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QUITMAN COUNTY, MISSISSIPPI

**Audited Financial Statements
And Special Reports**

SEPTEMBER 30, 2006

QUITMAN COUNTY

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QUITMAN COUNTY

FINANCIAL SECTION



Ruth N. Wylie Certified Public Accountant

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

March 20, 2009

Members of the Board of Supervisors
Quitman County, Mississippi

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

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated March 20, 2009, on my consideration of Quitman County, Mississippi's internal control over financial reporting and my 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 my 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 read in conjunction with this report in considering the results of my audit.

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

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

Ruth N. Wylie, CPA
Madison, Mississippi

FINANCIAL STATEMENTS

QUITMAN COUNTY
Statement of Net Assets
September 30, 2006

Exhibit 1

	<u>Primary Government</u>
	Governmental
	<u>Activities</u>
ASSETS	
Cash and investments	\$ 1,206,543
Property tax receivable	2,684,800
Accounts receivable (net of allowance for uncollectibles)	114,416
Fines receivable (net of allowance for uncollectibles)	206,974
Loans receivable (net of allowance for uncollectibles)	583,019
Intergovernmental receivables	362,900
Other receivables, net	3,765
Capital assets, net	4,828,229
Total Assets	<u>9,990,646</u>
LIABILITIES	
Claims payable	90,197
Intergovernmental payables	60,379
Accrued interest payable	28,844
Deferred revenue	2,684,800
Other payables	6,404
Long-term liabilities	
Due within one year:	
Capital related debt	385,954
Non-capital debt	581,848
Due in more than one year:	
Capital related debt	1,695,499
Non-capital debt	1,843,644
Total Liabilities	<u>7,377,569</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,746,776
Restricted net assets:	
Expendable:	
Debt service	462,861
Public safety	112,778
Public works	465,710
Economic development	591,787
Other purposes	1,349
Unrestricted	(1,768,184)
Total Net Assets	<u>\$ 2,613,077</u>

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

QUITMAN COUNTY
Statement of Activities
For the Year Ended September 30, 2006

Exhibit 2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Primary Government Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 2,408,879	334,334	48,904	(2,025,641)
Public safety	1,046,936	173,017	619,163	(254,756)
Public works	1,807,244	189,217	172,131	(1,445,896)
Health and welfare	295,052		32,516	(262,536)
Culture and recreation	38,526		9,634	(28,892)
Conservation of natural resources	48,668			(48,668)
Economic development and assistance	67,172		262,536	195,364
Interest on long-term debt	194,789			(194,789)
Total Governmental Activities	<u>5,907,266</u>	<u>696,568</u>	<u>1,144,884</u>	<u>(4,065,814)</u>
Total Primary Government	<u>\$ 5,907,266</u>	<u>696,568</u>	<u>1,144,884</u>	<u>(4,065,814)</u>
General revenues:				
Taxes:				
Property taxes				3,435,095
Road & bridge privilege taxes				80,851
Grants and contributions not restricted to specific programs				179,516
Unrestricted gifts and donations				8,633
Unrestricted investment income				53,440
Miscellaneous				143,799
Total General Revenues				<u>3,901,334</u>
Changes in Net Assets				<u>(164,480)</u>
Net Assets - Beginning				2,799,596
Prior period adjustments				(22,040)
Net Assets - Beginning restated				<u>2,777,556</u>
Net Assets - Ending				<u>\$ 2,613,076</u>

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

QUITMAN COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2006

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 174,936	58,037	973,570	1,206,543
Property tax receivable	1,738,000	480,000	466,800	2,684,800
Accounts receivable (net of allowance for uncollectibles)			114,416	114,416
Fines receivable (net of allowance for uncollectibles)	206,974			206,974
Loans receivable (net of allowance for uncollectibles)			583,019	583,019
Intergovernmental receivables	41,068	321,832		362,900
Other receivables	1,637		2,128	3,765
Due from other funds		14,258	8,309	22,567
Advances to other funds	19,001			19,001
Total Assets	<u>\$ 2,181,616</u>	<u>874,127</u>	<u>2,148,242</u>	<u>5,203,985</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 49,399	12,843	27,955	90,197
Intergovernmental payables	60,379			60,379
Due to other funds	22,567			22,567
Advances from other funds			19,001	19,001
Deferred revenue	1,944,974	480,000	581,216	3,006,190
Other payables	6,399	5		6,404
Total Liabilities	<u>2,083,718</u>	<u>492,848</u>	<u>628,172</u>	<u>3,204,738</u>
Fund balances:				
Reserved for:				
Debt service			462,861	462,861
Loand receivable			583,019	583,019
Advances receivable			19,001	19,001
Unreserved, reported in:				
General fund	97,898			97,898
Special revenue funds		381,279	455,189	836,468
Total Fund Balances	<u>97,898</u>	<u>381,279</u>	<u>1,520,070</u>	<u>1,999,247</u>
Total Liabilities and Fund Balances	<u>\$ 2,181,616</u>	<u>874,127</u>	<u>2,148,242</u>	<u>5,203,985</u>

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

QUITMAN COUNTY

Exhibit 3-1

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

<hr/>	
Total fund balance - governmental funds (Exhibit 3)	\$ 1,999,247
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets net of depreciation as of 10-1-05	5,002,213
Plus capital outlay expenditures made during the year	1,932,712
Less depreciation expense recorded during the year	(318,244)
Add prior period adjustment to capital assets	(8,350)
Deletion of capital assets	(1,780,102)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Accounts receivable (FY 06 balance)	114,416
Fines receivable (FY 06 balance)	206,974
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-term liabilities	(4,506,945)
Accrued interest on bonds	(28,844)
	<hr/>
Total net assets - governmental activities (Exhibit 1)	\$ <u>2,613,077</u>

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

QUITMAN COUNTY

Exhibit 4

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

	<u>Major Funds</u>			
	General Fund	Road and Bridge Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 2,191,016	608,626	635,453	3,435,095
Road and bridge privilege taxes		80,851		80,851
Licenses, commissions and other revenue	96,752		3,076	99,828
Fines and forfeitures	181,548			181,548
Intergovernmental revenues	272,859	517,628	542,546	1,333,033
Charges for services	74,813		237,369	312,182
Interest income	47,293		6,146	53,439
Miscellaneous revenues	38,458		105,341	143,799
Total Revenues	<u>2,902,739</u>	<u>1,207,105</u>	<u>1,529,931</u>	<u>5,639,775</u>
EXPENDITURES				
Current:				
General government	1,801,814		34,300	1,836,114
Public safety	940,083		201,798	1,141,881
Public works	10,000	2,467,507	475,520	2,953,027
Health and welfare	277,295			277,295
Culture and recreation	38,526			38,526
Conservation of natural resources	48,668			48,668
Economic development and assistance	25,227		45,745	70,972
Debt service:				
Principal	19,156	375,010	518,161	912,327
Interest	3,667	24,923	171,612	200,202
Total Expenditures	<u>3,164,436</u>	<u>2,867,440</u>	<u>1,447,136</u>	<u>7,479,012</u>
Excess of Revenues over (under) Expenditures	<u>(261,697)</u>	<u>(1,660,335)</u>	<u>82,795</u>	<u>(1,839,237)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		875,393	43,800	919,193
Long-term non-capital debt issued	204,905			204,905
Proceeds from sale of capital assets	2,000	684,815	140,201	827,016
Transfers in	60	16,071	138,752	154,883
Transfers out	(30,962)	(10,622)	(113,299)	(154,883)
Total Other Financing Sources and Uses	<u>176,003</u>	<u>1,565,657</u>	<u>209,454</u>	<u>1,951,114</u>
Net Changes in Fund Balances	(85,694)	(94,678)	292,249	111,877
Fund Balance - Beginning	<u>183,592</u>	<u>475,959</u>	<u>1,227,820</u>	<u>1,887,371</u>
Fund Balances - Ending	<u>\$ 97,898</u>	<u>381,281</u>	<u>1,520,069</u>	<u>1,999,248</u>

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

QUITMAN 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, 2006

Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 111,876
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$1,932,712 exceeded depreciation of \$318,244.	1,614,468
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by proceeds from sale of capital assets of \$827,016, plus the loss of capital assets of \$953,086.	(1,780,102)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	85,330
Garbage collection fee revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	17,680
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 payments of \$912,327 exceed debt proceeds of \$1,124,098.	(211,771)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Interest on long-term debt	5,414
Compensated absences	(7,375)
Change in net assets of governmental activities (Exhibit 2)	<u>\$ (164,480)</u>

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

QUITMAN COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2006

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 10,898
Total Assets	<u>\$ 10,898</u>
LIABILITIES	
Intergovernmental payables	\$ 10,898
Total Liabilities	<u>\$ 10,898</u>

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

QUITMAN COUNTY

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

(1) Significant Accounting Policies.

A. Financial Reporting Entity.

Quitman 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 Quitman County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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 basic financial statements.

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

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

QUITMAN COUNTY

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

separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major governmental funds:

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

Road and Bridge Fund - Accounts for monies from specific revenue sources that are restricted for road and bridge maintenance.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPES

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.

QUITMAN COUNTY

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

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 2006 by the Government Finance Officers Association.

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, and 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 Receivables/Payables.

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

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. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which costs of capital assets, other than infrastructure, 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.

General infrastructure assets acquired after September 30, 1980, are reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

QUITMAN COUNTY

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

depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and 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
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, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - 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 improvement 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 or regulation of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

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

QUITMAN COUNTY

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

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

K. Property Tax Revenues.

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date 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. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

Therefore, the county's full liability for accumulated unpaid personal leave up to a maximum of 20 days per employee is reported as a liability in the Statement of Net Assets.

QUITMAN COUNTY

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows for Exhibit 2 – Statement of Activities

Explanation	Amount
Correction of debt	\$ (13,690)
Correction of capital assets, and related depreciation	(8,350)
Total prior period adjustments	<u>\$ (22,040)</u>

The debt representing other loans was understated in the prior year due to several changes in loans for equipment. The correction for capital assets was made to correct errors that were caused by the data processing program.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$1,217,441, and the bank balance was \$1,698,968. 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, 2006:

A. Due From/To Other

Receivable Fund	Payable Fund	Amount
Major Funds:	Major Funds:	
Countywide Road Maintenance Fund	General Fund	\$ 14,258
Other Governmental Funds		<u>8,309</u>
Total		<u>\$ 22,567</u>

The amount payable to the Countywide Road Fund and to the Nonmajor Governmental Funds represents taxes and fees that have not been settled to the individual funds from the General Fund at year end. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds

Receivable Fund	Payable Fund	Amount
Major Funds:		
General Fund	Other Governmental Funds	\$ 19,001
Total		<u>\$ 19,001</u>

The principal purpose of advance to nonmajor governmental funds was to provide operating capital for Federal, state and local grants in order to pay for operations of the funds until reimbursed.

QUITMAN COUNTY

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

C. Transfers In/Out

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 60
Road Fund	Other Governmental Funds	16,071
Other Governmental Funds	General Fund	30,962
Other Governmental Funds	Road Fund	10,622
Other Governmental Funds	Other Governmental Funds	97,168
Total		<u>\$ 154,883</u>

The principal purposes of interfund transfers were to provide funds for debt service, grant matches, to provide funds as budgeted for operations, or to provide funds to pay for capital outlay.

(5) Intergovernmental Receivables.

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

Description	Amount
Legislative tag credit	\$ 29,231
State grants	11,837
Federal receivable - disaster grant	321,832
Total Governmental Activities	<u>\$ 362,900</u>

(6) Loans Receivable.

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

Styling	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Jackson Wood CDBG	02-97	6.00	01-13	\$ 500,000
Jackson Wood CAP loan #1	02-96	4.23	05-06	164,974
Jackson Wood CAP loan #2	02-96	6.00	12-11	254,753
Jackson Wood CDBG	01-98	5.70-8.00	12-12	250,000
Jackson Wood bond	07-95	4.00	07-15	382,092
Meucci CAP loan	10-96	5.60-7.50	03-12	498,711
Meucci bond	02-96	10.2-10.30	02-11	194,648
Total				2,245,178
Less: Allowance for doubtful loans				<u>(1,662,159)</u>
Total				<u>\$ 583,019</u>

QUITMAN COUNTY

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

(7) Capital Assets.

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

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 351,330	3,800	(29,945)		325,185
Total non-depreciable capital assets	<u>351,330</u>	<u>3,800</u>	<u>(29,945)</u>		<u>325,185</u>
<u>Depreciable capital assets:</u>					
Infrastructure	725,773				725,773
Buildings	5,470,352	423,008	(2,027,540)		3,865,820
Mobile equipment	1,614,576	1,437,300	(144,445)	(25,210)	2,882,221
Furniture and equipment	79,636	68,604		(190)	148,050
Leased property under capital leases	526,321		(466,431)		59,890
Total depreciable capital assets	<u>8,416,658</u>	<u>1,928,912</u>	<u>(2,638,416)</u>	<u>(25,400)</u>	<u>7,681,754</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	(28,723)	(16,503)			(45,226)
Buildings	(2,283,817)	(65,593)	607,507		(1,741,903)
Mobile equipment	(1,314,102)	(207,910)	178,296	40,469	(1,303,247)
Furniture and equipment	(49,316)	(22,848)			(72,164)
Leased property under capital leases	-	(5,390)	102,456	(23,419)	-
Total accumulated depreciation	<u>(3,765,775)</u>	<u>(318,244)</u>	<u>888,259</u>	<u>17,050</u>	<u>(3,178,710)</u>
Total depreciable capital assets, net	<u>4,650,883</u>	<u>1,610,668</u>	<u>(1,750,157)</u>	<u>(8,350)</u>	<u>4,503,044</u>
Governmental activities capital assets, net	<u>\$ 5,002,213</u>	<u>1,614,468</u>	<u>(1,780,102)</u>	<u>(8,350)</u>	<u>4,828,229</u>

Adjustments to capital assets included the reclassification of certain capital assets to the proper category of assets, adjustments to amounts as determined when estimating or determining the historical cost, and correcting the accumulated depreciation of capital assets when recalculated.

Depreciation expense was charged to the following functions:

	<u>Amount:</u>
Governmental Activities	
General government	\$ 82,095
Public safety	47,952
Public works	170,808
Health and welfare	17,389
Total governmental activities depreciation expense	<u>\$ 318,244</u>

QUITMAN COUNTY

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

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 59,890
Total	<u>59,890</u>

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2006, are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>
2007	\$ 17,112
2008	17,112
2009	<u>10,430</u>
Total Minimum Payments Required	44,654
Less: Amount representing interest	<u>3,947</u>
Present Value of Net Minimum Lease Payables	<u>\$ 40,707</u>

QUITMAN COUNTY

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

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
A. General Obligation Bonds:			
Allied industrial building	\$ 57,000	10.30	12-09
2002 GO road bonds	915,000	3.30 to 4.00	07-12
2004 GO refunding bonds	1,970,000	3.40 to 5.55	07-12
Total General Obligation Bonds	<u>\$ 2,942,000</u>		
B. Capital Leases:			
Two tractors	\$ 40,707	7.00	05-09
Total Capital Leases	<u>\$ 40,707</u>		
C. Other Loans:			
2005 ambulance	\$ 39,258	4.70	11-10
Capital loan - airport	12,496	3.00	4-15
Capital loan - airport	141,599	3.00	04-26
Technology note	155,000	5.50	7-11
Loan for 3 dump trucks	284,970	4.15	09-09
Loan for 5 motor graders and excavator	590,423	3.77	04-11
Flood emergency note renewed	260,025	5.50	06-07
Total Other Loans	<u>\$ 1,483,771</u>		

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

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2007	\$ 442,000	131,677	507,026	72,602
2008	469,000	113,738	257,361	39,001
2009	496,000	93,535	268,162	28,199
2010	495,000	71,505	163,337	17,190
2011	520,000	49,590	168,992	10,476
2012-2016	520,000	25,545	39,271	14,999
2017-2021			38,688	9,162
2022-2026			40,934	2,930
Total	<u>\$ 2,942,000</u>	<u>485,590</u>	<u>1,483,771</u>	<u>194,559</u>

Legal Debt Margin - The amount of general obligation bonded debt that can be incurred by the county is limited by state statute. Total outstanding general obligation bonded 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

QUITMAN COUNTY

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

out or collapsed bridges on the public roads of the county. As of September 30, 2006, the amount of outstanding debt was equal to 5.88 of the latest property assessments.

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

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30, 2006	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 33,092	7,375			40,467	4,047
General obligation bonds	3,362,000		420,000		2,942,000	442,000
Capital leases	415,717		375,010		40,707	14,730
Other loans	463,300	1,124,098	117,317	13,690	1,483,771	507,025
Total	\$ 4,274,109	1,131,473	912,327	13,690	4,506,945	967,802

(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 the audit of a federal granting agency 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) No-Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for which the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Classes of Property	Balance at Sept. 30, 2006
Hospital revenue bonds	\$ 155,000.00

QUITMAN COUNTY

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

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Coahoma Community College operates in a district composed of the counties of Bolivar, Coahoma and Quitman. The Quitman County Board of Supervisors appoints one of the 12 members of the college board of trustees. The county appropriated \$86,975 to the college for maintenance and support in fiscal year 2006.

Northwest Community College operates in a district composed of the counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Quitman County Board of Supervisors appoints one of the 23 members of the college board of trustees. The county appropriated \$86,975 to the college for maintenance and support in fiscal year 2006.

Mid-State, Inc. operates in a district composed of the Counties of DeSoto, Panola, Quitman, Tallahatchie, Tate and Tunica. The Quitman County Board of Supervisors appoints two of the 30 members of the board of directors. The other member counties appoint eight members, in the aggregate. Ten members are appointed from the business sector and ten members are appointed by minority disadvantaged persons who use the services of the organization. Most of the entity's funding comes from federal funds, with less than one percent coming from the counties in the aggregate.

The Yazoo-Mississippi Water Management District is composed of the Counties of Bolivar, Carroll, Coahoma, DeSoto, Holmes, Humphreys, Issaquena, Leflore, Panola, Quitman, Sharkey, Sunflower, Tallahatchie, Tate, Tunica, Washington, and Yazoo. The Quitman County Board of Supervisors appoints one of the 21 members of the board of commissioners. Quitman County appropriated \$18,880 to support the district in fiscal year 2006.

Region I Mental Health-Retardation Center operates in a district composed of the Counties of Coahoma, Quitman, Tallahatchie and Tunica. The Quitman County Board of Supervisors appoints one member of the four-member board of commissioners. The county appropriated \$25,200 to the center for support in fiscal year 2006.

North Delta Planning and Development District operates in a district composed of the counties of Coahoma, DeSoto, Panola, Quitman, Tallahatchie and Tunica. The Quitman County Board of Supervisors appoints four of the 30 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$17,000 for support of the district in fiscal year 2006.

(14) Defined Benefit Pension Plan.

Plan Description – Quitman County, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries.

Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy – PERS members are required to contribute 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions to PERS for the years ending September 30, 2006, 2005, and 2004 were \$165,906, \$147,815, and \$150,025, respectively, equal to the required contributions for each year.

QUITMAN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,026,881	2,194,853	2,194,853	-
Licenses, commissions and other revenue	136,100	97,406	97,406	-
Fines and forfeitures	166,000	164,981	164,981	-
Intergovernmental revenues	297,900	272,859	272,859	-
Charges for services	75,000	74,813	74,813	-
Interest income	37,800	47,281	47,281	-
Miscellaneous revenues	10,000	37,738	37,738	-
Total Revenues	<u>2,749,681</u>	<u>2,889,931</u>	<u>2,889,931</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	1,360,000	1,809,286	1,809,286	-
Public safety	902,150	956,103	956,103	-
Public works		10,000	10,000	-
Health and welfare	336,360	227,141	227,141	-
Culture and recreation	34,000	34,000	34,000	-
Conservation of natural resources	51,171	49,495	49,495	-
Economic development and assistance	16,000	23,000	23,000	-
Capital projects	28,000			-
Debt service:				
Principal	22,000	19,156	19,156	-
Total Expenditures	<u>2,749,681</u>	<u>3,128,181</u>	<u>3,128,181</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(238,250)</u>	<u>(238,250)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		47,060	47,060	-
Transfers out		(78,022)	(78,022)	-
Total Other Financing Sources and Uses		<u>(30,962)</u>	<u>(30,962)</u>	<u>-</u>
Net Change in Fund Balance	-	(269,212)	(269,212)	-
Fund Balances - Beginning	-	84,038	84,038	-
Fund Balances - Ending	<u>\$ -</u>	<u>(185,174)</u>	<u>(185,174)</u>	<u>-</u>

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

QUITMAN COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road and Bridge Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 560,950	610,139	610,139	-
Road and bridge privilege taxes	85,000	82,213	82,213	-
Intergovernmental revenues	490,000	517,628	517,628	-
Total Revenues	<u>1,135,950</u>	<u>1,209,980</u>	<u>1,209,980</u>	-
EXPENDITURES				
Current:				
Public works	1,053,950	2,555,131	2,555,131	-
Debt service:				
Principal	62,000	36,500	36,500	-
Total Expenditures	<u>1,115,950</u>	<u>2,591,631</u>	<u>2,591,631</u>	-
Excess of Revenues over (under) Expenditures	<u>20,000</u>	<u>(1,381,651)</u>	<u>(1,381,651)</u>	-
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		590,423	590,423	
Proceeds from sale of capital assets		684,815	684,815	
Transfers in		16,071	16,071	-
Transfers out		(10,622)	(10,622)	-
Total Other Financing Sources and Uses	<u>-</u>	<u>1,280,687</u>	<u>1,280,687</u>	-
Net Change in Fund Balance	20,000	(100,964)	(100,964)	-
Fund Balances - Beginning	<u>-</u>	<u>(192,688)</u>	<u>(192,688)</u>	-
Fund Balances - Ending	<u>\$ 20,000</u>	<u>(293,652)</u>	<u>(293,652)</u>	-

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

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

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund. The 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 and each major special revenue fund:

Budget (Cash Basis)	\$ (269,212)	(100,964)
Increase (Decrease):		
Net adjustment for revenue accruals	172,713	282,095
Net adjustment for expenditure accruals	<u>10,805</u>	<u>(275,809)</u>
GAAP Basis	<u>\$ (85,694)</u>	<u>(94,678)</u>

QUITMAN COUNTY

SPECIAL REPORTS



Ruth N. Wylie Certified Public Accountant

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

March 20, 2009

Members of the Board of Supervisors
Quitman County, Mississippi

I have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Quitman County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic financial statements and have issued my report thereon dated March 20, 2009. I conducted my 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 my audit, I considered Quitman County, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinions on the financial statements, and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quitman County, Mississippi's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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.

Ruth N. Wylie, CPA
Madison, Mississippi



Ruth N. Wylie Certified Public Accountant

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))

March 20, 2009

Members of the Board of Supervisors
Quitman County, Mississippi

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

The Board of Supervisors of Quitman County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Section 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 Quitman 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 applicable 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 my opinion, Quitman 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 my aforementioned study and evaluation of the purchasing system and, in my 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 Quitman 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.

Ruth N. Wylie, CPA
Madison, Mississippi

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

Schedule 1

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

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

Schedule 2

My test results did not identify any emergency purchases.

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

Schedule 3

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



Ruth N. Wylie Certified Public Accountant

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

March 20, 2009

Members of the Board of Supervisors
Quitman County, Mississippi

In planning and performing my audit of the financial statements of Quitman County, Mississippi for the year ended September 30, 2006, I considered Quitman County, Mississippi's internal control to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Quitman County, Mississippi's financial reporting, I have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, I do not express such an opinion. This report does not affect my report dated March 20, 2009, on the financial statements of Quitman County, Mississippi.

Although no findings came to my attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, my consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Ruth N. Wylie, CPA
Madison, Mississippi

QUITMAN COUNTY

SCHEDULE OF FINDINGS

QUITMAN COUNTY
Schedule of Findings
For the Year Ended September 30, 2006

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Material noncompliance relating to the financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | No |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | None Reported |

Section 1: Summary of Auditor's Results

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.