



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

**PHIL BRYANT
State Auditor**

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

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

WALTHALL COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2005**

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, 2005, 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, 2005, 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, 2005, 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 June 30, 2006, 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.

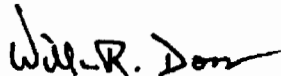
Walthall County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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.

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Walthall County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



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

June 30, 2006

WALTHALL COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

WALTHALL COUNTY
Statement of Net Assets
September 30, 2005

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 3,242,584	241,811	3,484,395
Property tax receivable	3,333,250		3,333,250
Accounts receivable (net of allowance for uncollectibles of \$102,319)		268,900	268,900
Fines receivable (net of allowance for uncollectibles of \$2,248,581)	1,308,858		1,308,858
Intergovernmental receivables	408,676		408,676
Other receivables	11,507		11,507
Internal balances	10,865	(10,865)	
Capital assets, net	7,152,136	196,680	7,348,816
Total Assets	15,467,876	696,526	16,164,402
LIABILITIES			
Claims payable	274,903	12,174	287,077
Intergovernmental payables	264,704		264,704
Unearned revenue	3,333,250	32,703	3,365,953
Other payables	43,264		43,264
Long-term liabilities			
Due within one year:			
Capital debt	331,394		331,394
Due in more than one year:			
Capital debt	2,634,414		2,634,414
Non-capital debt	49,709	7,869	57,578
Total Liabilities	6,931,638	52,746	6,984,384
NET ASSETS			
Invested in capital assets, net of related debt	4,186,328	196,680	4,383,008
Restricted:			
Expendable:			
Debt service	678,562		678,562
Public safety	256,244		256,244
Public works	850,906	447,100	1,298,006
Culture and recreation	15,448		15,448
Unemployment compensation	10,974		10,974
Capital projects	115,706		115,706
Unrestricted	2,422,070		2,422,070
Total Net Assets	\$ 8,536,238	643,780	9,180,018

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

WALTHALL COUNTY
Statement of Activities
For the Year Ended September 30, 2005

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,292,348	475,403	192,597		(624,348)		(624,348)
Public safety	1,455,165	184,446	271,151	2,430	(997,138)		(997,138)
Public works	1,635,566		519,075	248,534	(867,957)		(867,957)
Health and welfare	466,084		288,120		(177,964)		(177,964)
Culture and recreation	169,462				(169,462)		(169,462)
Conservation of natural resources	60,444				(60,444)		(60,444)
Economic development and assistance	148,157			212,625	64,468		64,468
Interest on long-term debt	156,318				(156,318)		(156,318)
Total Governmental Activities	<u>5,383,544</u>	<u>659,849</u>	<u>1,270,943</u>	<u>463,589</u>	<u>(2,989,163)</u>	<u>0</u>	<u>(2,989,163)</u>
Business-type activities:							
Solid waste	468,491	424,169				(44,322)	(44,322)
Total Primary Government	<u>\$ 5,852,035</u>	<u>1,084,018</u>	<u>1,270,943</u>	<u>463,589</u>	<u>(2,989,163)</u>	<u>(44,322)</u>	<u>(3,033,485)</u>
General revenues:							
Property taxes					\$ 3,273,420	54	3,273,474
Road & bridge privilege taxes					181,110		181,110
Grants and contributions not restricted to specific programs					407,135		407,135
Unrestricted interest income					58,003	4,612	62,615
Miscellaneous					305,740	10,485	316,225
Total General Revenues					<u>4,225,408</u>	<u>15,151</u>	<u>4,240,559</u>
Changes in Net Assets					<u>1,236,245</u>	<u>(29,171)</u>	<u>1,207,074</u>
Net Assets - Beginning					7,307,190	672,951	7,980,141
Prior period adjustment					(7,197)		(7,197)
Net Assets - Beginning, as restated					<u>7,299,993</u>	<u>672,951</u>	<u>7,972,944</u>
Net Assets - Ending					<u>\$ 8,536,238</u>	<u>643,780</u>	<u>9,180,018</u>

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

WALTHALL COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2005

Exhibit 3

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
ASSETS			
Cash	\$ 1,463,430	1,779,154	3,242,584
Property tax receivable	2,179,000	1,154,250	3,333,250
Fines receivable (net of allowance for uncollectibles of \$2,248,581)	1,308,858		1,308,858
Intergovernmental receivables	80,829	327,847	408,676
Other receivables	11,507		11,507
Due from other funds	5,496	52,178	57,674
Advances to other funds	5,369		5,369
Total Assets	<u>\$ 5,054,489</u>	<u>3,313,429</u>	<u>8,367,918</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 43,564	231,339	274,903
Intergovernmental payables	251,955		251,955
Due to other funds	64,927		64,927
Deferred revenue	1,308,858		1,308,858
Unearned revenue	2,179,000	1,154,250	3,333,250
Other payables	43,264		43,264
Total Liabilities	<u>3,891,568</u>	<u>1,385,589</u>	<u>5,277,157</u>
Fund balances:			
Reserved for:			
Debt service		678,562	678,562
Advances	5,369		5,369
Unemployment compensation		10,974	10,974
Unreserved, reported in:			
General Fund	1,157,552		1,157,552
Special Revenue Funds		1,122,598	1,122,598
Capital Project Funds		115,706	115,706
Total Fund Balances	<u>1,162,921</u>	<u>1,927,840</u>	<u>3,090,761</u>
Total Liabilities and Fund Balances	<u>\$ 5,054,489</u>	<u>3,313,429</u>	<u>8,367,918</u>

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

WALTHALL COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,090,761
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 \$3,402,578.	7,152,136
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,308,858
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(3,015,517)</u>
Total Net Assets - Governmental Activities	<u>\$ 8,536,238</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, 2005

	<u>Major Fund</u>		Total Governmental Funds
	General Fund	Other Governmental Funds	
REVENUES			
Property taxes	\$ 2,194,507	1,078,913	3,273,420
Road and bridge privilege taxes		181,110	181,110
Licenses, commissions and other revenue	120,952	4,039	124,991
Fines and forfeitures	177,186	12,995	190,181
Intergovernmental revenues	427,198	1,714,469	2,141,667
Charges for services	40,119	114,114	154,233
Interest income	30,161	27,842	58,003
Miscellaneous revenues	212,483	92,092	304,575
Total Revenues	<u>3,202,606</u>	<u>3,225,574</u>	<u>6,428,180</u>
EXPENDITURES			
Current:			
General government	1,275,070		1,275,070
Public safety	908,198	561,191	1,469,389
Public works	11,170	1,665,950	1,677,120
Health and welfare	166,210	284,734	450,944
Culture and recreation	832	111,502	112,334
Conservation of natural resources	60,444		60,444
Economic development and assistance	47,424	77,375	124,799
Debt service:			
Principal		366,973	366,973
Interest		156,318	156,318
Total Expenditures	<u>2,469,348</u>	<u>3,224,043</u>	<u>5,693,391</u>
Excess of Revenues over (under) Expenditures	<u>733,258</u>	<u>1,531</u>	<u>734,789</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		332,367	332,367
Proceeds from sale of capital assets		3,551	3,551
Transfers in	9,192	342,649	351,841
Transfers out	(93,836)	(258,005)	(351,841)
Total Other Financing Sources and Uses	<u>(84,644)</u>	<u>420,562</u>	<u>335,918</u>
Net Changes in Fund Balances	648,614	422,093	1,070,707
Fund Balances - Beginning	<u>514,307</u>	<u>1,505,747</u>	<u>2,020,054</u>
Fund Balances - Ending	<u>\$ 1,162,921</u>	<u>1,927,840</u>	<u>3,090,761</u>

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

WALTHALL COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2005

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,070,707
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 \$375,626 exceeded capital outlays of \$332,367 in the current period.	(43,259)
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 loss of \$9,579 and the proceeds from the sale of \$3,551 in the current period.	(13,130)
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.	190,446
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 repayments of \$366,973 exceeded debt proceeds of \$332,367.	34,606
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. Thus, the change in net assets differs from the change in fund balances by the amount of the increase in compensated absences.	<u>(3,125)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,236,245</u>

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

WALTHALL COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2005

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 241,811
Accounts receivable (net of allowance for uncollectibles of \$102,319)	268,900
Total Current Assets	<u>510,711</u>
Noncurrent assets:	
Capital assets, net	196,680
Total Noncurrent Assets	<u>196,680</u>
Total Assets	<u>707,391</u>
LIABILITIES	
Current liabilities:	
Claims payable	12,174
Due to other funds	5,496
Advances from other funds	5,369
Unearned revenue	32,703
Total Current Liabilities	<u>55,742</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	7,869
Total Noncurrent Liabilities	<u>7,869</u>
NET ASSETS	
Invested in capital assets, net of related debt	196,680
Restricted for public works	447,100
Total Net Assets	<u>\$ 643,780</u>

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

Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Proprietary Fund
 For the Year Ended September 30, 2005

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 424,169
Total Operating Revenues	<u>424,169</u>
Operating Expenses	
Personal services	266,800
Contractual services	115,339
Materials and supplies	39,012
Depreciation expense	41,721
Indirect administrative cost	5,496
Miscellaneous	123
Total Operating Expenses	<u>468,491</u>
Operating Income (Loss)	<u>(44,322)</u>
Nonoperating Revenues (Expenses)	
Property tax	54
Interest income	4,612
Other income (expenses)	10,485
Net Nonoperating Revenue (Expenses)	<u>15,151</u>
Changes in Net Assets	(29,171)
Net Assets - Beginning	<u>672,951</u>
Net Assets - Ending	<u>\$ 643,780</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, 2005

Exhibit 7

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 340,921
Payments to suppliers	(157,464)
Payments to employees	(265,553)
Other operating cash payments	(123)
Net Cash Provided (Used) by Operating Activities	<u>(82,219)</u>
Cash Flows From Noncapital Financing Activities	
Cash received from property taxes	61
Other receipts	10,478
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,539</u>
Cash Flows From Investing Activities	
Interest on deposits	4,612
Net Cash Provided (Used) by Investing Activities	<u>4,612</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(67,068)
Cash and Cash Equivalents at Beginning of Year	<u>308,879</u>
Cash and Cash Equivalents at End of Year	<u>\$ 241,811</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(44,322)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	41,721
Provision for uncollectible accounts	(80,472)
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(15,404)
Increase (decrease) in claims payable	(3,109)
Increase (decrease) in compensated absences liability	1,243
Increase (decrease) in unearned revenue	12,628
Increase (decrease) in interfund payables	5,496
Total Adjustments	<u>(37,897)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (82,219)</u>

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

WALTHALL COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 81,610
Due from other funds	<u>12,749</u>
Total Assets	<u><u>\$ 94,359</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 65,017
Intergovernmental payables	<u>29,342</u>
Total Liabilities	<u><u>\$ 94,359</u></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, 2005

(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, 2005

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, 2005

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 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to 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.

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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 and estimated useful lives:

	<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 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 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 Fund 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, construction 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, 2005

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 appropriate 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.

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustment.

A summary of fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Governmental Activities:	
Long-term debt	\$ <u>7,197</u>

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$3,566,005, and the bank balance was \$3,803,647. 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.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 5,496
Other Governmental Funds	General	52,178
Agency Funds	General	<u>12,749</u>
Total		\$ <u>70,423</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, 2005. 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, 2005

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ <u>5,369</u>

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 9,192
Other Governmental Funds	Other Governmental Funds	248,813
Other Governmental Funds	General Fund	<u>93,836</u>
Total		\$ <u>351,841</u>

The principal purpose of 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.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 80,829
Community development block grants	135,250
Disaster grants - public assistance	<u>192,597</u>
Total Governmental Activities	\$ <u>408,676</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental activities:

	<u>Balance</u> <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance</u> <u>Sept. 30, 2005</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 196,661				196,661
Construction in progress	121,911			(121,911)	
Total non-depreciable capital assets	<u>318,572</u>	<u>0</u>	<u>0</u>	<u>(121,911)</u>	<u>196,661</u>

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments *	Balance Sept. 30, 2005
<u>Depreciable capital assets:</u>					
Infrastructure	1,168,410				1,168,410
Buildings	4,696,885				4,696,885
Improvements other than buildings	210,743			121,911	332,654
Mobile equipment	3,003,612	140,382	38,589	148,030	3,253,435
Furniture and equipment	368,376				368,376
Leased property under capital leases	494,338	191,985		(148,030)	538,293
Total depreciable capital assets	<u>9,942,364</u>	<u>332,367</u>	<u>38,589</u>	<u>121,911</u>	<u>10,358,053</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	9,246	4,623			13,869
Buildings	733,342	90,532			823,874
Improvements other than buildings	14,243	8,431			22,674
Mobile equipment	1,760,318	221,488	25,459	100,269	2,056,616
Furniture and equipment	329,195	11,007			340,202
Leased property under capital leases	206,067	39,545		(100,269)	145,343
Total accumulated depreciation	<u>3,052,411</u>	<u>375,626</u>	<u>25,459</u>	<u>0</u>	<u>3,402,578</u>
Total depreciable capital assets, net	<u>6,889,953</u>	<u>(43,259)</u>	<u>13,130</u>	<u>121,911</u>	<u>6,955,475</u>
Governmental activities capital assets, net	<u>\$ 7,208,525</u>	<u>(43,259)</u>	<u>13,130</u>	<u>0</u>	<u>7,152,136</u>

* Adjustments are the reclassification of completed construction in progress to improvements other than buildings and the reclassification of paid out capital leases from leased property under capital leases to mobile equipment.

Business-type activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 463,589				463,589
Total depreciable capital assets	<u>463,589</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>463,589</u>

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Less accumulated depreciation for:</u>					
Mobile equipment	225,188	41,721			266,909
Total accumulated depreciation	<u>225,188</u>	<u>41,721</u>	<u>0</u>	<u>0</u>	<u>266,909</u>
Total depreciable capital assets, net	<u>238,401</u>	<u>(41,721)</u>	<u>0</u>	<u>0</u>	<u>196,680</u>
Business-type activities capital assets, net	\$ <u>238,401</u>	<u>(41,721)</u>	<u>0</u>	<u>0</u>	<u>196,680</u>

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 5,081
Public safety	124,131
Public works	151,022
Health and welfare	15,140
Culture and recreation	57,128
Economic development and assistance	<u>23,124</u>
Total governmental activities depreciation expense	\$ <u>375,626</u>
<u>Business-type activities:</u>	
Solid waste	\$ <u>41,721</u>

(8) Claims and Judgments.

Risk Financing.

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

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(9) 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, 2005. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2006	\$ 4,500
2007	4,500
2008	4,500
2009	4,500
2010	4,500
2011 - 2015	22,500
2016 - 2020	22,500
2021 - 2025	22,500
2026 - 2030	22,500
2031 - 2035	22,500
2036 - 2040	22,500
2041 - 2045	<u>13,500</u>
Total Minimum Payments Required	<u>\$ 171,000</u>

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 538,293
Less: Accumulated depreciation	<u>145,343</u>
Leased Property Under Capital Leases	<u>\$ 392,950</u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 87,148	9,980
2007	77,601	6,918

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	64,098	4,157
2009	43,386	2,000
2010	35,449	579
Total	<u>\$ 307,682</u>	<u>23,634</u>

(11) Long-term Debt.

Debt outstanding as of September 30, 2005, 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:			
Multi-purpose building (1998)	\$ 445,000	5.00%	01/14
Multi-purpose building (2000)	450,000	5.35%	03/15
Library improvements (2001)	270,000	5.00%	02/16
Multi-craft building refunding (2005)	1,085,000	5.37%	11/13
Dillon's bridge (2005)	145,000	3.92%	12/13
Total General Obligation Bonds	<u>\$ 2,395,000</u>		
B. Capital Leases:			
Countywide road and bridge maintenance truck	\$ 10,946	5.17%	04/06
District 5 - Ford F-750 dump truck	15,803	3.99%	07/07
District 2 - Motor grader	61,111	4.59%	12/08
District 3 - New Holland tractor with boom mower	32,738	3.19%	05/08
District 1 - Tractor with boom mower	62,034	3.43%	07/10
District 5 - Tractor with boom mower	62,034	3.43%	07/10
District 2 - Tractor with boom mower	63,016	3.43%	08/10
Total Capital Leases	<u>\$ 307,682</u>		
C. Other Loans:			
Emergency 911 fire truck	\$ 7,189	5.59%	01/06
Emergency 911 fire truck	83,834	4.53%	08/12
Wheel loader 928G	39,341	3.45%	05/09
Emergency 911 fire truck	132,762	3.00%	04/15
Total Other Loans	<u>\$ 263,126</u>		

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 205,000	118,493	39,246	8,949
2007	215,000	107,671	34,285	7,677
2008	230,000	96,189	35,529	6,431
2009	235,000	84,169	32,964	5,137
2010	255,000	71,498	26,422	4,088
2011 - 2015	1,225,000	149,478	94,680	12,376
2016 - 2020	30,000	750		
Total	<u>\$ 2,395,000</u>	<u>628,248</u>	<u>263,126</u>	<u>44,658</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, 2005, the amount of outstanding debt was equal to 2.6% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	<u>Balance</u>				<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments *</u>	<u>Sept. 30, 2005</u>	<u>within one</u>
						<u>year</u>
Governmental Activities:						
Compensated absences	\$ 46,584	3,125			49,709	
General obligation bonds	2,595,000		200,000		2,395,000	205,000
Equipment notes	1,653		1,653			
Capital leases	203,228	191,985	94,728	7,197	307,682	87,148
Other loans	193,336	140,382	70,592		263,126	39,246
Total	<u>\$ 3,039,801</u>	<u>335,492</u>	<u>366,973</u>	<u>7,197</u>	<u>3,015,517</u>	<u>331,394</u>
Business-type Activities:						
Compensated absences	<u>\$ 6,626</u>	<u>1,243</u>	<u>0</u>	<u>0</u>	<u>7,869</u>	<u>0</u>

* Adjustment is to correct a prior year error.

(12) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable 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.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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.

(13) Joint Venture.

The county participates in the following joint venture:

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 \$86,982 in fiscal year 2005. Complete financial statements for the Pike-Amite-Walthall Regional Library System can be obtained from 1022 Virginia Avenue, McComb, MS 39648.

(14) 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 \$294,241 for the operation and maintenance of the college in fiscal year 2005.

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 \$9,094 for support of the district in fiscal year 2005.

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 \$17,313 for support in fiscal year 2005.

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 \$36,332 for support in fiscal year 2005.

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(15) 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 10.75% 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, 2005, 2004 and 2003 were \$174,434, \$159,146 and \$162,309, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Subsequent to September 30, 2005, 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>
11-15-05	3.94%	\$ 35,665	Lease purchase	District 3 Road and Bridge Maintenance Fund revenue
12-20-05	3.84%	107,845	Lease purchase	District 1 Road and Bridge Maintenance Fund and District 3 Road and Bridge Maintenance Fund revenue.
04-17-06	3.00%	695,000	Capital improvement revolving loan	Rental income from building.
05-23-06	3.82%	175,839	Lease purchase	Solid Waste Fund revenue.

WALTHALL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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WALTHALL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,074,000	2,005,200	2,161,041	155,841
Licenses, commissions and other revenue	150,000	127,000	127,325	325
Fines and forfeitures	170,000	171,000	171,643	643
Intergovernmental revenues	650,000	735,000	607,541	(127,459)
Charges for services	40,000	43,900	40,119	(3,781)
Interest income	41,530	30,012	30,572	560
Miscellaneous revenues	70,000	84,000	215,997	131,997
Total Revenues	3,195,530	3,196,112	3,354,238	158,126
EXPENDITURES				
Current:				
General government	1,557,468	1,310,836	1,354,060	(43,224)
Public safety	916,600	903,700	925,997	(22,297)
Public works	13,000	11,700	11,017	683
Health and welfare	166,958	182,758	180,566	2,192
Culture and recreation	3,700	1,500	832	668
Education	180,000	180,000	179,718	282
Conservation of natural resources	74,768	66,466	66,858	(392)
Economic development and assistance	56,094	48,094	49,822	(1,728)
Capital projects	60,000			
Total Expenditures	3,028,588	2,705,054	2,768,870	(63,816)
Excess of Revenues over (under) Expenditures	166,942	491,058	585,368	94,310
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets			415	415
Transfers in		259,607	264,425	4,818
Transfers out		(370,439)	(346,566)	23,873
Other financing uses	16,000			
Total Other Financing Sources and Uses	16,000	(110,832)	(81,726)	29,106
Net Change in Fund Balance	182,942	380,226	503,642	123,416
Fund Balances - Beginning	500,000	377,160	699,535	322,375
Fund Balances - Ending	\$ 682,942	757,386	1,203,177	445,791

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, 2005

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
	General Fund
Budget (Cash Basis)	\$ 503,642
Increase (Decrease)	
Net adjustments for revenue accruals	411,030
Net adjustments for expenditure accruals	(266,058)
GAAP Basis	\$ 648,614

WALTHALL COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2005

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2005:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ <u>63,816</u>

The General Fund listed above is in violation of Section 9-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with these violations.

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WALTHALL COUNTY

SUPPLEMENTAL INFORMATION

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WALTHALL COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program	14.228	1120-03-074-PF-01	\$ 261,798
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	1604 DR MS	<u>192,597</u>
Total Expenditures of Major Federal Awards			<u>454,395</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnerships program	14.239	1216-M04-SG-28-0992	<u>212,625</u>
U.S. Department of Transportation - Federal Aviation Administration Airport improvement program	20.106	N/A	108,566
Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>4,950</u>
Total U.S. Department of Transportation			<u>113,516</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency State domestic preparedness equipment support program	97.004	2DPG-71	24,910
State domestic preparedness equipment support program	97.004	3SUP-99	27,070
State domestic preparedness equipment support program	97.004	3SSG-2054	<u>34,411</u>
Total U.S. Department of Homeland Security			<u>86,391</u>
Total Expenditures of Other Federal Awards			<u>412,532</u>
Total Expenditures of Federal Awards			<u>\$ 866,927</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

WALTHALL COUNTY

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WALTHALL COUNTY

SPECIAL REPORTS

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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, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated June 30, 2006. 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 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 initiate, 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 and Questioned Costs as items 05-01, 05-02 and 05-03.

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, of the reportable conditions described above, we consider item 05-01 to be a material weakness.

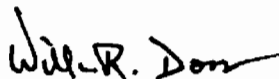
Compliance and Other Matters

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 federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. 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

June 30, 2006



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Walthall County, Mississippi

Compliance

We have audited the compliance of Walthall County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Walthall County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Walthall County, Mississippi's management. Our responsibility is to express an opinion on Walthall County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Walthall County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Walthall County, Mississippi's compliance with those requirements.

In our opinion, Walthall County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

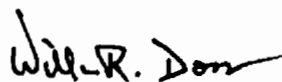
The management of Walthall County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Walthall County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. 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

June 30, 2006



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, 2005. 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 are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the county to establish and maintain an inventory control system. The following deficiencies were noted in the policies and procedures of the internal control structure for capital assets:

- a. Records were not maintained documenting the capital assets acquired during the year.
- b. Records were not maintained documenting the capital assets disposed of during the year.
- c. Certain capital asset items were not marked with an inventory control number.
- d. Some items on the capital asset list could not be located.

As a result, the only capital asset activity during the year were those additions or deletions noted during the audit. Adjustments were proposed and made to record the items noted.

Recommendation

The inventory Control Clerk should implement procedures to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

Inventory Control Clerk's Response

The Inventory Control Clerk is in the process of tagging assets with numbered tags. The Inventory Control Clerk is in the process of completing year-end inventory.

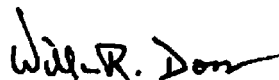
In our opinion, except for the noncompliance referred to in the preceding paragraph, Walthall County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

June 30, 2006

WALTHALL COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2005

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
04-22-05	New Holland tractor and Tiger mower	\$ 64,875	Crain tractor	\$ 61,650	Tractor accepted weighed 3,000 pounds more than lower bid and would be safer to operate with the mower.

WALTHALL COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2005

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09-30-05	Generators	\$ 10,335	West Builders	Due to Hurricane Katrina, generators were necessary for the operation of the county barns and buildings.

WALTHALL COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2005

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

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WALTHALL COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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WALTHALL COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

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? | Yes |
| b. | Reportable conditions identified that are not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the primary government financial statements? | No |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | Community development block grants/state's program, CFDA #14.228 | |
| | Disaster grants - public assistance, CFDA #97.036 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

WALTHALL COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Section 2: Financial Statement Findings

Chancery Clerk.

05-1. Finding

The general depository bank account and the payroll bank account were not reconciled to the general ledger book balance on a monthly basis. The general depository bank account was not reconciled from April to September 2005. The payroll bank account was not reconciled for September 2005. Both bank accounts were reconciled during the audit. Failure to perform monthly reconciliations of bank accounts could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Chancery Clerk should ensure that all bank accounts are reconciled on a monthly basis.

Chancery Clerk's Response

These bank accounts have been reconciled for each month as of this response and the year-end bank balances have also been reconciled to the book balance. These will be done monthly from now on.

Justice Court Clerk.

05-2. Finding

As reported in the prior years' audit reports, weak internal controls exist over the collection and remittance of cash. The Justice Court Clerk should not exercise control of cash collections, deposit preparation and cash recording responsibilities. Failure to have an adequate separation of duties could result in the loss or misuse of public funds.

Recommendation

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

Justice Court Clerk's Response

As in the past, I do not understand how you want the separation of duties done. I have only one full-time deputy clerk. She has her share of responsibilities. We prepare our own deposits, take turns doing the deposits, etc. It has always been my understanding that the clerk does the end of the month reports and reconciling the bank statements.

WALTHALL COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Inventory Control Clerk.

05-3. Finding

The following deficiencies were noted in the policies and procedures of the internal control structure for capital assets:

- a. Records were not maintained documenting the capital assets acquired during the year.
- b. Records were not maintained documenting the capital assets disposed of during the year.
- c. Certain capital asset items were not marked with an inventory control number.
- d. Some items on the capital asset list could not be located.

As a result, the only capital asset activity during the year were those additions or deletions noted during the audit. Adjustments were proposed and made to record the items noted.

Recommendation

The Inventory Control Clerk should implement procedures to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

Inventory Control Clerk's Response

The Inventory Control Clerk is in the process of tagging assets with numbered tags. The Inventory Control Clerk is in the process of completing year-end inventory.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.