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SUNFLOWER COUNTY

Audited Primary Government Financial Statements and Special Reports

For the Year Ended September 30, 2006

SUNFLOWER COUNTY

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SUNFLOWER COUNTY

FINANCIAL SECTION

SUNFLOWER COUNTY

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

Members of the Board of Supervisors
Sunflower County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sunflower County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

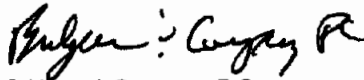
The financial statements referred to above include only the primary government of Sunflower County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Sunflower County, Mississippi, as of September 30, 2006, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Sunflower County, Mississippi, as of September 30, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 03, 2007, on our consideration of Sunflower County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Budgetary Comparison Schedules and corresponding notes on pages 30 through 33 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.



Bridgers & Company, P.C.
Certified Public Accountant
Vicksburg, Mississippi

July 03, 2007

SUNFLOWER COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Sunflower County
Statement of Net Assets
September 30, 2006

Exhibit 1

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash	\$ 4,528,061
Accrued interest receivable	7,106
Property tax receivable	5,664,066
Accounts receivable, (net of allowance for uncollectibles of \$30,100)	18,851
Fines receivable, (net of allowance for uncollectibles of \$6,553,060)	225,240
Loans receivable	748,800
Intergovernmental receivables	115,157
Other receivables	20,373
Capital assets, net	26,747,312
Total Assets	<u>38,074,966</u>
LIABILITIES	
Claims payable	295,668
Claims and judgments payable	124,249
Intergovernmental payables	187,852
Accrued interest payable	27,115
Deferred revenue	5,664,066
Unearned revenue	14,545
Other payables	59,161
Long-term liabilities	0
Due within one year:	0
Capital related debt	428,295
Non-capital debt	469,753
Due in more than one year:	0
Capital related debt	2,093,614
Non-capital debt	2,390,914
Total Liabilities	<u>11,755,232</u>

NET ASSETS	
Invested in capital assets, net of related debt	24,225,404
Restricted:	
Expendable:	
Debt service	2,835,672
Public safety	386,132
Public works	566,019
Health and welfare	9,199
Culture and recreation	123,736
Unemployment compensation	27,450
Unrestricted	<u>-1,853,878</u>
Total Net Assets	\$ <u>26,319,734</u>

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

Sunflower County
Statement of Activities
For the Year Ended September 30, 2006

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	Primary Government	
					Governmental Activities	Governmental Activities
Primary government:						
Governmental activities:						
General government	\$ 3,841,913	401,573			-3,440,340	
Public safety	2,324,158	399,547	27,146	52,518	-1,844,947	
Public works	1,596,013	220,133	20,904	132,500	-1,222,476	
Health and welfare	572,871				-572,871	
Culture and recreation	227,073				-227,073	
Conservation of natural resources	118,993				-118,993	
Economic development and assistance	157,780				-157,780	
Interest on long-term debt	242,400				-242,400	
Total Primary Government	\$ 9,081,201	1,021,253	48,050	185,018	-7,826,880	

General revenues:	
Property taxes	\$ 6,770,942
Road & bridge privilege taxes	224,994
Grants and contributions not restricted to specific programs	2,131,839
Unrestricted investment income	193,742
Miscellaneous	93,799
Total General Revenues	9,415,306
Changes in Net Assets	1,588,426
Net Assets - Beginning	26,304,583
Prior period adjustment	-1,573,275
Net Assets - Beginning, as restated	24,731,308
Net Assets - Ending	\$ 26,319,734

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

	Major Funds					Total Governmental Funds
	Countywide	Jail	2003 G.O.	Other	Total	
	General Fund	Maintenance Fund	Road Fund	Construction G.O. Bond Fund	Refunding Bond Fund	Governmental Funds
ASSETS						
Cash	1,278,687	246,349		433,131	508,533	4,528,061
Accrued interest receivable	1,598			1,404	832	7,106
Property tax receivable	3,795,000	468,000				5,664,066
Accounts receivable (net of allowance for uncollectibles of \$ 30,100)						18,851
Fines receivable (net of allowance for uncollectibles \$ 6,563,060)	225,240					225,240
Loans receivable	102,684	10,525				748,900
Intergovernmental receivables	5,828					1,948
Other receivables		28,295		3,673	2658	14,545
Due from other funds						31,338
Total Assets	\$ 5,409,037	753,169	705,610	438,208	513,023	11,393,618
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	164,696	40,424				295,668
Claims and judgments payable	124,249		7,022			124,249
Intergovernmental payables	187,852					187,852
Due to other funds	79,562					79,562
Deferred revenue	4,020,240	468,000				5,908,157
Unearned revenue	45,563					14,545
Other payables	4,622,162	508,424	7,022	0	0	1,517,988
Total Liabilities						6,655,596
Fund balances						
Reserved for:						
Unemployment Compensation					513,023	27,449
Debt service			698,568	438,208		277,293
Loans receivable						748,800
Unreserved/undesignated, reported in:						
General Fund	786,875	244,745				1,003,041
Special Revenue Funds						786,875
Total Fund Balances	786,875	244,745	698,568	438,208	513,023	4,738,022
Total Liabilities and Fund Balances	\$ 5,409,037	753,169	705,610	438,208	513,023	11,393,618

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

Sunflower County
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

Exhibit 3-1

	<u>Amount</u>
Total fund balance - Governmental Funds	\$ 4,738,022
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$ 36,786,065	26,747,312
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds.	244,091
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	-5,382,576
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>-27,115</u>
Total Net Assets - Governmental Activities	\$ <u>26,319,734</u>

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

Sunflower County
 Statement of Revenues, Expenditures, and Changes in Fund Balances For Governmental Funds
 For the Year Ended September 30, 2006

	Major Funds							Total Governmental Funds
	Countywide General Fund	Road Maintenance Fund	2005 Bond Fund	Construction G.O. Bond Fund	Jail	2003 G.O. Refunding Bond Fund	Other Governmental Funds	
REVENUES								
Property taxes	\$ 4,266,700	571,971		181,065		204,129	1,547,077	6,770,942
Road and bridge privilege taxes		224,984						224,984
Licenses, commissions and other revenue	283,631						17	283,648
Fines and forfeitures	324,825	4,424						329,249
Intergovernmental revenues	427,357	679,709	8,987	3	4		932,399	2,048,459
Charges for services	202,002	5,220					429,047	636,269
Interest income	91,712		26,366	19,975		27,697	27,992	193,742
Miscellaneous revenues	103,267						139,434	242,701
Total Revenues	5,699,494	1,486,308	35,353	201,043	231,830	231,830	3,075,966	10,729,994
EXPENDITURES								
Current:								
General government	3,282,028		825,285				26,176	4,133,489
Public safety	1,857,258						423,795	2,281,053
Public works	18,334	1,459,564	7,022				1,916,613	3,401,533
Health and welfare	328,340						218,830	547,170
Culture and recreation							227,073	227,073
Conservation of natural resources	119,536							119,536
Economic development and assistance	137,190							137,190
Debt service:								0
Principal	3,993	14,166	300,000	160,000		230,000	623,017	1,331,176
Interest	431	560	4,458	18,301		53,220	151,281	228,251
Total Expenditures	5,747,110	1,474,290	1,136,765	178,301	283,220	283,220	3,586,785	12,406,471
Excess of Revenues over (under) Expenditures	-47,616	12,018	-1,101,412	22,742	-51,390	-51,390	-510,819	-1,676,477

OTHER FINANCING SOURCES (USES)

Long-term capital debt issued	18,787	91,938	1,780,000			1,798,787
Proceeds from sale of capital assets			20,000		17,231	129,169
Transfers in					5,595	5,595
Transfers out		5,595				5,595
Lease principal payments						0
Total Other Financing Sources and Uses	<u>18,787</u>	<u>86,343</u>	<u>1,800,000</u>	<u>0</u>	<u>22,826</u>	<u>1,927,956</u>
Net Changes in Fund Balances	<u>-28,829</u>	<u>98,361</u>	<u>698,588</u>	<u>-51,390</u>	<u>-487,993</u>	<u>251,479</u>
Fund Balances - Beginning	917,907	146,384	415,466	564,413	2,544,576	4,588,746
Prior period adjustment	-102,203					-102,203
Fund Balances - Beginning, as restated	<u>815,704</u>	<u>146,384</u>	<u>415,466</u>	<u>564,413</u>	<u>2,544,576</u>	<u>4,486,543</u>
Fund Balances - Ending	<u>\$ 786,875</u>	<u>244,745</u>	<u>698,588</u>	<u>513,023</u>	<u>2,056,583</u>	<u>4,738,022</u>

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

Sunflower County
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2006

Exhibit 4-1

	Amount
Net Change in Fund Balances - Governmental Funds	\$ 251,479

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$ 2,880,287 exceeded depreciation of \$ 865,780 in the current period.

2,014,507

In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$148,902 and the proceeds from the sale of \$ 129,169 in the current period,

-278,071

Fine & garbage fee revenue recognized on the modified accrual basis in the funds during the current year is increased because on the Statement of Activities, the full - accrual basis of accounting is used to recognize revenue from fines.

88,535

Debt proceeds provide current financial resources to Government Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets, Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$ 1,798,787, exceeded debt repayments of \$1,331,176.

-467,611

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 decrease in:	
Accrued interest payable	-14,149
Compensated absences	-6,264
	-20,413

Change in Net Assets of Governmental Activities	\$ 1,588,426
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The notes to the financial statements are an integral part of this statement.

Sunflower County
Statement of Fiduciary Assets and Liabilities
September 30, 2006

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 84,077
Due from other funds	<u>13,598</u>
 Total Assets	 <u><u>97,675</u></u>
 LIABILITIES	
Amounts held in custody for others	8,429
Intergovernmental payables	<u>89,246</u>
 Total Liabilities	 \$ <u><u>97,675</u></u>

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

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Sunflower County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Sunflower County to present these financial statements on the primary government and its component units which has a significant operational or financial relationship with the county.

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

- * North Sunflower County Hospital
- * South Sunflower County Hospital
- * Sunflower County Library

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

SUNFLOWER COUNTY

Notes to Financial Statements For the Year Ended September 30, 2006

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

The county reports the following major Governmental Funds:

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

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

2005 Bond Fund - This fund is used to account for specific debt service.

Jail Construction G.O. Bond Fund - This fund is used to account for specific debt service.

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

2003 G.O. Refunding Bond Fund - This fund is used to account for a specific debt service.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to 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. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

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

I. Long-term liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

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

K. Property Tax Revenues.

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

	<u>Amount</u>
<u>Exhibit 2 - Statement of Activities</u>	
<u>Explanation</u>	
General infrastructure and other assets were incorrectly stated on prior year report.	-1,573,275
	<u>\$ -1,573,275</u>

Exhibit 4 - Statement of Revenues, Expenditures, and Changes in Fund Balances
For Governmental Funds.

<u>Explanation</u>	
General Fund - Adjustment required to reclassify claims and judgments to a short term liability.	\$ <u>-102,203</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$4,612,138, and the bank balance was \$4,933,366. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance Fund	General Fund	28,295
Jail Construction G.O. Bond Fund	General Fund	3,673
2003 G.O. Refunding Bond Fund	General Fund	2,658
Other Governmental Funds	General Fund	31,338
Agency Funds	General Fund	13,598
		<hr/>
Total		\$ <u><u>79,562</u></u>

The receivables represent tax revenue collected but not settled until October 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	Road Maintenance Fund	5,595
		<hr/>
Total		\$ <u><u>5,595</u></u>

The purpose of the interfund transfers was to reimburse State Aid Road Fund for engineering fees in the amount of \$ 5,595. The interfund transfer was routine and consistent with the activities of the fund making the transfer.

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2006, consisted of the following:

Governmental Activities:

<u>Description</u>	
Homeland Security Grant	\$ 8,260
Fema Debris Removal Grant	10,525
Fema Antenna Repair Grant	1,948
Legislative Tax Credit	<u>94,424</u>
 Total Governmental Activities	 \$ <u>115,157</u>

(6) Loans Receivables.

Loans receivable balances at September 30, 2006, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Delta Pride Catfish, Inc.	08-00	6.50	05-16	\$ 748,800

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(7) Capital Assets:

The following is a summary of capital assets for the year ended September 30, 2006:

Governmental activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
Non-depreciable capital assets:					
Land	\$ 204,062		500		203,562
Construction in progress	239,403	723,750			963,153
Total non-depreciable capital assets	443,465	723,750	500		1,166,715
Depreciable capital assets:					
Infrastructure	53,286,160	67,096	376,265	-78,370	52,898,621
Buildings	4,089,695	18,458	1,134	5,001	4,112,020
Improvements other than buildings	372,831			68,282	441,113
Mobile equipment	3,445,601	1,657,244	322,552	245,819	5,026,112
Furniture and equipment	1,653,755	394,952	311,982	310,248	2,046,973
Leased property under capital leases	78,709	18,787			97,496
Total depreciable capital assets	62,926,751	2,156,537	1,011,933	550,980	64,622,335
Less accumulated depreciation for:					
Infrastructure	31,872,643	253,815	263,899	1,679,748	33,542,307
Buildings	1,058,882	82,213	216	-46,166	1,094,713
Improvements other than buildings	28,726	15,484		2,390	46,600
Mobile equipment	2,457,305	385,215	177,010	179,664	2,845,174
Furniture and equipment	1,347,257	118,587	293,237	308,619	1,481,226
Leased property under capital leases	21,252	10,466			31,718
Total accumulated depreciation	36,786,065	865,780	734,362	2,124,255	39,041,738
Total depreciable capital assets, net	26,140,686	1,290,757	277,571	-1,573,275	25,580,597
Governmental activities capital assets, net	\$ 26,584,151	2,014,507	278,071	-1,573,275	26,747,312

* Adjustments are to correct prior year errors.

Depreciation expense was charged to the following functions:

Governmental Activities:	Amount
General government	\$ 97,318
Public safety	254,844
Public works	464,452
Health & welfare	26,501
Conservation	837
Economic development	21,828
Total governmental activities depreciation expense	\$ 865,780

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all entities it insures.

The county finances its exposure to risk of loss relating to employees health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$ 50,000. Claims expense and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2005 and 2006.

	2005	2006
Unpaid Claims, Beginning of Fiscal Year	\$ 108,000	102,203
Plus: Incurred Claims (Including IBNRs)	1,114,011	1,470,075
Less: Claims payments	1,119,808	1,448,029
Unpaid Claims, End of Fiscal Year	<u>\$ 102,203</u>	<u>124,249</u>

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

Class of Property	Governmental Activities
Mobile equipment	\$ 97,496
Less: Accumulated depreciation	<u>31,718</u>
Leased Property Under Capital Leases	<u>\$ 65,778</u>

The following is a schedule by years of the total payments due as of September 30, 2006:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2007	\$ 18,295	611
2008	6,419	216
2009	2,195	17
Total	<u>\$ 26,909</u>	<u>844</u>

(10) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year end September 30, 2006:

	Balance			Balance Sept. 30, 2006
	Oct. 1, 2005	Additions	Reductions	
Capital Lease - Road Equipment	\$ 0	647,300	647,300	0
Total	<u>\$ 0</u>	<u>647,300</u>	<u>647,300</u>	<u>0</u>

During the current year, capital leases @ 4.85% interest, were used to acquire equipment and were subsequently paid off.

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

(11) Long - term Debt.

Debt outstanding as of September 30, 2006, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Jail refunding bonds	\$ 330,000	4.10/4.30	02/08
North Sunflower County Hospital bonds 1997	420,000	4.80/5.20	10/12
Public improvement 2002	550,000	3.50/3.45	08/11
Road & bridge refunding bonds 2003	1,550,000	1.75/3.45	04/12
GO Public Improvement Bonds, 2005	<u>1,615,000</u>	3.9	06/15
 Total General Obligation Bonds	 <u>\$ 4,485,000</u>		
B. Capital Leases:			
Tiger ditcher & boom mower	\$ 2,273	2.99	07/07
John Deere tractor	9,842	2.99	07/07
2006 GMC 1500 Pickup	14,794	3.79	01/09
 Total Capital Leases	 <u>\$ 26,909</u>		
C. Other Loans:			
CDBG - Delta Pride Catfish, Inc.	\$ 748,800	6.5	05/16
Series 2004 - A note	116,414	3.45	09/07
 Total Other Loans	 <u>\$ 865,214</u>		

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2007	\$ 705,000	161,781	173,969	51,021
2008	745,000	135,601	61,410	43,123
2009	595,000	111,100	65,523	39,010
2010	625,000	88,686	69,911	34,621
2011	645,000	64,781	74,593	29,940
2012-2016	1,150,000	87,575	419,808	68,013
 Total	 <u>\$ 4,485,000</u>	 <u>649,504</u>	 <u>865,214</u>	 <u>285,728</u>

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

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, 2006, the amount of outstanding debt was equal to 3.42% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance 10/1/2005	Additions	Reductions	Adjustments	Balance 9/30/2006	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 19,189	6,264			25,453	
General obligation bonds	3,530,000	1,780,000	845,000		4,465,000	705,000
Other loans	1,333,231		468,017		865,214	174,753
Capital leases	26,281	18,787	18,159		26,909	18,295
					0	
					0	
Total	\$ 4,908,701	1,805,051	1,331,176	0	5,382,576	898,048

(12) Contingencies.

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

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 council believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Delta Community College operates in a district composed of the counties of Bolivar, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Sunflower County Board of Supervisors appoints six of the 20 members of the college board of trustees. The county appropriated \$ 477,128 in taxes for maintenance and support of the college in fiscal year 2006.

Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Sunflower County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county levied a .61 mill tax, which brought in \$ 81,303 for the maintenance and support of the district in fiscal year 2006.

SUNFLOWER COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2006

Region Six Mental Health/Mental Retardation Center/Life Help operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery, and Sunflower. The Sunflower County Board of Supervisors appoints one of the eight members of the board of commissioners. The county appropriated \$ 59,710 to the entity in fiscal 2006.

The South Delta Planning and Development District operates in a district composed of the Counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Sunflower County Board of Supervisors appoints four of the 22 members of the district board of directors. The county appropriated \$ 9,378 for the support of the district in fiscal 2006.

(14) Defined Benefit Pension Plan.

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 11.30% 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, 2006, 2005 and 2004 were \$355,233, \$318,384, and \$286,780, respectively, equal to the required contributions for each year.

SUNFLOWER COUNTY

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SUNFLOWER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Sunflower County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,701,807	4,238,010	4,238,010	0
Licenses, commissions and other revenue	226,394	284,678	284,678	0
Fines and forfeitures	390,000	326,733	326,733	0
Intergovernmental revenues	425,843	493,568	493,568	0
Charges for services	205,400	202,001	202,001	0
Interest income	32,234	91,581	91,581	0
Miscellaneous revenues	27,760	103,267	103,267	0
Total Revenues	<u>6,009,438</u>	<u>5,739,838</u>	<u>5,739,838</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,730,932	3,516,246	3,516,246	0
Public safety	2,002,390	1,878,580	1,878,580	0
Public works	49,430	18,307	18,307	0
Health and welfare	337,069	326,944	326,944	0
Culture and recreation				0
Conservation of natural resources	124,958	118,921	118,921	0
Economic development and assistance	170,076	137,689	137,689	0
Debt Service				
Principal	5,516	3,993	3,993	
Interest	567	431	431	
Total Expenditures	<u>6,420,938</u>	<u>5,996,687</u>	<u>5,996,687</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(411,500)</u>	<u>(256,849)</u>	<u>(256,849)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	18,787	18,787	18,787	0
Compensation for loss of capital assets				0
Transfers in	60,000	60,000	60,000	0
Transfers out		45,000	45,000	0
Other financing uses				
Total Other Financing Sources and Uses	<u>78,787</u>	<u>33,787</u>	<u>33,787</u>	<u>0</u>
Net Change in Fund Balance	(332,713)	(223,062)	(223,062)	0
Fund Balance - Beginning	<u>1,268,976</u>	<u>1,268,976</u>	<u>1,268,976</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 936,263</u>	<u>1,045,914</u>	<u>1,045,914</u>	<u>0</u>

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

Sunflower County
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 583,376	570,014	570,014	0
Licenses, commissions, & other revenue	3,400	4,424	4,424	0
Road and bridge privilege taxes	225,000	226,881	226,881	0
Intergovernmental revenues	634,877	679,709	679,709	0
Charges for services	1,966	5,460	5,460	0
Miscellaneous revenues		240	240	0
Total Revenues	<u>1,448,619</u>	<u>1,486,728</u>	<u>1,486,728</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,106,608	1,920,505	1,920,505	0
Debt service:				
Principal	15,000	14,166	14,166	0
Interest	1,000	559	559	0
Total Expenditures	<u>2,122,608</u>	<u>1,935,230</u>	<u>1,935,230</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(673,989)</u>	<u>(448,502)</u>	<u>(448,502)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued				
Proceeds from sale of assets	483,820	91,938	91,938	0
Transfer out	(25,595)	(5,595)	(5,595)	0
Total Other Financing Sources (Uses)	<u>458,225</u>	<u>86,343</u>	<u>86,343</u>	<u>0</u>
Net Change in Fund Balance	(215,764)	(362,159)	(362,159)	0
Fund Balance - Beginning	555,587	555,587	555,587	0
Fund Balance - Ending	<u>\$ 339,823</u>	<u>193,428</u>	<u>193,428</u>	<u>0</u>

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

Sunflower County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 2005 Bond Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 8,987	8,987	8,987	0
Interest income		24,855	24,855	0
Total Revenues	<u>8,987</u>	<u>33,842</u>	<u>33,842</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,477,130	825,285	825,285	0
Debt Service:				
Principal	300,000	300,000	300,000	0
Interest	4,457	4,457	4,457	0
Total expenditures	<u>1,781,587</u>	<u>1,129,742</u>	<u>1,129,742</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	-1,772,600	-1,095,900	-1,095,900	0
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	1,780,000	1,780,000	1,780,000	0
Proceeds from sale of capital assets		20,000	20,000	0
Total other Financing Sources and (Uses)	<u>1,780,000</u>	<u>1,800,000</u>	<u>1,800,000</u>	<u>0</u>
Net Changes in Fund Balances	7,400	704,100	704,100	0
Fund Balance - Beginning	0	0	0	0
Fund Balance - Ending	<u>\$ 7,400</u>	<u>704,100</u>	<u>704,100</u>	<u>0</u>

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

SUNFLOWER COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2006

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 Budget Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	General Fund	Road Maintenance Fund	2005 Bond Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ (223,062)	(362,159)	704,100
Increase (Decrease)			
Net adjustments for revenue accruals	(100,344)	(420)	1,511
Net adjustments for expenditure accruals	294,577	460,940	(7,023)
Net Change in Fund Balance - GAAP Basis	<u>\$ (28,829)</u>	<u>98,361</u>	<u>698,588</u>

SUNFLOWER COUNTY

SPECIAL REPORTS

SUNFLOWER COUNTY

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PRACTICE SECTION

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

Members of the Board of Supervisors
Sunflower County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sunflower County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated July 03, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

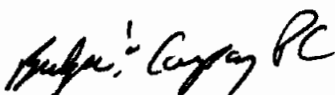
Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sunflower County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

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


Bridgers & Company, P.C.
Certified Public Accountant
Vicksburg, Mississippi

July 03, 2007

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PRACTICE SECTION

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

Members of the Board of Supervisors
Sunflower County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Sunflower County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

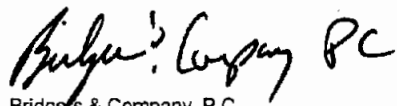
The Board of Supervisors of Sunflower County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Sunflower County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Sunflower County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Sunflower County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



Bridgers & Company, P.C.
Certified Public Accountant
Vicksburg, Mississippi

July 03, 2007

SUNFLOWER COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2006

Schedule 1

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

SUNFLOWER COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2006

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
03-23-06	Water and sewer lines to county building	\$ 4,186.00	Douglas Brothers Construction, Inc.	Deterioration of pipes caused backup of waste water and sewage into building. This created a health hazard and threatened the closing of county offices until the problem was corrected.

SUNFLOWER COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2006

Schedule 3

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

SUNFLOWER COUNTY

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PRACTICE SECTION

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

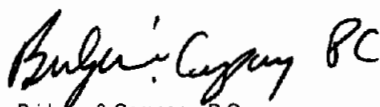
Members of the Board of Supervisors
Sunflower County, Mississippi

In planning and performing our audit of the financial statements of Sunflower County, Mississippi for the year ended September 30, 2006, we considered Sunflower 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 Sunflower 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 July 03, 2007, on the financial statements of Sunflower 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 the 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.



Bridgers & Company, P.C.
Certified Public Accountant
Vicksburg, Mississippi
July 03, 2007

SUNFLOWER COUNTY

SCHEDULE OF FINDINGS

SUNFLOWER COUNTY

Schedule of Findings
For the Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

Material Weakness:

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*.