



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

PHIL BRYANT
State Auditor

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WALTHALL COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2004**

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WALTHALL COUNTY

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WALTHALL COUNTY

FINANCIAL SECTION

WALTHALL 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, the major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of 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, 2004, 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, the major fund and the aggregate remaining fund information for the primary government of Walthall County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

.- In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2005, on our consideration of Walthall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 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

November 29, 2005

WALTHALL COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

WALTHALL COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 2,472,068	308,879	2,780,947
Property tax receivable	3,097,900		3,097,900
Accounts receivable (net of allowance for uncollectibles of \$182,791)		173,024	173,024
Fines receivable (net of allowance for uncollectibles of \$2,294,709)	1,118,412		1,118,412
Intergovernmental receivables	67,742		67,742
Other receivables	7,062		7,062
Internal balances	5,369	(5,369)	
Capital assets, net	7,208,525	238,401	7,446,926
Total Assets	13,977,078	714,935	14,692,013
LIABILITIES			
Claims payable	279,581	15,283	294,864
Intergovernmental payables	211,154		211,154
Deferred revenue	3,097,900	20,075	3,117,975
Other payables	41,452		41,452
Long-term liabilities			
Due within one year:			
Capital debt	338,490		338,490
Due in more than one year:			
Capital debt	2,654,727		2,654,727
Non-capital debt	46,584	6,626	53,210
Total Liabilities	6,669,888	41,984	6,711,872
NET ASSETS			
Invested in capital assets, net of related debt	4,215,308	238,401	4,453,709
Restricted:			
Expendable:			
Debt service	501,058		501,058
Public safety	164,687		164,687
Public works	510,022	434,550	944,572
Culture and recreation	14,028		14,028
Unemployment compensation	10,774		10,774
Capital projects	305,178		305,178
Unrestricted	1,586,135		1,586,135
Total Net Assets	\$ 7,307,190	672,951	7,980,141

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

WALTHALL COUNTY
Statement of Activities
For the Year Ended September 30, 2004

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	\$ 1,564,415	388,134	37,838		(1,138,443)		(1,138,443)
Public safety	1,371,552	153,250	207,161		(1,011,141)		(1,011,141)
Public works	1,594,151		519,670	478,296	(596,185)		(596,185)
Health and welfare	310,594		200,712		(109,882)		(109,882)
Culture and recreation	281,066				(281,066)		(281,066)
Conservation of natural resources	60,138			62,500	2,362		2,362
Economic development and assistance	304,952				(304,952)		(304,952)
Interest on long-term debt	266,273				(266,273)		(266,273)
Total Governmental Activities	<u>5,753,141</u>	<u>541,384</u>	<u>965,381</u>	<u>540,796</u>	<u>(3,705,580)</u>	<u>0</u>	<u>(3,705,580)</u>
Business-type activities:							
Solid waste	472,860	220,646				(252,214)	(252,214)
Total Primary Government	<u>\$ 6,226,001</u>	<u>762,030</u>	<u>965,381</u>	<u>540,796</u>	<u>(3,705,580)</u>	<u>(252,214)</u>	<u>(3,957,794)</u>
General revenues:							
Property taxes					\$ 3,050,589	13	3,050,602
Road & bridge privilege taxes					178,795		178,795
Grants and contributions not restricted to specific programs					580,846		580,846
Unrestricted interest income					74,087	7,285	81,372
Miscellaneous					322,098	4,828	326,926
Total General Revenues					<u>4,206,415</u>	<u>12,126</u>	<u>4,218,541</u>
Changes in Net Assets					<u>500,835</u>	<u>(240,088)</u>	<u>260,747</u>
Net Assets - Beginning					6,822,136	913,039	7,735,175
Prior period adjustment					(15,781)		(15,781)
Net Assets - Beginning, as restated					<u>6,806,355</u>	<u>913,039</u>	<u>7,719,394</u>
Net Assets - Ending					<u>\$ 7,307,190</u>	<u>672,951</u>	<u>7,980,141</u>

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

WALTHALL COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2004

Exhibit 3

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
ASSETS			
Cash	\$ 881,832	1,590,236	2,472,068
Property tax receivable	2,059,400	1,038,500	3,097,900
Fines receivable (net of allowance for uncollectibles of \$2,294,709)	1,118,412		1,118,412
Intergovernmental receivables	67,742		67,742
Other receivables	7,062		7,062
Due from other funds	5,369	37,228	42,597
Total Assets	<u>\$ 4,139,817</u>	<u>2,665,964</u>	<u>6,805,781</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 157,864	121,717	279,581
Intergovernmental payables	202,956		202,956
Due to other funds	45,426		45,426
Deferred revenue	3,177,812	1,038,500	4,216,312
Other payables	41,452		41,452
Total Liabilities	<u>3,625,510</u>	<u>1,160,217</u>	<u>4,785,727</u>
Fund balances:			
Reserved for:			
Debt service		501,058	501,058
Unemployment compensation		10,774	10,774
Unreserved, reported in:			
General Fund	514,307		514,307
Special Revenue Funds		688,737	688,737
Capital Project Funds		305,178	305,178
Total Fund Balances	<u>514,307</u>	<u>1,505,747</u>	<u>2,020,054</u>
Total Liabilities and Fund Balances	<u>\$ 4,139,817</u>	<u>2,665,964</u>	<u>6,805,781</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, 2004

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,020,054
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 \$3,052,411.	7,208,525
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,118,412
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(3,039,801)</u>
Total Net Assets - Governmental Activities	\$ <u><u>7,307,190</u></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, 2004

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 1,996,402	1,054,187	3,050,589
Road and bridge privilege taxes		178,795	178,795
Licenses, commissions and other revenue	143,203	4,972	148,175
Fines and forfeitures	178,450		178,450
Intergovernmental revenues	445,582	1,473,894	1,919,476
Charges for services	33,274	97,421	130,695
Interest income	49,323	24,764	74,087
Miscellaneous revenues	181,310	94,621	275,931
Total Revenues	<u>3,027,544</u>	<u>2,928,654</u>	<u>5,956,198</u>
EXPENDITURES			
Current:			
General government	1,412,953		1,412,953
Public safety	937,821	286,398	1,224,219
Public works	9,512	1,825,167	1,834,679
Health and welfare	118,067	177,388	295,455
Culture and recreation	2,800	91,867	94,667
Conservation of natural resources	60,138		60,138
Economic development and assistance	59,947	221,657	281,604
Debt service:			
Principal		268,062	268,062
Interest		132,160	132,160
Bond issue costs		29,113	29,113
Total Expenditures	<u>2,601,238</u>	<u>3,031,812</u>	<u>5,633,050</u>
Excess of Revenues over (under) Expenditures	<u>426,306</u>	<u>(103,158)</u>	<u>323,148</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		266,475	266,475
Refunding bonds issued		1,175,000	1,175,000
Proceeds from sale of capital assets		115,370	115,370
Compensation for loss of capital assets	1,498		1,498
Transfers in		69,833	69,833
Transfers out	(69,833)		(69,833)
Payment to bond refunding escrow agent		(1,175,000)	(1,175,000)
Total Other Financing Sources and Uses	<u>(68,335)</u>	<u>451,678</u>	<u>383,343</u>
Net Changes in Fund Balances	357,971	348,520	706,491
Fund Balances - Beginning	<u>156,336</u>	<u>1,157,227</u>	<u>1,313,563</u>
Fund Balances - Ending	<u>\$ 514,307</u>	<u>1,505,747</u>	<u>2,020,054</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, 2004

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 706,491
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$423,387 exceeded capital outlays of \$320,081 in the current period.	(103,306)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$35,787 and the proceeds from the sale of \$115,370 in the current period and insurance proceeds of \$1,498.	(81,081)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	84,065
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 \$1,441,475 exceeded debt repayments of \$268,062 and by the amount of the \$1,070,000 bond issue refunded.	(103,413)
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 increase in compensated absences.	<u>(1,921)</u>
Change in Net Assets of Governmental Activities	<u>\$ 500,835</u>

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

WALTHALL COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2004

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 308,879
Accounts receivable (net of allowance for uncollectibles of \$182,791)	<u>173,024</u>
Total Current Assets	<u>481,903</u>
Noncurrent assets:	
Capital assets, net	<u>238,401</u>
Total Noncurrent Assets	<u>238,401</u>
Total Assets	<u>720,304</u>
LIABILITIES	
Current liabilities:	
Claims payable	15,283
Due to other funds	5,369
Unearned revenue	<u>20,075</u>
Total Current Liabilities	<u>40,727</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	<u>6,626</u>
Total Noncurrent Liabilities	<u>6,626</u>
NET ASSETS	
Invested in capital assets, net of related debt	238,401
Restricted for public works	<u>434,550</u>
Total Net Assets	<u>\$ 672,951</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, 2004

Exhibit 6

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Fund
Operating Revenues	
Charges for services	\$ 220,646
Total Operating Revenues	<u>220,646</u>
Operating Expenses	
Personal services	273,674
Contractual services	107,964
Materials and supplies	30,254
Depreciation expense	47,692
Indirect administrative cost	5,369
Total Operating Expenses	<u>464,953</u>
Operating Income (Loss)	<u>(244,307)</u>
Nonoperating Revenues (Expenses)	
Property tax	13
Interest income	7,285
Gain (loss) on sale of capital assets	(7,907)
Other income (expenses)	4,828
Net Nonoperating Revenue (Expenses)	<u>4,219</u>
Changes in Net Assets	<u>(240,088)</u>
Net Assets - Beginning	<u>913,039</u>
Net Assets - Ending	<u>\$ 672,951</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, 2004

Exhibit 7

	Business-type Activities - Enterprise Fund <u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 348,020
Payments to suppliers	(149,487)
Payments to employees	(265,839)
Payments to General Fund for indirect costs	<u>(26,322)</u>
Net Cash Provided (Used) by Operating Activities	<u>(93,628)</u>
Cash Flows From Noncapital Financing Activities	
Cash received from property taxes	13
Other receipts	<u>4,828</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,841</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	40,500
Acquisition and construction of capital assets	<u>(138,037)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(97,537)</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>7,285</u>
Net Cash Provided (Used) by Investing Activities	<u>7,285</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(179,039)
Cash and Cash Equivalents at Beginning of Year	<u>487,918</u>
Cash and Cash Equivalents at End of Year	<u>\$ 308,879</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(244,307)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	47,692
Provision for uncollectible accounts	101,286
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	26,088
Increase (decrease) in claims payable	(3,342)
Increase (decrease) in compensated absences liability	(92)
Increase (decrease) in interfund payables	<u>(20,953)</u>
Total Adjustments	<u>150,679</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (93,628)</u>
The notes to the financial statements are an integral part of this statement.	
Noncash capital and related financing and investing activities	
Loss on disposal of capital assets	\$ 7,907

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 77,816
Due from other funds	8,198
Total Assets	<u>\$ 86,014</u>
LIABILITIES	
Amounts held in custody for others	\$ 36,611
Intergovernmental payables	49,403
Total Liabilities	<u>\$ 86,014</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, 2004

(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, 2004

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, 2004

The county reports the following major Governmental Fund:

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

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund is used to account 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.

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.

WALTHALL COUNTY

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

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 statement. 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 government-wide 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.

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.

WALTHALL COUNTY

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

	Capitalization Thresholds	Estimated Useful Life
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 and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

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

In the government-wide financial statements 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.”

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.

WALTHALL COUNTY

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

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.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Governmental Activities:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Capital assets	\$ <u><u>15,781</u></u>

WALTHALL COUNTY

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

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$2,858,763, and the bank balance was \$3,052,034. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Solid Waste	\$ 5,369
Other Governmental Funds	General	37,228
Agency Funds	General	8,198
Total		\$ 50,795

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, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

Transfer In	Transfer Out	Amount
Other Governmental Funds	General Fund	\$ 69,833
Total		\$ 69,833

The purpose of the interfund transfers was to provide funds for budgeted items and to provide additional funds for capital projects. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

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

Governmental Activities:

Description	Amount
Legislative tax credit	\$ 67,742

WALTHALL COUNTY

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

(6) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 205,461			(8,800)	196,661
Construction in progress		121,911			121,911
Total non-depreciable capital assets	<u>205,461</u>	<u>121,911</u>	<u>0</u>	<u>(8,800)</u>	<u>318,572</u>
<u>Depreciable capital assets:</u>					
Infrastructure	1,168,410				1,168,410
Buildings	4,696,885				4,696,885
Improvements other than buildings	115,676	95,067			210,743
Mobile equipment	3,228,784	49,128	256,682	(17,618)	3,003,612
Furniture and equipment	368,376				368,376
Leased property under capital leases	440,363	53,975			494,338
Total depreciable capital assets	<u>10,018,494</u>	<u>198,170</u>	<u>256,682</u>	<u>(17,618)</u>	<u>9,942,364</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	24,272	4,623		(19,649)	9,246
Buildings	642,810	90,532			733,342
Improvements other than buildings	5,812	8,431			14,243
Mobile equipment	1,693,125	233,782	175,601	9,012	1,760,318
Furniture and equipment	300,555	28,640			329,195
Leased property under capital leases	148,688	57,379			206,067
Total accumulated depreciation	<u>2,815,262</u>	<u>423,387</u>	<u>175,601</u>	<u>(10,637)</u>	<u>3,052,411</u>
Total depreciable capital assets, net	<u>7,203,232</u>	<u>(225,217)</u>	<u>81,081</u>	<u>(6,981)</u>	<u>6,889,953</u>
Governmental activities capital assets, net	<u>\$ 7,408,693</u>	<u>(103,306)</u>	<u>81,081</u>	<u>(15,781)</u>	<u>7,208,525</u>

WALTHALL COUNTY

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

Business-type activities:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Depreciable capital assets:</u>					
Mobile equipment	391,862	138,037	66,310		463,589
Total depreciable capital assets	<u>391,862</u>	<u>138,037</u>	<u>66,310</u>	<u>0</u>	<u>463,589</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	195,399	47,692	17,903		225,188
Total accumulated depreciation	<u>195,399</u>	<u>47,692</u>	<u>17,903</u>	<u>0</u>	<u>225,188</u>
Total depreciable capital assets, net	<u>196,463</u>	<u>90,345</u>	<u>48,407</u>	<u>0</u>	<u>238,401</u>
Business-type activities capital assets, net	<u>\$ 196,463</u>	<u>90,345</u>	<u>48,407</u>	<u>0</u>	<u>238,401</u>

* Adjustments are to correct prior year errors.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 7,349
Public safety	146,660
Public works	212,262
Health and welfare	15,140
Culture and recreation	18,852
Economic development and assistance	<u>23,124</u>
Total governmental activities depreciation expense	<u>\$ 423,387</u>
<u>Business-type activities:</u>	
Solid waste	<u>\$ 47,692</u>

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Airport improvement project	\$ 9,219	July 2006

WALTHALL COUNTY

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

(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, fire fighters and road construction personnel and \$400,000 for all other employees for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(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, 2004. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2005	\$ 4,500
2006	4,500
2007	4,500
2008	4,500
2009	4,500
2010-2014	22,500
2015-2019	22,500
2020-2024	22,500
2025-2029	22,500
2030-2034	22,500
2035-2039	22,500
2040-2044	<u>18,000</u>
Total Minimum Payments Required	\$ <u><u>175,500</u></u>

WALTHALL COUNTY

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

(9) Capital Leases.

As Lessee:

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 494,338
Less: Accumulated depreciation	<u>206,067</u>
Leased Property Under Capital Leases	<u>\$ 288,271</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2005	\$ 87,408	7,478
2006	51,965	4,140
2007	40,363	2,317
2008	<u>23,492</u>	<u>854</u>
Total	<u>\$ 203,228</u>	<u>14,789</u>

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Multi-purpose building (1998)	\$ 485,000	5.00%	01/14
Multi-purpose building (2000)	485,000	5.35%	03/15
Library improvements (2001)	290,000	5.00%	02/16
Multi-craft building refunding (2005)	1,175,000	5.37%	11/13
Dillon's bridge (2005)	<u>160,000</u>	3.92%	12/13
Total General Obligation Bonds	<u>\$ 2,595,000</u>		
B. Equipment Notes:			
District 2 - dump truck	<u>\$ 1,653</u>	5.30%	11/04

WALTHALL COUNTY

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
C. Capital Leases:			
District 5 - Sterling truck	\$ 6,780	5.95%	06/05
District 1 - Sterling truck	8,247	5.95%	08/05
District 3 - New Holland tractor with Tiger boom mower	3,229	5.19%	08/05
District 1 - Case 4 WD tractor	5,012	5.14%	12/05
Countywide road and bridge maintenance truck	26,837	5.17%	04/06
District 5 - Ford F-750 dump truck	23,948	3.99%	07/07
District 2 - Motor grader	79,440	4.59%	12/08
District 3 - New Holland tractor with boom mower	<u>49,735</u>	3.19%	05/08
Total Capital Leases	<u>\$ 203,228</u>		
D. Other Loans:			
Motor grader	\$ 16,027	4.50%	09/05
Emergency 911 fire truck	13,921	5.59%	01/06
Emergency 911 fire truck	20,313	4.39%	04/07
Emergency 911 fire truck	93,828	4.53%	08/12
Wheel Loader 928G	<u>49,247</u>	3.45%	05/09
Total Other Loans	<u>\$ 193,336</u>		

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>
2005	\$ 200,000	132,056
2006	205,000	118,493
2007	215,000	107,671
2008	230,000	96,189
2009	235,000	84,169
2010 - 2014	1,395,000	217,255
2015 - 2019	<u>115,000</u>	<u>4,471</u>
Total	<u>\$ 2,595,000</u>	<u>760,304</u>

WALTHALL COUNTY

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

<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>
2005	\$ 1,653	11	49,429	7,936
2006			34,888	6,033
2007			28,906	4,486
2008			22,389	3,304
2009			19,467	2,411
2010 - 2014			38,257	9,169
Total	\$ <u>1,653</u>	<u>11</u>	<u>193,336</u>	<u>33,339</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2004, the amount of outstanding debt was equal to 3.1% of the latest property assessments.

Advance Refunding - On November 25, 2003, the county issued \$1,175,000 in general obligation bonds with an average interest rate of 5.37% to advance refund \$1,070,000 of the following outstanding debt issues:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
General Obligation Bond, Industrial building (1990)	9.33%	\$ 305,000
Other Loan, Multicraft building	4.66%	<u>765,000</u>
Total		\$ <u>1,070,000</u>

The county advance refunded the above debt issues which increased its total debt service payments over the next ten years by approximately \$281,380.

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

	<u>Balance</u>				<u>Balance</u>	<u>Amount due within one year</u>
	<u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>		
Governmental Activities:						
Compensated absences	\$ 44,663	1,921			46,584	
General obligation bonds	1,680,000	1,335,000	115,000	(305,000)	2,595,000	200,000
Equipment notes	11,296		9,643		1,653	1,653
Capital leases	250,857	53,975	101,604		203,228	87,408
Other loans	947,651	52,500	41,815	(765,000)	193,336	49,429
Total	\$ <u>2,934,467</u>	<u>1,443,396</u>	<u>268,062</u>	<u>(1,070,000)</u>	<u>3,039,801</u>	<u>338,490</u>
Business-type Activities:						
Compensated absences	\$ <u>6,718</u>	<u>0</u>	<u>92</u>	<u>0</u>	<u>6,626</u>	<u>0</u>

WALTHALL COUNTY

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

(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 \$78,105 in fiscal year 2004. Complete financial statements for the Pike-Amite-Walthall Regional Library System can be obtained from 1022 Virginia Avenue, McComb, MS 39648.

(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 \$282,885 for the operation and maintenance of the college in fiscal year 2004.

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 appropriated \$21,775 for support of the district in fiscal year 2004.

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 \$17,672 for its support in fiscal year 2004.

WALTHALL COUNTY

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

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 \$32,000 for support of the district in fiscal year 2004.

(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, 2004, 2003 and 2002 were \$159,146, \$162,309 and \$161,851, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2004, 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>
03-25-05	3.00%	\$ 140,382	Capital improvement revolving loan	Volunteer fire ad valorem
08-03-05	3.43%	63,995	Lease purchase	District 1 road and bridge maintenance fund revenue
08-03-05	3.43%	63,995	Lease purchase	District 2 road and bridge maintenance fund revenue
08-03-05	3.43%	63,995	Lease purchase	District 5 road and bridge maintenance fund revenue

WALTHALL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WALTHALL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,832,500	1,997,327	1,997,292	(35)
Licenses, commissions and other revenue	120,000	137,977	137,977	
Fines and forfeitures	140,000	181,693	181,693	
Intergovernmental revenues	438,000	633,678	633,678	
Charges for services	50,000	33,274	33,274	
Interest income	10,000	49,222	49,222	
Miscellaneous revenues	70,000	160,373	169,184	8,811
Total Revenues	<u>2,660,500</u>	<u>3,193,544</u>	<u>3,202,320</u>	<u>8,776</u>
EXPENDITURES				
Current:				
General government	1,317,566	1,431,920	1,404,105	27,815
Public safety	813,204	936,415	935,679	736
Public works	11,084	9,642	9,642	
Health and welfare	140,670	126,605	125,638	967
Culture and recreation	3,694	2,800	2,800	
Education	166,000	167,546	167,546	
Conservation of natural resources	75,157	61,700	60,701	999
Economic development and assistance	78,383	63,062	62,062	1,000
Total Expenditures	<u>2,605,758</u>	<u>2,799,690</u>	<u>2,768,173</u>	<u>31,517</u>
Excess of Revenues over (under) Expenditures	<u>54,742</u>	<u>393,854</u>	<u>434,147</u>	<u>40,293</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	115,000	564,455	598,937	34,482
Other financing uses	(100,000)	(629,730)	(630,367)	(637)
Total Other Financing Sources and Uses	<u>15,000</u>	<u>(65,275)</u>	<u>(31,430)</u>	<u>33,845</u>
Net Change in Fund Balance	69,742	328,579	402,717	74,138
Fund Balances - Beginning	<u>296,817</u>	<u>296,817</u>	<u>296,817</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 366,559</u>	<u>625,396</u>	<u>699,534</u>	<u>74,138</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, 2004

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	Governmental Fund Type
	<u>General Fund</u>
Budget (Cash Basis)	\$ 402,717
Increase (Decrease)	
Net adjustments for revenue accruals	783,053
Net adjustments for expenditure accruals	<u>(827,799)</u>
GAAP Basis	<u>\$ 357,971</u>

WALTHAM 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 INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
PRIMARY GOVERNMENT FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
Walthall County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated November 29, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walthall County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. This reportable condition is described in the accompanying Schedule of Findings as item 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. 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 the reportable condition described above is not a material weakness.

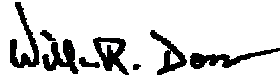
Compliance and Other Matters

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

This report is intended solely for the information and use of management and is not intended to be 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

November 29, 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
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, 2004. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of 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.

In our opinion, 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

November 29, 2005

WALTHALL COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

Schedule 1

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

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

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, 2004

Schedule 3

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

WALTHAM COUNTY

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WALTHALL COUNTY

SCHEDULE OF FINDINGS

WALTHAM COUNTY

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WALTHALL COUNTY

Schedule of Findings
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

Justice Court Clerk.

04-1. Finding

As reported in 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.

Recommendation

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

Justice Court Clerk Response

Each person makes their own deposit and we alternate taking deposits to the bank. There are only myself and a deputy clerk and duties are separated as best we can with two people.