



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

**PHIL BRYANT
State Auditor**

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

**J. SCOTT SPEIGHTS, MBA, CIA, CGAP
Director, County Audit Section**

SHARKEY COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2003**

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race, religion, national origin, sex, age or disability*

SHARKEY COUNTY

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SHARKEY COUNTY

FINANCIAL SECTION

SHARKEY COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Sharkey County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of and for the year ended September 30, 2003, 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 opinions on these financial statements based on our audit.

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

As discussed in Note 1(H) to the financial statements, management has not maintained adequate subsidiary records documenting the existence, completeness and valuation of the capital assets reported on the Statement of Net Assets at \$7,829,433, as of September 30, 2003. Also, management has not maintained depreciation schedules or reported depreciation expense on the capital assets. Accounting principles generally accepted in the United States of America require that capital assets be depreciated which would decrease the assets and increase the expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable. Accordingly, we were unable to satisfy ourselves as to the fair presentation of the capital assets and related transactions of the governmental activities.

The financial statements referred to above include only the primary government of Sharkey County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Sharkey County, Mississippi, as of September 30, 2003, and the respective changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, because of the effects of the matter discussed in the third paragraph, the primary government financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sharkey County, Mississippi, as of September 30, 2003, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, the primary government financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of September 30, 2003, 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.

As described in Note 2, Sharkey County, Mississippi, implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

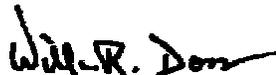
In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2005, on our consideration of Sharkey County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

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

The Budgetary Comparison Schedule and corresponding notes on pages 28 through 32 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



PHIL BRYANT
State Auditor



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

January 19, 2005

SHARKEY COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

SHARKEY COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	<u>Primary Government</u>
	Governmental
	<u>Activities</u>
ASSETS	
Cash	\$ 1,177,740
Property tax receivable	1,859,312
Accounts receivable (net of allowance for uncollectibles of \$46,931)	187,770
Fines receivable (net of allowance for uncollectibles of \$63,210)	190,821
Loans receivable	2,189
Intergovernmental receivables	22,409
Other receivables	11,489
Capital assets	7,829,433
Total Assets	<u>11,281,163</u>
LIABILITIES	
Claims payable	117,368
Intergovernmental payables	31,293
Deferred revenue	1,859,312
Other payables	2,225
Long-term liabilities	
Due within one year:	
Capital related debt	152,615
Non-capital debt	166,814
Due in more than one year:	
Capital related debt	1,013,217
Non-capital debt	460,186
Total Liabilities	<u>3,803,030</u>
NET ASSETS	
Invested in capital assets, net of related debt	6,663,601
Restricted:	
Expendable:	
Public safety	85,586
Public works	867,539
Health and welfare	5,744
Culture and recreation	14,155
Economic development	20,022
Other purposes	2,189
Unrestricted	(180,703)
Total Net Assets	<u>\$ 7,478,133</u>

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

SHARKEY COUNTY
Statement of Activities
For the Year Ended September 30, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,113,420	171,279	15,117		(927,024)
Public safety	444,490	36,585	20,847		(387,058)
Public works	1,490,592	156,844	123,798	628,637	(581,313)
Health and welfare	300,363		18,497		(281,866)
Culture and recreation	45,138				(45,138)
Conservation of natural resources	34,624				(34,624)
Economic development and assistance	202,781				(202,781)
Interest on long-term debt	39,135				(39,135)
Total Government Activities	\$ 3,670,543	364,708	178,259	628,637	(2,498,939)
General revenues:					
Property taxes				\$ 1,744,378	
Road & bridge privilege taxes				58,592	
Grants and contributions not restricted to specific programs				110,853	
Unrestricted interest income				22,616	
Miscellaneous				66,265	
Total General Revenues				2,002,704	
Changes in Net Assets					(496,235)
Net Assets - Beginning, as restated					7,974,368
Net Assets - Ending					\$ 7,478,133

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

SHARKEY COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Garbage and Sanitation Fund	Courthouse Renovation Fund		
ASSETS					
Cash	\$ 171,653	176,885	367,118	462,084	1,177,740
Property tax receivable	1,298,040	33,002		528,270	1,859,312
Accounts receivable (net of allowance for uncollectibles of \$46,931)		187,770			187,770
Fines receivable (net of allowance for uncollectibles of \$63,210)	190,821				190,821
Loans receivable				2,189	2,189
Intergovernmental receivables	18,659	3,750			22,409
Other receivables	1,489		10,000		11,489
Due from other funds		1,780		5,499	7,279
Advances to other funds				21,248	21,248
Total Assets	<u>\$ 1,680,662</u>	<u>403,187</u>	<u>377,118</u>	<u>1,019,290</u>	<u>3,480,257</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 60,700	20,044		36,624	117,368
Intergovernmental payables	29,713				29,713
Due to other funds	8,859				8,859
Advances from other funds	21,248				21,248
Deferred revenue	1,488,861	220,772		528,270	2,237,903
Other payables	2,225				2,225
Total Liabilities	<u>1,611,606</u>	<u>240,816</u>	<u>0</u>	<u>564,894</u>	<u>2,417,316</u>
Fund balances:					
Reserved for:					
Advances				21,248	21,248
Loan receivable				2,189	2,189
Unreserved, reported in:					
General Fund	69,056				69,056
Special Revenue Funds		162,371	377,118	430,959	970,448
Total Fund Balances	<u>69,056</u>	<u>162,371</u>	<u>377,118</u>	<u>454,396</u>	<u>1,062,941</u>
Total Liabilities and Fund Balances	<u>\$ 1,680,662</u>	<u>403,187</u>	<u>377,118</u>	<u>1,019,290</u>	<u>3,480,257</u>

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

SHARKEY COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 1,062,941
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds.	7,829,433
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	378,591
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(1,792,832)</u>
Total Net Assets - Governmental Activities	<u>\$ 7,478,133</u>

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

SHARKEY COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2003

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Garbage and Sanitation Fund	Courthouse Renovation Fund		
REVENUES					
Property taxes	\$ 1,141,366	143,987		459,025	1,744,378
Road and bridge privilege taxes	3,766			54,826	58,592
Licenses, commissions and other revenue	73,121			3,552	76,673
Fines and forfeitures	92,901			6,500	99,401
Intergovernmental revenues	188,346	3,750		725,653	917,749
Charges for services	13,520	173,344		1,770	188,634
Interest income	22,616				22,616
Miscellaneous revenues	47,685			18,580	66,265
Total Revenues	1,583,321	321,081	0	1,269,906	3,174,308
EXPENDITURES					
Current:					
General government	1,113,420				1,113,420
Public safety	420,108			24,382	444,490
Public works		305,358	122,882	1,062,352	1,490,592
Health and welfare	198,106			102,257	300,363
Culture and recreation	6,999			38,139	45,138
Conservation of natural resources	34,624				34,624
Economic development and assistance	2,266			200,515	202,781
Debt service:					
Principal	13,668			114,114	127,782
Interest	2,583			36,552	39,135
Total Expenditures	1,791,774	305,358	122,882	1,578,311	3,798,325
Excess of Revenues over (under) Expenditures	(208,453)	15,723	(122,882)	(308,405)	(624,017)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued				137,096	137,096
Long-term non-capital debt issued			500,000	127,000	627,000
Transfers in	833				833
Transfers out				(833)	(833)
Total Other Financing Sources and Uses	833	0	500,000	263,263	764,096
Net Changes in Fund Balances	(207,620)	15,723	377,118	(45,142)	140,079
Fund Balances - Beginning, as restated	276,676	146,648	0	499,538	922,862
Fund Balances - Ending	\$ 69,056	162,371	377,118	454,396	1,062,941

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

SHARKEY COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2003

	Amount
Net Changes in Fund Balances - Governmental Funds	\$ 140,079
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$764,096 exceeded debt repayments of \$127,782.	(636,314)
Change in Net Assets of Governmental Activities	\$ (496,235)

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

SHARKEY COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2003

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 101,357
Due from other funds	1,580
Total Assets	<u>\$ 102,937</u>
LIABILITIES	
Other liabilities	\$ 36,356
Intergovernmental payables	66,581
Total Liabilities	<u>\$ 102,937</u>

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

SHARKEY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Sharkey-Issaquena Community Hospital
- Sharkey-Issaquena Library

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

SHARKEY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

Garbage and Sanitation Fund - This fund is used to account for the county's activities related to the disposal of solid waste within the county.

Courthouse Renovation Fund - This fund is used to account for bond proceeds used for the repair and upgrade of courthouse facilities.

SHARKEY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

SHARKEY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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 column in the government-wide financial statement. However, the capital assets amount reported on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets, adequate records documenting the county's infrastructure, or records documenting depreciation on applicable assets. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Sharkey County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. Also, current year general infrastructure assets are not reported on the government-wide financial statements, because the county did not maintain adequate records documenting the value of the county's infrastructure.

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

SHARKEY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

SHARKEY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other Governmental Funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General	\$ 276,676			276,676
Garbage and Sanitation		146,648		146,648
Other Governmental Funds:				
Special Revenue	645,353	(146,648)		498,705
Debt Service	833			833
Total Governmental Funds	922,862	0	0	922,862
Governmental Activities:				
Capital assets		4,425,473	3,403,960	7,829,433
Long-term liabilities		(1,163,418)	6,900	(1,156,518)
Fines receivable			190,821	190,821
Accounts receivable			187,770	187,770
Total Governmental Funds and Governmental Activities	\$ 922,862	3,262,055	3,789,451	7,974,368

SHARKEY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Account Groups				
General Fixed Assets	\$ 4,425,473	(4,425,473)		0
General Long-term Debt	(1,163,418)	1,163,418		0
Total Account Groups	<u>\$ 3,262,055</u>	<u>(3,262,055)</u>	<u>0</u>	<u>0</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$1,279,097, and the bank balance was \$1,219,800. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Garbage and Sanitation	General	\$ 1,780
Other Governmental Funds	General	5,499
Agency Funds	General	1,580
Total		<u>\$ 8,859</u>

The receivables represent the tax revenue collected but not settled until October, 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

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

The General Fund payable represents the correction of an error.

SHARKEY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>833</u>

The principal purpose of the interfund transfer was to close a Debt Service Fund. The interfund transfer was routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 18,659
State waste tire grant	<u>3,750</u>
Total Governmental Activities	\$ <u>22,409</u>

(6) Loans Receivable.

Loans receivable is comprised of \$2,189 of funds due from homeowners. The origin of these funds was provided by a federal grant to improve living conditions in impoverished areas.

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

	<u>Balance</u> <u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u> *	<u>Balance</u> <u>Sept. 30, 2003</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 82,638	0	0	0	<u>82,638</u>
<u>Depreciable capital assets:</u>					
Land and buildings	2,143,210			3,187,042	5,330,252
Mobile equipment	1,257,750			451,637	1,709,387
Furniture and equipment	253,911			(8,570)	245,341
Leased property under capital leases	687,964			(226,149)	461,815
Total depreciable capital assets	<u>4,342,835</u>	<u>0</u>	<u>0</u>	<u>3,403,960</u>	<u>7,746,795</u>
Governmental activities capital assets	\$ <u>4,425,473</u>	<u>0</u>	<u>0</u>	<u>3,403,960</u>	<u>7,829,433</u>

* Adjustments are the effect of a fund reclassification and implementing GASB 34.

SHARKEY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$350,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$22,126 for the year ended September 30, 2003. The future minimum lease receivables for these leases are as follows:

Year Ended September 30	Amount
2004	\$ 22,126
2005	22,126
2006	22,126
Total Minimum Payments Required	\$ 66,378

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2003:

Classes of Property	Governmental Activities
Mobile equipment	\$ 742,489
Other furniture and equipment	7,115
Leased Property Under Capital Leases	\$ 749,604

SHARKEY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

The following is a schedule by years of the total payments due as of September 30, 2003:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 107,545	22,634
2005	237,173	13,973
2006	54,523	6,130
2007	116,528	3,245
2008	2,693	16
Total	<u>\$ 518,462</u>	<u>45,998</u>

(11) Long-term Debt.

Debt outstanding as of September 30, 2003, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
Courthouse renovation bonds	\$ <u>500,000</u>	3.20	02-08
B. Capital Leases:			
Xerox digital copier	\$ 5,249	10.50	02-07
Caterpillar motor grader	95,969	5.85	05-05
Massey Ferguson tractor	23,271	4.30	05-07
Case 580L backhoe	12,952	5.10	11-04
Dodge Ram truck	11,375	6.48	06-06
Motor grader	133,009	4.05	05-07
New Holland tractor	5,457	4.94	06-04
Case 580L backhoe	4,251	5.60	01-04
Caterpillar motor grader	106,453	5.60	02-05
2 Palmer TA24H dump trailers	35,167	4.09	10-07
2003 GMC pickup truck	12,280	3.91	12-07
New Holland TL100 Cab tractor	28,427	3.89	01-07
1999 International 490 truck	18,571	3.45	05-06
2003 Witzco Lowboy semi-trailer	16,031	4.09	12-07
1994 International 920 truck	<u>10,000</u>	4.45	10-04
Total Capital Leases	\$ <u>518,462</u>		
C. Other Loans:			
Capital improvement loan - Stonecraft project	\$ 647,370	4.00	02-14
Working capital loan - District 5	87,000	5.25	09-05
Working capital loan - District 4	<u>40,000</u>	5.25	09-05
Total Other Loans	\$ <u>774,370</u>		

SHARKEY COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

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

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 90,000	19,182	121,884	33,080
2005	95,000	11,600	103,453	26,199
2006	100,000	8,480	55,419	21,413
2007	105,000	5,200	57,658	19,174
2008	110,000	1,760	59,987	16,844
2009 - 2013			338,308	45,851
2014 - 2018			37,661	753
Total	\$ <u>500,000</u>	<u>46,222</u>	<u>774,370</u>	<u>163,314</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2003, the amount of outstanding debt was equal to 1.32% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2003:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments *</u>	<u>Sept. 30, 2003</u>	<u>within one</u>
						<u>year</u>
General obligation bonds	\$	500,000			500,000	90,000
Capital leases	480,243	137,096	102,933	4,056	518,462	107,545
Other loans	683,175	127,000	24,849	(10,956)	774,370	121,884
Total	\$ <u>1,163,418</u>	<u>764,096</u>	<u>127,782</u>	<u>(6,900)</u>	<u>1,792,832</u>	<u>319,429</u>

* Adjustments were made to correct the balances at the end of the year to agree to amounts confirmed.

(12) Deficit Fund Balance of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2003:

<u>Fund</u>	<u>Deficit</u>
	<u>Amount</u>
Special Revenue Fund:	
Law Library Fund	\$ <u>1,350</u>

SHARKEY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

(13) 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.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Delta Community Mental Health Services operates in a district composed of the Counties of Bolivar, Issaquena, Sharkey and Washington. The Sharkey County Board of Supervisors appoints one of the four members of the board of commissioners. The county appropriated \$49,000 for support in fiscal year 2003.

Mississippi Delta Community College operates in a district composed of the Counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Sharkey County Board of Supervisors appoints three of the 20 members of the college board of trustees. The county appropriated \$74,892 for maintenance and support of the college in fiscal year 2003.

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

The Yazoo-Mississippi Water Management District operates in a district composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington and Yazoo. The Sharkey County Board of Supervisors appoints one of the 21 members of the board of commissioners. The county contributed \$22,349 to support the district in fiscal year 2003.

(15) Defined Benefit Pension Plan.

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

SHARKEY COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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, 2003, 2002 and 2001 were \$104,161, \$106,804 and \$106,493, respectively, equal to the required contributions for each year.

(16) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.93% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Sharkey County during the 2002-2003 fiscal year was \$3,605.

(17) Subsequent Event.

In July 1997, Sharkey County entered into a loan agreement with Mississippi Development Authority to renovate an existing county building and construct a building to be leased by Stonecraft, LLC. In June 1999, Sharkey County and the City of Rolling Fork entered into an agreement with Stonecraft, LLC, to lease real property at a rate of \$5,917.53 per month for a term of 15 years. Stonecraft, LLC subsequently defaulted on the lease agreement and entered into bankruptcy proceedings. In June 2004, the U.S. Bankruptcy Court for the Southern District of Mississippi assigned the lease to MK Leasing, LLC. MK Leasing, LLC will pay \$1,500 per month starting in July 2004, \$3,000 starting on September 1, 2004, and \$4,500 per month starting on March 1, 2005, and the rent reserved in the lease starting in January 2006. MK Leasing, LLC may elect to terminate the lease effective June 1, 2005, and on each annual anniversary date thereof by giving at least 30 days notice.

SHARKEY COUNTY

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SHARKEY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SHARKEY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,041,565	1,137,798	1,137,798	
Road and bridge privilege taxes	810			
Licenses, commissions and other revenue	103,000	69,172	69,172	
Fines and forfeitures	67,985	78,320	78,320	
Intergovernmental revenues	118,137	188,346	188,346	
Charges for services	13,000	13,520	13,520	
Interest income	27,000	22,584	22,584	
Miscellaneous revenues	33,263	34,361	34,361	
Total Revenues	<u>1,404,760</u>	<u>1,544,101</u>	<u>1,544,101</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,082,128	1,166,755	1,166,755	
Public safety	364,165	416,580	416,580	
Health and welfare	205,720	201,990	201,990	
Culture and recreation	10,000	7,007	7,007	
Conservation of natural resources	40,481	36,143	36,143	
Economic development and assistance	2,266	2,266	2,266	
Total Expenditures	<u>1,704,760</u>	<u>1,830,741</u>	<u>1,830,741</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(300,000)</u>	<u>(286,640)</u>	<u>(286,640)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		13,324	13,324	
Transfers in		38,833	38,833	
Total Other Financing Sources and Uses	<u>0</u>	<u>52,157</u>	<u>52,157</u>	<u>0</u>
Net Change in Fund Balance	(300,000)	(234,483)	(234,483)	0
Fund Balances - Beginning	300,000	344,344	305,224	(39,120)
Fund Balances - Ending	<u>\$ 0</u>	<u>109,861</u>	<u>70,741</u>	<u>(39,120)</u>

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

SHARKEY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Garbage and Sanitation Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 133,404	143,706	143,706	
Interest income	153,098	173,344	173,344	
Total Revenues	<u>286,502</u>	<u>317,050</u>	<u>317,050</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	316,502	286,375	286,375	
Total Expenditures	<u>316,502</u>	<u>286,375</u>	<u>286,375</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(30,000)</u>	<u>30,675</u>	<u>30,675</u>	<u>0</u>
Net Change in Fund Balance	(30,000)	30,675	30,675	0
Fund Balances - Beginning	30,000	146,210	206,668	60,458
Fund Balances - Ending	<u>\$ 0</u>	<u>176,885</u>	<u>237,343</u>	<u>60,458</u>

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

SHARKEY COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Courthouse Renovation Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current:				
Public works	\$	122,882	122,882	
Total Expenditures	<u>0</u>	<u>122,882</u>	<u>122,882</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(122,882)</u>	<u>(122,882)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued		490,000	490,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>490,000</u>	<u>490,000</u>	<u>0</u>
Net Change in Fund Balance	0	367,118	367,118	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>367,118</u>	<u>367,118</u>	<u>0</u>

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

SHARKEY COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2003

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.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, which amends GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. 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).

SHARKEY COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Garbage and Sanitation Fund</u>	<u>Courthouse Renovation Fund</u>
Budget (Cash Basis)	\$ (234,483)	30,675	367,118
Increase (Decrease)			
Net adjustments for revenue accruals	1,518,371	4,031	10,000
Net adjustments for expenditure accruals	<u>(1,491,508)</u>	<u>(18,983)</u>	<u> </u>
GAAP Basis	\$ <u><u>(207,620)</u></u>	<u><u>15,723</u></u>	<u><u>377,118</u></u>

SHARKEY COUNTY

SPECIAL REPORTS

SHARKEY COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON 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
Sharkey County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated January 19, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. Our report includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of the governmental activities capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sharkey 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 is required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance which we have reported to the management of Sharkey County, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated January 19, 2005, included within this document.

Internal Control Over Financial Reporting

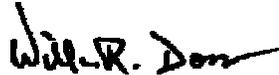
In planning and performing our audit, we considered Sharkey County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sharkey County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 03-1, 03-2, 03-3, 03-4, 03-5 and 03-6.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 03-1 to be a material weakness.

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



PHIL BRYANT
State Auditor



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

January 19, 2005



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Sharkey County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Sharkey County, Mississippi, as of and for the year ended September 30, 2003. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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

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

Inventory Control Clerk.

Finding

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

Recommendation

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

Inventory Control Clerk's Response

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

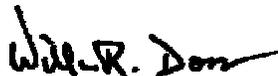
In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Sharkey County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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



PHIL BRYANT
State Auditor



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

January 19, 2005

SHARKEY COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2003

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
11-04-02	Tractor	\$ 33,684	Delta Implements	\$ 29,425	Cost of repairs and maintenance on the lower priced model is higher.
02-18-03	Partial restoration of courthouse roof	138,000	Continental Roofing, Inc.	119,842	Low bidder was not in compliance with the Mississippi Landmark grant program requirement of successful completion of at least 5 buildings listed on the National Register of Historical Places.

SHARKEY COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2003

Schedule 2

Our test results did not identify any emergency purchases.

SHARKEY COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2003

Schedule 3

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

SHARKEY COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors
Sharkey County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sharkey County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated January 19, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. Our report includes an adverse opinion on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness, valuation and depreciation of the governmental activities capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

The results of our procedures and our audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are disclosed below:

Chancery Clerk.

1. Finding

Section 19-13-43, Miss. Code Ann. (1972), requires funds to have cash available before checks are written. As reported in the prior year audit report, checks were written on the Law Library Fund and the Yazoo Water Management Fund that did not have sufficient cash balances.

Recommendation

The Chancery Clerk should ensure that no checks are written on funds when cash is not available.

Chancery Clerk's Response:

I will comply.

Circuit Clerk.

2. Finding

Section 9-1-43, Miss. Code Ann. (1972), limits the compensation of the Circuit Clerks to \$83,160 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. The Circuit Clerk claimed as expenses, employees' salaries that are not allowable. The total of the disallowed expenses is \$6,637.53 for the year ending December 31, 2003. This resulted in the Circuit Clerk exceeding the compensation limit by \$6,637.53.

Recommendation

The Circuit Clerk should ensure that only employee salaries related to the Circuit Clerk's office are claimed as expenses. The Circuit Clerk should also file an amended report with the Office of the State Auditor and the Mississippi Public Employees' Retirement System.

Circuit Clerk's Response

I will repay \$6,637.53 to Sharkey County, that I received as a result of several class action suits that were rushed in for filing by the December, 2003 deadline.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On:

Circuit Clerk, Murindia Williams

Nature of Exception:

See Circuit Clerk's Finding #2 described in this report.

Amount of Exception:

\$6,637.53

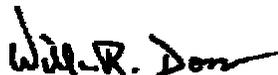
Disposition of Exception:

This matter has been referred to the Investigative Division of the Office of the State Auditor.

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



PHIL BRYANT
State Auditor



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

January 19, 2005

SHARKEY COUNTY

SCHEDULE OF FINDINGS

SHARKEY COUNTY

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SHARKEY COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|-------------------------------------------------------------------------------------|---------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Adverse |
| 2. | Material noncompliance relating to the primary government financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes |

Section 2: Financial Statement Findings

Inventory Control Clerk.

03-1. Finding

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

Recommendation

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

Inventory Control Clerk's Response

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

Chancery Clerk.

03-2. Finding

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

SHARKEY COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Recommendation

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

Chancery Clerk's Response

I will comply.

Circuit Clerk.

03-3. Finding

Cash collection and disbursement functions are not adequately separated for effective internal control. As reported in the prior year audit report, one employee receipts funds, calculates the monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to properly segregate accounting duties increases the possibility of misuse of public funds.

Recommendation

The Circuit Clerk should implement a system of review of the accounting records by another person.

Circuit Clerk's Response

I will comply.

03-4. Finding

As reported in the prior year audit report, the Circuit Clerk did not maintain adequate records that identified the payer of criminal bonds.

Recommendation

The Circuit Clerk should maintain adequate records that identifies the payer of criminal bonds.

Circuit Clerk's Response

I will settle the amounts that can not be identified as unidentified funds.

Sheriff.

03-5. Finding

Cash collection and disbursement functions are not adequately separated for effective internal control. As reported in the prior year audit report, one employee receipts funds, calculates the monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to properly segregate accounting duties increases the possibility of misuse of public funds.

SHARKEY COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Recommendation

The Sheriff should implement a system of review of the accounting records by another person.

Sheriff's Response

I will comply.

Justice Court Clerk.

03-6. Finding

Cash collection and disbursement functions are not adequately separated for effective internal control. As reported in the prior year audit report, one employee receipts funds, calculates the monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to properly segregate accounting duties increases the possibility of misuse of public funds.

Recommendation

The Justice Court Clerk should implement a system of review of the accounting records by another person.

Justice Court Clerk's Response

It would be difficult to separate duties due to limited personnel.