,718,155
Changes in Net Assets					(68,578)	20,547	(48,031)
Net Assets - Beginning					81,898,749	1,235,179	83,133,928
Net Assets - Ending					\$ 81,830,171	1,255,726	83,085,897

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

Union County
Balance Sheet - Governmental Funds
September 30, 2004

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Countywide Road Fund	Countywide Bridge Fund	Health Foundation Fund	Other Governmental Funds	
ASSETS						
Cash and investments	\$ 3,300,071	1,387,345	1,583,922	7,770,906	1,115,602	15,157,846
Accrued interest receivable	268			115,606	213	116,087
Property tax receivable	2,015,047	710,000	681,955		459,796	3,866,798
Fines receivable (net of allowance for uncollectibles of \$154,747)	61,966					61,966
Intergovernmental receivables	184,718	20,126	3,520		54,136	262,500
Other receivables	18,081				26,458	44,539
Due from other funds	16,940	62,783	38,444		39,906	158,073
Advances to other funds	13,022					13,022
Total Assets	\$ 5,610,113	2,180,254	2,307,841	7,886,512	1,696,111	19,680,831
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 91,329	372,430	185,030		64,112	712,901
Intergovernmental payables	344,706					344,706
Due to other funds	143,051					143,051
Deferred revenue	2,077,013	710,000	681,955		459,796	3,928,764
Other payables	52,824					52,824
Total Liabilities	2,708,923	1,082,430	866,985	-0-	523,908	5,182,246
Fund balances:						
Reserved for:						
Debt service					487,977	487,977
Advances	13,022					13,022
Unreserved, reported in:						
General fund	2,888,168					2,888,168
Special revenue funds		1,097,824	1,440,856		437,478	2,976,158
Capital project funds					246,748	246,748
Permanent funds				7,886,512		7,886,512
Total Fund Balances	2,901,190	1,097,824	1,440,856	7,886,512	1,172,203	14,498,585
Total Liabilities and Fund Balances	\$ 5,610,113	2,180,254	2,307,841	7,886,512	1,696,111	19,680,831

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

Union 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 (Exhibit 3)	\$ 14,498,585
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$29,251,941.	69,933,616
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	61,966
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(2,647,817)
Accrued interest on bonds	(16,179)
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>81,830,171</u></u>

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

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

Exhibit 4

	Major Funds					Total Governmental Funds
	General Fund	Countywide Road Fund	Countywide Bridge Fund	Health Foundation Fund	Other Governmental Funds	
REVENUES						
Property taxes	\$ 2,974,434	1,014,336	978,171		853,821	5,820,762
Road and bridge privilege taxes		283,317				283,317
Licenses, commissions and other revenue	276,838				11,613	288,451
Fines and forfeitures	182,566				33,958	216,524
Intergovernmental revenues	1,099,276	695,259	693,089		696,430	3,184,054
Charges for services	192,456				241,089	433,545
Interest income	38,354	14,033	15,995	233,734	9,741	311,857
Miscellaneous revenues	214,754	160,315			3,093	378,162
Total Revenues	<u>4,978,678</u>	<u>2,167,260</u>	<u>1,687,255</u>	<u>233,734</u>	<u>1,849,745</u>	<u>10,916,672</u>
EXPENDITURES						
Current:						
General government	2,006,728					2,006,728
Public safety	1,990,389				475,754	2,466,143
Public works	8,485	2,608,218	1,794,341		32,399	4,443,443
Health and welfare	172,845			116,004	421,306	710,155
Culture and recreation	21,262				131,966	153,228
Conservation of natural resources	105,662					105,662
Economic development and assistance	65,795				235,041	300,836
Debt service:						
Principal	39,787	13,256			526,072	579,115
Interest	7,448	2,002			89,601	99,051
Total Expenditures	<u>4,418,401</u>	<u>2,623,476</u>	<u>1,794,341</u>	<u>116,004</u>	<u>1,912,139</u>	<u>10,864,361</u>
Excess of Revenues over (under) Expenditures	<u>560,277</u>	<u>(456,216)</u>	<u>(107,086)</u>	<u>117,730</u>	<u>(62,394)</u>	<u>52,311</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued		212,868			287,271	500,139
Compensation for loss of capital assets	11,105	1,752			5,690	18,547
Transfers in		634,989			274,531	909,520
Transfers out	(635,387)				(274,133)	(909,520)
Total Other Financing Sources and Uses	<u>(624,282)</u>	<u>849,609</u>	<u>-0-</u>	<u>-0-</u>	<u>293,359</u>	<u>518,686</u>
Net Changes in Fund Balances	<u>(64,005)</u>	<u>393,393</u>	<u>(107,086)</u>	<u>117,730</u>	<u>230,965</u>	<u>570,997</u>
Fund Balances - Beginning	<u>2,965,195</u>	<u>704,431</u>	<u>1,547,942</u>	<u>7,768,782</u>	<u>941,238</u>	<u>13,927,588</u>
Fund Balances - Ending	\$ <u>2,901,190</u>	<u>1,097,824</u>	<u>1,440,856</u>	<u>7,886,512</u>	<u>1,172,203</u>	<u>14,498,585</u>

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

**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**

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 570,997
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$3,356,117 exceeded capital outlays of \$2,672,527 in the current period.	(683,590)
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 \$14,988 and the proceeds from the sale of \$13,210 in the current period.	(28,198)
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.	(8,925)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$579,115 exceeded debt proceeds \$500,139.	78,976
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences.	(2,065)
The amount of decrease in accrued interest payable.	4,227
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>(68,578)</u></u>

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

Union County
Statement of Net Assets - Proprietary Fund
September 30, 2004

Exhibit 5

	Business-type Activites - Enterprise Fund
	<u>Garbage Disposal</u>
ASSETS	
Current assets:	
Cash and investments	\$ 940,529
Accrued interest receivable	1,803
Accounts receivable (net of allowance for uncollectibles of \$211,181)	98,580
Other receivables	54,048
Total Current Assets	<u>1,094,960</u>
Noncurrent assets:	
Capital assets, net	258,170
Total Noncurrent Assets	<u>258,170</u>
Total Assets	<u>1,353,130</u>
LIABILITIES	
Current liabilities:	
Claims payable	28,407
Intergovernmental payables	38
Due to other funds	16,940
Advances from other funds	13,022
Deferred revenue	34,310
Total Current Liabilities	<u>92,717</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	4,687
Total Noncurrent Liabilities	<u>4,687</u>
NET ASSETS	
Invested in capital assets, net of related debt	258,170
Unrestricted	997,556
Total Net Assets	<u>\$ 1,255,726</u>

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

Union County
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2004

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Garbage Disposal</u>
Operating Revenues	
Charges for services	\$ 642,689
Miscellaneous	<u>10</u>
Total Operating Revenues	<u>642,699</u>
Operating Expenses	
Cost of sales	
Personal services	292,757
Contractual services	232,855
Materials and supplies	67,304
Depreciation expense	56,717
Indirect administrative cost	<u>16,940</u>
Total Operating Expenses	<u>666,573</u>
Operating Loss	<u>(23,874)</u>
Nonoperating Revenues	
Interest income	21,724
Gain on sale of capital assets	<u>22,697</u>
Net Nonoperating Revenue	<u>44,421</u>
Net Income Before Capital Contributions, Special and Extraordinary Items and Transfers	20,547
Changes in Net Assets	<u>20,547</u>
Net Assets - Beginning	<u>1,235,179</u>
Net Assets - Ending	<u>\$ 1,255,726</u>

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

Union County
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2004

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Garbage Disposal</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 678,371
Payments to suppliers	(299,607)
Payments to employees	(291,357)
Payments to General Fund for indirect costs	(10,967)
Other operating cash receipts	10
Net Cash Provided by Operating Activities	<u>76,450</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	48,258
Acquisition and construction of capital assets	(279,185)
Net Cash Used by Capital and Related Financing Activities	<u>(230,927)</u>
Cash Flows From Investing Activities	
Interest and dividends on investments	21,620
Net Cash Provided (Used) by Investing Activities	<u>21,620</u>
Net Decrease in Cash and Cash Equivalents	(132,857)
Cash and Cash Equivalents at Beginning of Year	1,073,386
Cash and Cash Equivalents at End of Year	\$ <u><u>940,529</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating loss	\$ (23,874)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	56,717
Provision for uncollectible accounts	51,956
Changes in assets and liabilities:	
Increase in accounts receivable	(17,942)
Increase in other receivables	(1,689)
Increase in claims payable	1,259
Increase in compensated absences liability	693
Increase in deferred revenue	3,357
Increase in interfund payables	5,973
Total Adjustments	<u>100,324</u>
Net Cash Provided by Operating Activities	\$ <u><u>76,450</u></u>

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

Union County
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 41,251
Due from other funds	<u>1,918</u>
Total Assets	<u><u>\$ 43,169</u></u>
LIABILITIES	
Claims payable and other accrued liabilities	8,311
Intergovernmental payables	<u>34,858</u>
Total Liabilities	<u><u>\$ 43,169</u></u>

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

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

- Union 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.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

B. Basis of Presentation (Continued)

Government-wide Financial Statements

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

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

Fund Financial Statements

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

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

C. Measurement Focus and Basis of Accounting

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

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to 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 judgements, 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 – Accounts for all activities of the general government for which a separate fund has not been established.

Countywide Road Maintenance Fund – Accounts for monies from specific revenue sources that are restricted for road maintenance.

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

C. Measurement Focus and Basis of Accounting (Continued)

Countywide Bridge Fund – Accounts for monies from specific revenue sources that are restricted for bridge maintenance.

Health Foundation Fund – Accounts for the supplementing of indigent care and health, education and welfare services.

The county reports the following major proprietary fund:

Garbage Disposal Fund – Accounts for the county’s activities of disposal of solid waste within the county.

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 other, 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.

Permanent Funds – These funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for the support of county programs.

Proprietary Fund Type

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

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

C. Measurement Focus and Basis of Accounting (Continued)

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.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

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 resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

II. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no historical 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 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 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 retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980 are reported on 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.

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

II. Capital Assets (Continued)

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

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

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

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

I. Long-Term Liabilities

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

In the government-wide financial statements and in the Proprietary Fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets.

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

J. Equity Classifications

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or improvements of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation 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.

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

K. Property Tax Revenues (Continued)

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

Therefore, the county's full liability in the amount of \$73,351 for accumulated unpaid personal leave up to a maximum of 30 days per employee payable from the Governmental Funds is reported as a liability in the Statement of Net Assets. In Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$4,687, which represents an amount up to a maximum of 30 days per employee.

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(2) Deposits and Investments

Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$7,491,022 and the bank balance was \$7,860,909. 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 a 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.

Investments

At year end, the carrying amount of the county's investments was \$8,648,604, and the cost was \$8,648,604. The county's investments at year end consisted entirely of certificates of deposit. The investments are either insured or registered or are held by the county or its agent in the county's name.

(3) Interfund Transactions and Balances

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

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Garbage Disposal Fund	\$ 16,940
Countywide Road	General Fund	62,783
Countywide Bridge	General Fund	38,444
Other Governmental Funds	General Fund	39,906
Agency Funds	General Fund	<u>1,918</u>
Total		<u>\$ 159,991</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2004. The payables from the Garbage Disposal Fund represents the indirect cost for the September 30, 2004 fiscal year, which is not expected to be repaid within one year. All other interfund balances are expected to be repaid within one year from the date of the financial statements.

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(3) Interfund Transactions and Balances (Continued)

B. Advances from/to Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Garbage Disposal Fund	\$ 13,022
Total		<u>\$ 13,022</u>

The advance from the General Fund to the Garbage Disposal Fund represents the indirect cost for the September 30, 2003 fiscal year.

C. Transfers In/Out

Transfer In	Transfer Out	Amount
Major Funds:		
Countywide Road	General Fund	\$ 634,989
Other Governmental Funds	General Fund	398
Other Governmental Funds	Other Governmental Funds	<u>274,133</u>
Total		<u>\$ 909,520</u>

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

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(4) Intergovernmental Receivables

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 110,708
Homeland security grant	54,136
Reimbursement for housing prisoners	42,747
Motor vehicle fuel tax	17,842
Reimbursement for law enforcement training	9,000
Other	<u>28,067</u>
Total Governmental Activities	<u><u>262,500</u></u>

(5) Capital Assets

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

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

(5) Capital Assets (Continued)

Governmental activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Non-depreciable capital assets</u>					
Land	\$ 349,248				349,248
Construction in progress	196,714	723,226		(590,475)	329,465
Total non-depreciable capital assets	<u>545,962</u>	<u>723,226</u>	<u>-0-</u>	<u>(590,475)</u>	<u>678,713</u>
<u>Depreciable capital assets</u>					
Infrastructure	78,807,015	1,172,928	(42,776)		79,937,167
Buildings	12,714,336			503,454	13,217,790
Improvements other than buildings	346,210			87,021	433,231
Mobile equipment	3,864,499	520,839	(39,567)	20,388	4,366,159
Furniture and equipment	203,804	5,395			209,199
Leased property under capital leases	113,547	250,139		(20,388)	343,298
Total depreciable assets	<u>96,049,411</u>	<u>1,949,301</u>	<u>(82,343)</u>	<u>590,475</u>	<u>98,506,844</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	19,205,856	2,704,329	(18,536)		21,891,649
Buildings	3,703,872	258,085			3,961,957
Improvements other than buildings	182,918	17,329			200,247
Mobile equipment	2,636,935	302,919	(35,610)	7,340	2,911,584
Furniture and equipment	180,060	6,592			186,652
Leased property under capital leases	40,329	66,863		(7,340)	99,852
Total accumulated depreciation	<u>25,949,970</u>	<u>3,356,117</u>	<u>(54,146)</u>	<u>-0-</u>	<u>29,251,941</u>
Total depreciable capital assets, net	<u>70,099,441</u>	<u>(1,406,816)</u>	<u>(28,197)</u>	<u>590,475</u>	<u>69,254,903</u>
Governmental activities capital assets, net	<u>\$ 70,645,403</u>	<u>(683,590)</u>	<u>(28,197)</u>	<u>-0-</u>	<u>69,933,616</u>

Adjustments were required to increase capital assets due to payoff of capital leases and completed construction.

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

(5) Capital Assets (Continued)

Business-type activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Depreciable capital assets</u>					
Mobile equipment	460,492	279,185	(255,599)		484,078
Furniture and equipment	5,000				5,000
Total depreciable assets	<u>465,492</u>	<u>279,185</u>	<u>(255,599)</u>	<u>-0-</u>	<u>489,078</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	400,629	55,817	(230,038)		226,408
Furniture and equipment	3,600	900			4,500
Total accumulated depreciation	<u>404,229</u>	<u>56,717</u>	<u>(230,038)</u>	<u>-0-</u>	<u>230,908</u>
Total depreciable capital assets, net	<u>61,263</u>	<u>222,468</u>	<u>(25,561)</u>	<u>-0-</u>	<u>258,170</u>
Business-type activities capital assets, net	\$ <u>61,263</u>	<u>222,468</u>	<u>(25,561)</u>	<u>-0-</u>	<u>258,170</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 35,997
Public safety	195,263
Public works	2,924,585
Health and welfare	191,313
Culture and recreation	8,959
Total governmental activities depreciation expense	<u>\$ 3,356,117</u>
Business-type activities:	
Garbage disposal	\$ <u>56,717</u>
Total business-type activities depreciation expense	<u>\$ 56,717</u>

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(5) Capital Assets (Continued)

Commitments with respect to unfinished capital projects at September 30, 2004, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Union County Arena/Farmers Market	\$ 400,550	December, 2005
Bridge #102 SAP	176,830	September, 2005
Road #81 SAP	746,754	September, 2005

(6) Claims and Judgements

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 personnel, fire fighters and road construction personnel and \$400,000 for all other employees for each accident and completely covers statutory limits set by Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 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.

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(7) 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	\$ 309,503
Other furniture and equipment	<u>33,795</u>
Total	343,298
Less: Accumulated Depreciation	<u>99,852</u>
Leased Property Under Capital Lease	<u><u>\$ 243,446</u></u>

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

Year Ending September 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 81,796	7,394
2006	70,852	5,281
2007	59,595	3,202
2008	44,101	1,674
2009	<u>33,922</u>	<u>410</u>
Total	<u><u>\$ 290,266</u></u>	<u><u>17,961</u></u>

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(8) Long-term Debt

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

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Economic & Industrial Development	\$ 50,000	7.0	12/04
1996 Paving Project	245,000	4.6	4/06
Jail Bond	370,000	5.1-5.3	7/06
MBIA Bond	604,000	0.0	2/11
2000 Paving Project	<u>660,000</u>	4.875-5.6	3/10
Total General Obligation Bonds	<u>\$ 1,929,000</u>		
B. Capital Leases:			
Tax Collector's computer system	\$ 36,375	3.924	8/07
2003 Dodge Durango	7,536	3.887	10/05
2003 Crown Victoria	7,173	3.887	10/05
2003 Crown Victoria	9,782	3.887	2/06
2004 Dodge Pickup	14,104	3.130	1/07
2004 Crown Victoria	15,683	3.087	2/07
5 2005 International Dump Trucks	<u>199,613</u>	2.890	6/09
	<u>\$ 290,266</u>		
D. Other Loans:			
Capital improvements revolving loan	\$ 105,200	4.25	1/12
Public improvements negotiable note	<u>250,000</u>	2.9	8/09
	<u>\$ 355,200</u>		

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(8) Long-term Debt (Continued)

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2005	\$ 532,000	62,654	60,093	10,258
2006	502,000	40,926	61,660	9,690
2007	192,000	20,109	64,253	7,707
2008	202,000	14,747	66,870	5,639
2009	207,000	9,019	68,515	3,486
2010-2014	294,000	3,047	33,809	1,884
Total	\$ 1,929,000	150,502	355,200	38,664

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 1.23% of the latest property assessments.

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

	Balance Oct. 1, 2003	Additions	Reductions	Adjustments	Balance Sept. 30, 2004	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 71,286	2,065			73,351	
General obligation bonds	2,441,000		512,000		1,929,000	532,000
Capital leases	94,684	250,139	54,557		290,266	81,797
Other loans	117,757	250,000	12,558	1	355,200	60,093
Totals	2,724,727	502,204	579,115	1	2,647,817	673,890
Business-type Activities:						
Compensated absences	\$ 3,904	693			4,687	

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(9) Contingencies

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

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

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. As part of a solid waste disposal service agreement between Union County and Three Rivers Solid Waste Management Authority, the county has agreed to pay its pro rata share of any obligations of the authority that are not covered by fees generated from solid waste disposal services. The county's pro rata share of the \$5,770,000 refunding bonds balance at September 30, 2004, is \$348,508.

(10) No Commitment Debt (Not included in Financial Statements)

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Styling	Balance 9/30/04
Hospital revenue refunding bonds	\$ 8,395,000

UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004

(11) Joint Ventures

The county participates in the following joint ventures:

Union County is a participant with the City of New Albany, industries and other interested parties located within the county in a joint venture, as authorized by Section 19-5-99 Miss. Code Ann. (1972), in the Union County Development Association. The joint venture was created to aid in the development of industries in Union County and is governed by 11 directors, of which Union County appoints two. The county appropriated \$20,500 for support of the association in fiscal year 2004. Complete financial statements for the Union County Development Association can be obtained from Union County Development Association, P.O. Box 56, New Albany, MS 38652.

Union County is a participant with the City of New Albany, as authorized by Section 17-13-9, Miss. Code Ann. (1972), in the New Albany-Union County Airport Board. The joint venture was created to acquire, construct, operate and maintain the New Albany-Union County Airport. Union County appoints two of the five-member board, and the president of the Board of Supervisors, along with the mayor of New Albany, appoints an additional member as chairman. Union County appropriated \$8,485 for the support and maintenance of the airport in fiscal year 2004. Complete financial statements can be obtained from the New Albany-Union County Airport, New Albany, MS 38652.

(12) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Union County Board of Supervisors appoints one of the seven members of the board of directors. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited. The county did not appropriate any funds for the support of the authority in fiscal year 2004.

Three Rivers Planning and Development District operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints two of the forty members of the board of directors. The county appropriated \$27,005 for the support of the district in fiscal year 2004.

Northeast Mississippi Community College operates in a district composed of the counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Union County Board of Supervisors appoints one of the fifteen members of the college board of trustees. The county appropriated \$593,053 for the support and maintenance of the college in fiscal year 2004.

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(12) Jointly Governed Organizations (Continued)

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Union County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$28,500 for support of the commission in fiscal year 2004.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints one of the twenty-four members of the board of directors. The county appropriated \$5,500 in fiscal year 2004 to the organization.

Northeast Mississippi Emergency Medical Services serves the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Union County Board of Supervisors appoints four of the thirty-six members of the board of directors. Union County appropriated \$20,141 for support of the district in fiscal year 2004.

Pontotoc-Union-Lee Alliance (PUL) is an alliance among Pontotoc, Lee and Union counties. The Union County Board of Supervisors appoints two of the nine members of the board of directors. The county did not appropriate any funds for the support of the alliance in fiscal year 2004.

(13) Defined Benefit Pension Plan

Plan Description. Union 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 \$288,984, \$280,142, and \$281,754, respectively, equal to the required contributions for each year.

**UNION COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

(14) Subsequent Events

Subsequent to September 30, 2004, Union County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
9/28/2005	3.00	\$ 210,000	CAP Loan	Industrial rent
12/19/2005	3.00	\$ 350,000	CAP Loan	Industrial rent

REQUIRED SUPPLEMENTARY INFORMATION

Union 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	\$ 2,882,845	2,971,494	2,971,494	-0-
Licenses, commissions and other revenue	555,400	272,702	272,702	-0-
Fines and forfeitures	208,300	184,268	184,268	-0-
Intergovernmental revenues	813,918	1,085,763	1,085,763	-0-
Charges for services	150,000	180,391	180,391	-0-
Interest income	60,000	40,778	40,778	-0-
Miscellaneous revenues	3,585	14,043	14,043	-0-
Total Revenues	<u>4,674,048</u>	<u>4,749,439</u>	<u>4,749,439</u>	<u>-0-</u>
EXPENDITURES				
Current:				
General government	2,465,542	2,054,038	2,054,038	-0-
Public safety	1,963,511	1,794,644	1,794,644	-0-
Public works	6,600	8,485	8,485	-0-
Health and welfare	185,000	174,065	174,065	-0-
Culture and recreation	21,400	21,219	21,219	-0-
Conservation of natural resources	105,988	105,408	105,408	-0-
Economic development and assistance	71,505	65,795	65,795	-0-
Debt service:				
Principal	47,237	39,779	39,779	-0-
Interest		7,457	7,457	-0-
Total Expenditures	<u>4,866,783</u>	<u>4,270,890</u>	<u>4,270,890</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(192,735)</u>	<u>478,549</u>	<u>478,549</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		12,856	12,856	-0-
Transfers in		456,859	456,859	-0-
Transfers out	(950,000)	(1,081,279)	(1,081,279)	-0-
Total Other Financing Sources and Uses	<u>(950,000)</u>	<u>(611,564)</u>	<u>(611,564)</u>	<u>-0-</u>
Net Change in Fund Balance	(1,142,735)	(133,015)	(133,015)	-0-
Fund Balances - Beginning	1,366,034	2,870,533	2,870,533	-0-
Fund Balances - Ending	<u>\$ 223,299</u>	<u>2,737,518</u>	<u>2,737,518</u>	<u>-0-</u>

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

Union County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
Countywide Road Maintenance
For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,001,000	1,016,621	1,016,621	-0-
Road and bridge privilege taxes	258,000	282,935	282,935	-0-
Intergovernmental revenues	517,200	557,702	557,702	-0-
Interest income	9,000	14,033	14,033	-0-
Miscellaneous revenues		315	315	-0-
Total Revenues	<u>1,785,200</u>	<u>1,871,606</u>	<u>1,871,606</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public works	2,359,680	2,108,067	2,108,067	-0-
Debt service:				
Principal		13,255	13,255	-0-
Interest		2,003	2,003	-0-
Total Expenditures	<u>2,359,680</u>	<u>2,123,325</u>	<u>2,123,325</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(574,480)</u>	<u>(251,719)</u>	<u>(251,719)</u>	<u>-0-</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		1,752	1,752	-0-
Transfers in	500,000	634,989	634,989	-0-
Total Other Financing Sources and Uses	<u>500,000</u>	<u>636,741</u>	<u>636,741</u>	<u>-0-</u>
Net Change in Fund Balance	(74,480)	385,022	385,022	-0-
Fund Balances - Beginning	407,007	1,002,323	1,002,323	-0-
Fund Balances - Ending	<u>\$ 332,527</u>	<u>1,387,345</u>	<u>1,387,345</u>	<u>-0-</u>

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

Union County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Bridge and Culvert Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	964,000	981,092	981,092	-0-
Intergovernmental revenue	342,500	55,455	55,455	-0-
Interest income	12,000	15,994	15,994	-0-
Total Revenues	<u>1,318,500</u>	<u>1,052,541</u>	<u>1,052,541</u>	<u>-0-</u>
EXPENDITURES				
Current:				
Public works	<u>1,272,380</u>	<u>980,517</u>	<u>980,517</u>	<u>-0-</u>
Total Expenditures	<u>1,272,380</u>	<u>980,517</u>	<u>980,517</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>46,120</u>	<u>72,024</u>	<u>72,024</u>	<u>-0-</u>
Net Change in Fund Balance	46,120	72,024	72,024	-0-
Fund Balances - Beginning	1,443,908	1,511,898	1,511,898	-0-
Fund Balances - Ending	<u>\$ 1,490,028</u>	<u>1,583,922</u>	<u>1,583,922</u>	<u>-0-</u>

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

UNION 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).

UNION COUNTY
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2004

C. Budget/GAAP Reconciliation (Continued)

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

	Governmental Fund Types		
	General Fund	Countywide Road Fund	Countywide Bridge Fund
Budget (Cash Basis)	(133,015)	385,022	72,024
Increase (Decrease)			
Net adjustments for revenue accruals	34,098	508,522	634,714
Net adjustments for expenditure accruals	34,912	(500,151)	(813,824)
GAAP Basis	<u>(64,005)</u>	<u>393,393</u>	<u>(107,086)</u>

SPECIAL REPORTS

J.E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Union County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Union County, Mississippi, as of and for the year ended September 30, 2004, and have issued our report thereon dated March 3, 2006. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

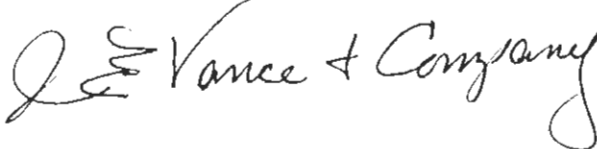
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Union County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance 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 condition in which the design or operation of one or more of

the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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.

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

Tupelo, Mississippi
March 3, 2006

A handwritten signature in cursive script that reads "J. E. Vance & Company". The signature is written in black ink and is positioned to the right of the typed text.

J.E. VANCE & COMPANY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Union County, Mississippi

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

Tupelo, Mississippi
March 3, 2006

J & Vance & Company

Union 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.

**Union County
Schedule of Emergency Purchases
For the Year Ended September 30, 2004**

Schedule 2

Our test results did not identify any emergency purchases.

Union 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.

SCHEDULE OF FINDINGS

**UNION COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Section 1: Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued on the primary government financial statements: Unqualified

1. Material noncompliance relating to the general purpose financial statements? No

2. Internal control over financial reporting:

a. Material weakness(es) identified? No

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

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Union County, Mississippi

In planning and performing our audit of the financial statements of Union County, Mississippi for the year ended September 30, 2004, we considered Union County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Union County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 3, 2006, on the financial statements of Union County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

March 3, 2006

