



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

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State Auditor

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WALTHALL COUNTY, MISSISSIPPI

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

WALTHALL COUNTY

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WALTHALL COUNTY

FINANCIAL SECTION

WALTHAM 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
Walthall County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Walthall 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.

The financial statements referred to above include only the primary government of Walthall 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 Walthall County, Mississippi, as of September 30, 2003, 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, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Walthall County, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Walthall 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 September 30, 2004, on our consideration of Walthall 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.

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

The Budgetary Comparison Schedule and corresponding notes on pages 35 through 37 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 inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



PHIL BRYANT
State Auditor



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

September 30, 2004

WALTHALL COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

WALTHALL COUNTY
Statement of Net Assets
September 30, 2003

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 1,686,688	487,918	2,174,606
Property tax receivable	2,068,000		2,068,000
Accounts receivable (net of allowance for uncollectibles of \$81,505)		300,398	300,398
Fines receivable (net of allowance for uncollectibles of \$1,481,527)	1,034,347		1,034,347
Intergovernmental receivables	75,488		75,488
Other receivables	7,586		7,586
Internal balances	26,322	(26,322)	
Capital assets, net	7,408,693	196,463	7,605,156
Total Assets	12,307,124	958,457	13,265,581
LIABILITIES			
Claims payable	269,819	18,625	288,444
Intergovernmental payables	205,063		205,063
Deferred revenue	2,068,000	20,075	2,088,075
Other payables	7,639		7,639
Long-term liabilities			
Due within one year:			
Capital related debt	387,896		387,896
Due in more than one year:			
Capital related debt	2,501,908		2,501,908
Non-capital debt	44,663	6,718	51,381
Total Liabilities	5,484,988	45,418	5,530,406
NET ASSETS			
Invested in capital assets, net of related debt	4,518,889	196,463	4,715,352
Restricted:			
Expendable:			
General government	9,074		9,074
Debt service	385,666		385,666
Public safety	190,506		190,506
Public works	423,574		423,574
Unemployment compensation	10,545		10,545
Capital projects	137,862		137,862
Unrestricted	1,146,020	716,576	1,862,596
Total Net Assets	\$ 6,822,136	913,039	7,735,175

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

WALTHALL 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		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 1,546,594	279,064		9,609	(1,257,921)		(1,257,921)
Public safety	1,280,625	216,380	61,658	2,500	(1,000,087)		(1,000,087)
Public works	1,336,672		543,124	1,304,938	511,390		511,390
Health and welfare	176,965		24,045		(152,920)		(152,920)
Culture and recreation	82,438				(82,438)		(82,438)
Conservation of natural resources	73,378			62,500	(10,878)		(10,878)
Economic development and assistance	124,803				(124,803)		(124,803)
Interest on long-term debt	146,585				(146,585)		(146,585)
Total Governmental Activities	<u>4,768,060</u>	<u>495,444</u>	<u>628,827</u>	<u>1,379,547</u>	<u>(2,264,242)</u>	<u>0</u>	<u>(2,264,242)</u>
Business-type activities:							
Solid waste	438,562	402,323				(36,239)	(36,239)
Total	<u>\$ 5,206,622</u>	<u>897,767</u>	<u>628,827</u>	<u>1,379,547</u>	<u>(2,264,242)</u>	<u>(36,239)</u>	<u>(2,300,481)</u>
General revenues:							
Property taxes					\$ 2,644,593	996	2,645,589
Road & bridge privilege taxes					176,539		176,539
Grants and contributions not restricted to specific programs					360,109	14,708	374,817
Unrestricted interest income					63,440	13,805	77,245
Miscellaneous					109,530		109,530
Total General Revenues					<u>3,354,211</u>	<u>29,509</u>	<u>3,383,720</u>
Changes in Net Assets					<u>1,089,969</u>	<u>(6,730)</u>	<u>1,083,239</u>
Net Assets - Beginning, as restated					<u>5,732,167</u>	<u>919,769</u>	<u>6,651,936</u>
Net Assets - Ending					<u>\$ 6,822,136</u>	<u>913,039</u>	<u>7,735,175</u>

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

WALTHALL COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Multicraft Building Fund		
ASSETS				
Cash	\$ 452,804	1,936	1,231,948	1,686,688
Property tax receivable	1,357,500		710,500	2,068,000
Fines receivable (net of allowance for uncollectibles \$1,481,527)	1,034,347			1,034,347
Intergovernmental receivables	75,488			75,488
Other receivables	7,586			7,586
Due from other funds	26,322		36,967	63,289
Total Assets	<u>\$ 2,954,047</u>	<u>1,936</u>	<u>1,979,415</u>	<u>4,935,398</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 156,195		113,624	269,819
Intergovernmental payables	195,813			195,813
Due to other funds	46,217			46,217
Deferred revenue	2,391,847		710,500	3,102,347
Other payables	7,639			7,639
Total Liabilities	<u>2,797,711</u>	<u>0</u>	<u>824,124</u>	<u>3,621,835</u>
Fund balances:				
Reserved for:				
Debt service			385,666	385,666
Unemployment compensation			10,545	10,545
Unreserved, reported in:				
General Fund	156,336			156,336
Special Revenue Funds			623,154	623,154
Capital Project Funds		1,936	135,926	137,862
Total Fund Balances	<u>156,336</u>	<u>1,936</u>	<u>1,155,291</u>	<u>1,313,563</u>
Total Liabilities and Fund Balances	<u>\$ 2,954,047</u>	<u>1,936</u>	<u>1,979,415</u>	<u>4,935,398</u>

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

WALTHALL 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	\$ 1,313,563
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 \$2,815,262.	7,408,693
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,034,347
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(2,934,467)</u>
Total Net Assets - Governmental Activities	<u>\$ 6,822,136</u>

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

WALTHALL 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	Multicraft Building Fund		
REVENUES				
Property taxes	\$ 1,753,398		891,195	2,644,593
Road and bridge privilege taxes			176,539	176,539
Licenses, commissions and other revenue	128,421		4,840	133,261
Fines and forfeitures	172,351			172,351
Intergovernmental revenues	355,662		844,411	1,200,073
Charges for services	97,576		92,256	189,832
Interest income	24,562	84	38,794	63,440
Miscellaneous revenues	75,004		30,699	105,703
Total Revenues	<u>2,606,974</u>	<u>84</u>	<u>2,078,734</u>	<u>4,685,792</u>
EXPENDITURES				
Current:				
General government	1,539,436			1,539,436
Public safety	904,626		250,173	1,154,799
Public works	8,471		1,554,731	1,563,202
Health and welfare	161,825			161,825
Culture and recreation	4,317		20,993	25,310
Conservation of natural resources	73,378			73,378
Economic development and assistance	49,537	763,148	158,023	970,708
Debt service:				
Principal			252,517	252,517
Interest			146,585	146,585
Total Expenditures	<u>2,741,590</u>	<u>763,148</u>	<u>2,383,022</u>	<u>5,887,760</u>
Excess of Revenues over (under) Expenditures	<u>(134,616)</u>	<u>(763,064)</u>	<u>(304,288)</u>	<u>(1,201,968)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		765,000	109,053	874,053
Proceeds from sale of capital assets	5,804		1,800	7,604
Transfers in			198,922	198,922
Transfers out	(66,855)		(132,067)	(198,922)
Total Other Financing Sources and Uses	<u>(61,051)</u>	<u>765,000</u>	<u>177,708</u>	<u>881,657</u>
Net Changes in Fund Balances	(195,667)	1,936	(126,580)	(320,311)
Fund Balances - Beginning, as restated	<u>352,003</u>	<u>0</u>	<u>1,281,871</u>	<u>1,633,874</u>
Fund Balances - Ending	<u>\$ 156,336</u>	<u>1,936</u>	<u>1,155,291</u>	<u>1,313,563</u>

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

WALTHALL 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, 2003

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (320,311)
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 \$2,494,353 exceeded depreciation of \$470,304 in the current period.	2,024,049
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 \$938 and the proceeds from the sale of \$7,604 in the current period.	(8,542)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$874,053 exceeded repayments of \$252,517.	(621,536)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of decrease in compensated absences.	<u>16,309</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 1,089,969</u></u>

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

WALTHALL COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2003

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 487,918
Accounts receivable (net of allowance for uncollectibles \$81,505)	<u>300,398</u>
Total Current Assets	<u>788,316</u>
Noncurrent assets:	
Capital assets, net	<u>196,463</u>
Total Noncurrent Assets	<u>196,463</u>
Total Assets	<u>984,779</u>
LIABILITIES	
Current liabilities:	
Claims payable	18,625
Due to other funds	26,322
Deferred revenue	<u>20,075</u>
Total Current Liabilities	<u>65,022</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	<u>6,718</u>
Total Noncurrent Liabilities	<u>6,718</u>
NET ASSETS	
Invested in capital assets, net of related debt	196,463
Unrestricted	<u>716,576</u>
Total Net Assets	<u>\$ 913,039</u>

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

WALTHALL COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Fund
For the Year Ended September 30, 2003

Exhibit 6

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 402,323
Total Operating Revenues	<u>402,323</u>
Operating Expenses	
Personal services	249,280
Contractual services	126,003
Materials and supplies	23,065
Depreciation expense	35,268
Indirect administrative cost	4,946
Total Operating Expenses	<u>438,562</u>
Operating Income (Loss)	<u>(36,239)</u>
Nonoperating Revenues (Expenses)	
Property tax	996
Interest income	13,805
Nonoperating grants	14,708
Net Nonoperating Revenue (Expenses)	<u>29,509</u>
Net Income (Loss)Assets	<u>(6,730)</u>
Changes in Net Assets	<u>(6,730)</u>
Net Assets - Beginning, as restated	<u>919,769</u>
Net Assets - Ending	<u>\$ 913,039</u>

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

WALTHALL COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2003

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 344,854
Payments to suppliers	(144,702)
Payments to employees	(247,826)
Net Cash Provided (Used) by Operating Activities	<u>(47,674)</u>
Cash Flows From Noncapital Financing Activities	
Nonoperating grants received	14,708
Cash received from property taxes	2,217
Net Cash Provided (Used) by Noncapital Financing Activities	<u>16,925</u>
Cash Flows From Investing Activities	
Interest on investments	13,805
Net Cash Provided (Used) by Investing Activities	<u>13,805</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(16,944)</u>
Cash and Cash Equivalents at Beginning of Year	<u>504,862</u>
Cash and Cash Equivalents at End of Year	<u>\$ 487,918</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(36,239)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	35,268
Provision for uncollectible accounts	(44,452)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(10,580)
Increase (decrease) in claims payable	4,366
Increase (decrease) in compensated absences liability	1,454
Increase (decrease) in deferred revenue	(2,437)
Increase (decrease) in interfund payables	4,946
Total Adjustments	<u>(11,435)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (47,674)</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 55,149
Due from other funds	9,250
Total Assets	<u>\$ 64,399</u>
LIABILITIES	
Other liabilities	\$ 5,631
Amounts held in custody for others	27,504
Intergovernmental payables	31,264
Total Liabilities	<u>\$ 64,399</u>

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

WALTHALL COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Walthall 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 Walthall 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.

- Walthall County General Hospital
- Walthall County Airport Board
- Walthall County Economic Development Authority
- Enon Fire Protection District

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 which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic 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.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 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.

WALTHALL COUNTY

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

The county reports the following major Governmental Funds:

General Fund - Accounts for all activities of the general government for which a separate fund has not been established.

Multicraft Building Fund - Accounts for resources accumulated and used for the purchase of land and a building for industrial purposes.

The county reports the following major Proprietary Fund:

Solid Waste Fund - Accounts for the county's activities of disposal of solid waste within the county

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

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.

WALTHALL COUNTY

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

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. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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 applicable governmental or business-type 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. 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. Walthall 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 financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

WALTHALL COUNTY

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

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

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

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

I. Long-term Liabilities.

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

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

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."

WALTHALL 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 personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds 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.

Therefore, the county's full liability in the amount of \$44,663 for accumulated unpaid personal leave up to a maximum of 30 days per employee payable from Governmental Funds is reported as a liability in the Statement of Net Assets. In Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$6,718, which represents an amount up to a maximum of 30 days per employee.

WALTHALL 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	\$ 352,003			352,003
Other Governmental Funds:				
Special Revenue	899,175	(169,496)		729,679
Debt Service	261,375	159,960		421,335
Capital Projects	130,857			130,857
 Total Governmental Funds	 1,643,410	 (9,536)	 0	 1,633,874
Governmental Activities:				
Capital assets, net		8,232,820	(2,839,634)	5,393,186
Long-term liabilities		(2,329,240)		(2,329,240)
Fines receivable			1,034,347	1,034,347
 Total Governmental Funds and Governmental Activities	 \$ 1,643,410	 5,894,044	 (1,805,287)	 5,732,167

WALTHALL 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
Proprietary Funds and Business-type Activities				
Solid Waste	\$ <u>830,623</u>	<u>0</u>	<u>89,146</u>	<u>919,769</u>
Fiduciary Funds				
Agency	\$	19,744		19,744
Expendable Trust	10,208	(10,208)		
Total Fiduciary Funds	\$ <u>10,208</u>	<u>9,536</u>	<u>0</u>	<u>19,744</u>
Account Groups				
General Fixed Assets	\$ 8,232,820	(8,232,820)		
General Long-term Debt	<u>(2,329,240)</u>	<u>2,329,240</u>		
Total Account Groups	\$ <u>5,903,580</u>	<u>(5,903,580)</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 \$2,229,755, and the bank balance was \$2,252,483. 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>
General	Solid Waste	\$ 26,322
Other Governmental Funds	General	36,967
Agency Funds	General	<u>9,250</u>
Total		\$ <u>72,539</u>

The General Fund receivable is the amount of indirect cost due to solid waste operations. All other amounts 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.

WALTHALL COUNTY

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

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 66,855
Other Governmental Funds	Other Governmental Funds	<u>132,067</u>
Total		<u>\$ 198,922</u>

The purpose of the interfund transfers was to fund the southwest events center, to close out debt service funds and to supplement the road funds. All transfers were 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:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ <u>75,488</u>

(6) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Non-depreciable capital assets:</u>					
Land	\$ 205,461				205,461
Construction in progress	1,326,739			(1,326,739)	
Total non-depreciable capital assets	<u>1,532,200</u>	<u>0</u>	<u>0</u>	<u>(1,326,739)</u>	<u>205,461</u>
<u>Depreciable capital assets:</u>					
Infrastructure		1,168,410			1,168,410
Buildings	2,503,786	869,478		1,323,621	4,696,885
Improvements other than buildings	35,624	86,086		(6,034)	115,676
Mobile equipment	3,254,739	261,325	74,026	(213,254)	3,228,784
Furniture and equipment	477,907			(109,531)	368,376
Leased property under capital leases	428,564	109,054		(97,255)	440,363
Total depreciable capital assets	<u>6,700,620</u>	<u>2,494,353</u>	<u>74,026</u>	<u>897,547</u>	<u>10,018,494</u>

WALTHALL COUNTY

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

	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Less accumulated depreciation for:</u>					
Infrastructure		24,272			24,272
Buildings		91,864		550,946	642,810
Improvements other than buildings		4,628		1,184	5,812
Mobile equipment		268,705	65,484	1,489,904	1,693,125
Furniture and equipment		28,640		271,915	300,555
Leased property under capital leases		52,195		96,493	148,688
Total accumulated depreciation	<u>0</u>	<u>470,304</u>	<u>65,484</u>	<u>2,410,442</u>	<u>2,815,262</u>
 Total depreciable capital assets, net	<u>6,700,620</u>	<u>2,024,049</u>	<u>8,542</u>	<u>(1,512,895)</u>	<u>7,203,232</u>
 Governmental activities capital assets, net	<u>\$ 8,232,820</u>	<u>2,024,049</u>	<u>8,542</u>	<u>(2,839,634)</u>	<u>7,408,693</u>
 Business-type activities:					
	Balance Oct. 1, 2002	Additions	Deletions	Adjustments *	Balance Sept. 30, 2003
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 391,862				391,862
Furniture and equipment	16,010			(16,010)	
Total depreciable capital assets	<u>407,872</u>	<u>0</u>	<u>0</u>	<u>(16,010)</u>	<u>391,862</u>
 <u>Less accumulated depreciation for:</u>					
Mobile equipment	257,189	35,268		(97,058)	195,399
Furniture and equipment	8,098			(8,098)	
Total accumulated depreciation	<u>265,287</u>	<u>35,268</u>	<u>0</u>	<u>(105,156)</u>	<u>195,399</u>
 Total depreciable capital assets, net	<u>142,585</u>	<u>(35,268)</u>	<u>0</u>	<u>89,146</u>	<u>196,463</u>
 Business-type activities capital assets, net	<u>\$ 142,585</u>	<u>(35,268)</u>	<u>0</u>	<u>89,146</u>	<u>196,463</u>

* Most adjustments are the effect of implementing GASB 34. Also, construction in progress totaling \$1,326,739 was transferred to buildings upon completion.

WALTHALL COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 7,349
Public safety	155,969
Public works	211,594
Health and welfare	15,140
Culture and recreation	57,128
Economic development and assistance	<u>23,124</u>
Total governmental activities depreciation expense	<u>\$ 470,304</u>
Business-type activities:	
Solid Waste	<u>\$ 35,268</u>

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement 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.

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$4,500 for the year ended September 30, 2003. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2004	\$ 4,500
2005	4,500
2006	4,500
2007	4,500
2008	4,500

WALTHALL COUNTY

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

<u>Year Ended September 30</u>	<u>Amount</u>
2009-2013	22,500
2014-2018	22,500
2019-2023	22,500
2024-2028	22,500
Later years	<u>67,500</u>
Total Minimum Payments Required	<u>\$ 180,000</u>

As Lessee:

The county has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$27,363 for the year ended September 30, 2003. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2004	<u>\$ 12,109</u>

(9) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 440,363
Less: Accumulated depreciation	<u>148,688</u>
Leased Property Under Capital Leases	<u>\$ 291,675</u>

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	\$ 86,122	9,723
2005	74,414	6,865
2006	38,552	3,984
2007	26,515	2,633
2008	20,087	740
2009 - 2013	<u>5,167</u>	<u>40</u>
Total	<u>\$ 250,857</u>	<u>23,985</u>

WALTHALL COUNTY

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

(10) 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>
Governmental Activities:			
A. General Obligation Bonds:			
Industrial building (1990)	\$ 335,000	9.10/9.40	12/10
Multi-purpose building (1998)	520,000	5.00	01/14
Multi-purpose building (2000)	515,000	5.35	03/15
Library improvements (2001)	<u>310,000</u>	5.00	02/16
Total General Obligation Bonds	<u>\$ 1,680,000</u>		
B. Equipment Notes:			
District 2 - dump truck	<u>\$ 11,296</u>	5.30	11/04
C. Capital Leases:			
District 1 - New holland backhoe	\$ 6,323	5.95	04/04
District 5 - Sterling truck	15,364	5.95	06/05
District 1 - Sterling truck	16,746	5.95	08/05
District 3 - New Holland tractor with Tiger boom mower	21,249	5.19	08/05
District 5 - Ford 150 truck	5,204	5.95	09/04
District 1 - Case 4 WD tractor	15,264	5.14	12/05
Countywide road and bridge maintenance truck	41,929	5.17	04/06
District 5 - Ford F-750 dump truck	31,775	3.99	07/07
District 2 - Motor grader	<u>97,003</u>	4.59	12/08
Total Capital Leases	<u>\$ 250,857</u>		
D. Other Loans:			
Motor grader	\$ 31,344	4.50	09/05
Emergency 911 fire truck	20,246	5.59	01/06
Emergency 911 fire truck	27,685	4.39	04/07
Multicraft building	765,000	4.66	01/08
Emergency 911 fire truck	<u>103,376</u>	4.53	08/12
Total Other Loans	<u>\$ 947,651</u>		

WALTHALL 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:

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>			
	<u>Principal</u>		<u>Interest</u>	
2004	\$	115,000		96,619
2005		130,000		89,047
2006		130,000		80,973
2007		140,000		72,515
2008		150,000		63,316
2009 - 2013		755,000		169,735
2014 - 2018		260,000		14,135
Total	\$	<u>1,680,000</u>		<u>586,340</u>

<u>Year Ending September 30</u>	<u>Equipment Notes</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 9,639	369	177,135	44,301
2005	1,657	11	185,346	35,919
2006			177,333	27,503
2007			178,107	19,102
2008			178,667	10,740
2009 - 2013			51,063	11,483
Total	\$ <u>11,296</u>	<u>380</u>	<u>947,651</u>	<u>149,048</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 2.1% of the latest property assessments.

WALTHALL COUNTY

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

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

	Balance Oct. 1, 2002	Additions	Reductions	Adjustments	Balance Sept. 30, 2003	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 60,972		16,309		44,663	
General obligation bonds	1,790,000		110,000		1,680,000	115,000
Equipment notes	20,435		9,139		11,296	9,639
Capital leases	239,114	109,053	97,310		250,857	86,122
Other loans	218,719	765,000	36,068		947,651	177,135
Total	\$ 2,329,240	874,053	268,826	0	2,934,467	387,896
Business-type Activities:						
Compensated absences	\$ 5,264	1,454	0	0	6,718	0

(11) Contingencies.

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

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

(12) Joint Ventures.

The county participates in the following joint ventures:

Walthall County is a participant with the Counties of Amite, Franklin, Lawrence, Lincoln, Pike and Wilkinson, and the Cities of Brookhaven, McComb and Osyka in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Southwest Regional Solid Waste Management Authority. The joint venture was created to study the disposal of solid waste within the aforementioned counties and cities and is governed by ten board members. Each governmental authority appoints one board member. By contractual agreement, the county's appropriation is based on the volume of solid waste from each government. Complete financial statements for the Southwest Regional Solid Waste Management Authority can be obtained from P.O. Box 667, McComb, MS 39649.

Walthall County is a participant with the Counties of Amite and Pike in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Pike-Amite-Walthall Regional Library System. The joint venture was created to provide library service for the three counties and is governed by five board members. The Counties of Amite and Pike appoint two board members each and Walthall County appoints one board member. By contractual agreement, the county's appropriation to the joint venture was \$75,373 in fiscal year 2003. Complete financial statements for the Pike-Amite-Walthall Regional Library System can be obtained from 1022 Virginia Avenue, McComb, MS 39648.

WALTHALL COUNTY

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

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southwest Mississippi Community College operates in a district composed of the Counties of Amite, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints two of the 14 members of the college board of trustees. The county appropriated \$277,368 for the operation and maintenance of the college in fiscal year 2003.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$8,063 for support of the district in fiscal year 2003.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$18,750 for its support in fiscal year 2003.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members, appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The member counties provide only modest financial support for the entity.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Walthall County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$32,753 for support of the district in fiscal year 2003.

(14) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$162,309, \$161,851 and \$160,322, respectively, equal to the required contributions for each year.

WALTHALL COUNTY

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

(15) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.91% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Walthall County during the 2002-2003 fiscal year was \$14,291.

(16) Subsequent Events.

Subsequent to September 30, 2003, Walthall County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11-25-03	5.37	\$ 1,175,000	General obligation refunding bond	Multicraft Bond Fund ad valorem
01-09-04	3.92	160,000	General obligation road and bridge bonds	Dillon's Bridge Bond Fund ad valorem
05-19-04	3.19	53,975	Lease purchase	District 3 Road and Bridge Maintenance Fund revenue

WALTHAM COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WALTHALL COUNTY

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WALTHALL 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	\$ 1,828,000	1,740,630	1,740,630	
Licenses, commissions and other revenue	135,700	124,857	124,857	
Fines and forfeitures	200,000	161,618	161,618	
Intergovernmental revenues	326,955	615,762	615,762	
Charges for services	45,000	57,103	57,103	
Interest income	35,000	24,360	24,360	
Miscellaneous revenues	15,450	86,592	86,309	(283)
Total Revenues	<u>2,586,105</u>	<u>2,810,922</u>	<u>2,810,639</u>	<u>(283)</u>
EXPENDITURES				
Current:				
General government	1,435,565	1,496,569	1,496,569	
Public safety	848,700	964,684	964,684	
Public works	12,000	8,696	8,696	
Health and welfare	152,345	144,712	144,712	
Culture and recreation	4,000	4,317	4,317	
Education		189,328	189,328	
Conservation of natural resources	81,395	67,126	67,126	
Economic development and assistance	45,250	48,471	48,471	
Capital outlay	25,000	1,850		(1,850)
Total Expenditures	<u>2,604,255</u>	<u>2,925,753</u>	<u>2,923,903</u>	<u>(1,850)</u>
Excess of Revenues over (under) Expenditures	<u>(18,150)</u>	<u>(114,831)</u>	<u>(113,264)</u>	<u>1,567</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		5,804	5,804	
Transfers in		528,300	528,300	
Transfers out		(601,655)	(601,655)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(67,551)</u>	<u>(67,551)</u>	<u>0</u>
Net Change in Fund Balance	(18,150)	(182,382)	(180,815)	1,567
Fund Balances - Beginning		<u>481,944</u>	<u>481,944</u>	
Fund Balances - Ending	<u>\$ (18,150)</u>	<u>299,562</u>	<u>301,129</u>	<u>1,567</u>

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

WALTHALL 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.

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).

WALTHALL 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:

	<u>Governmental</u> <u>Fund Type</u>
	General <u>Fund</u>
Budget (Cash Basis)	\$ (180,815)
Increase (Decrease)	
Net adjustments for revenue accruals	2,453,376
Net adjustments for expenditure accruals	<u>(2,468,228)</u>
GAAP Basis	\$ <u><u>(195,667)</u></u>

WALTHALL COUNTY

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WALTHAM COUNTY

SPECIAL REPORTS

WALTHALL 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
Walthall County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated September 30, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether Walthall County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to the management of Walthall 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 September 30, 2004, included within this document.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walthall 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 Walthall 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 and 03-2.

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, we believe none of the reportable conditions described above is 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

September 30, 2004



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
Walthall County, Mississippi

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

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 is disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. An adequate system should include a method of identification of assets in a permanent manner. All county assets were not marked with the county name and inventory control number in a permanent manner.

Recommendation

The Inventory Control Clerk should ensure all county assets are identified with the county name and the inventory control number in a permanent manner.

Inventory Control Clerk's Response

The Inventory Clerk is in the process of meeting with the Board of Supervisors on purchasing permanent tags and decals to be put on assets.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Walthall 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 Walthall County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

September 30, 2004

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

Schedule 1

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

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

Schedule 2

Our test results did not identify any emergency purchases.

WALTHALL 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.

WALTHALL 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
Walthall County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated September 30, 2004. 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 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:

Board of Supervisors.

1. Finding

Section 19-13-33, Miss. Code Ann. (1972), states that it is unlawful for the Board of Supervisors to allow a greater sum for any claim than the amount actually due. One claim for insurance was paid twice in the amount of \$48,103.86.

Recommendation

The Board of Supervisors should obtain a refund of \$48,103.86 for the duplicate claim payment.

Board of Supervisors' Response

When this invoice was received for insurance on the county vehicles, a breakdown of charges for each department was provided by Lampton-Rushing Insurance to simplify coding. A summary billing and this breakdown of charges was entered into the computer twice in error. We will use greater care in entering future claims.

Auditor's Note

Refund of the \$48,103.86 overpayment was received February 4, 2003, when the insurance company realized the error.

Chancery Clerk.

2. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Chancery Clerk to maintain a cash journal to account for the receipts and expenses related to the operation of the office. As reported in prior years' audit reports, the cash journal was not reconciled to the bank account.

Recommendation

The Chancery Clerk should maintain and reconcile the cash journal monthly.

Chancery Clerk's Response

These are now reconciled and will be done on a monthly basis.

3. Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the State Treasurer the responsibility for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. The following discrepancies were noted:

- a. The quarterly report from the State Treasurer was not reconciled to the county's bank records.
- b. The annual report was not submitted to the State Treasurer.
- c. Bank officials were not notified when increases in deposits exceeded 25% of the average daily balance.

Recommendation

The Chancery Clerk should ensure the reconciliation function is prepared quarterly, the annual report is submitted by October 31st and the bank is notified when appropriate.

Chancery Clerk's Response

I was under the apparent erroneous assumption that the State Treasurer and the public depository were responsible for these since the state collateral pool was formed. Now that this is clearly my responsibility it will be done as recommended.

Circuit Clerk.

4. Finding

Section 9-1-43, Miss. Code Ann. (1972), requires the Circuit Clerk to maintain a cash journal to account for the receipts and expenses related to the operation of the office. As reported in prior years' audit reports, the cash journal was not reconciled to the bank account. Additionally, the Clerk's annual report did not agree with amounts reported on the cash journal and adequate supporting documentation was not maintained for expenses.

Recommendation

The Circuit Clerk should maintain and reconcile the cash journal monthly and the annual report should agree to the cash journal. Also, adequate supporting documentation should be maintained for claimed expenses.

Circuit Clerk's Response

I have taken steps to correct these matters.

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



PHIL BRYANT
State Auditor



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

September 30, 2004

WALTHALL COUNTY

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WALTHALL COUNTY

SCHEDULE OF FINDINGS

WALTHALL COUNTY

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WALTHALL 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: | Unqualified |
| 2. | Material noncompliance relating to the primary government financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes |

Section 2: Financial Statement Findings

Board of Supervisors.

03-1. Finding

The *Mississippi County Financial Accounting Manual* requires all receipts and expenditures of the county to be posted to the general ledger. The Board of Supervisors receipted funds and paid expenditures. However, all receipts and expenditures were not posted to the general ledger.

Recommendation

The Board of Supervisors should record all funds received and expenditures made as required by the prescribed system.

Board of Supervisors' Response

These funds were for the Drug Task Force, in which was considered an out of the ordinary fund. Two funds have been closed out by order of the courts. The only fund remaining is the seized account which will also be closed out as soon as an order is received. We will add this fund as a part of our regular funds and post any receipts and expenditures that occur, until further action is taken.

Justice Court Clerk.

03-2. Finding

As reported in the prior years' audit reports, weak internal controls exist over the collection and remittance of cash. One person should not exercise control of cash collections, deposit preparation and cash recording responsibilities.

WALTHALL COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Recommendation

The Justice Court Clerk should separate the duties within the office.

Justice Court Clerks' Response

Because of budget cuts, I only have part-time help. Most of the time I have to handle the office myself. Each person does their own deposits daily. I am open to suggestions and will comply.