

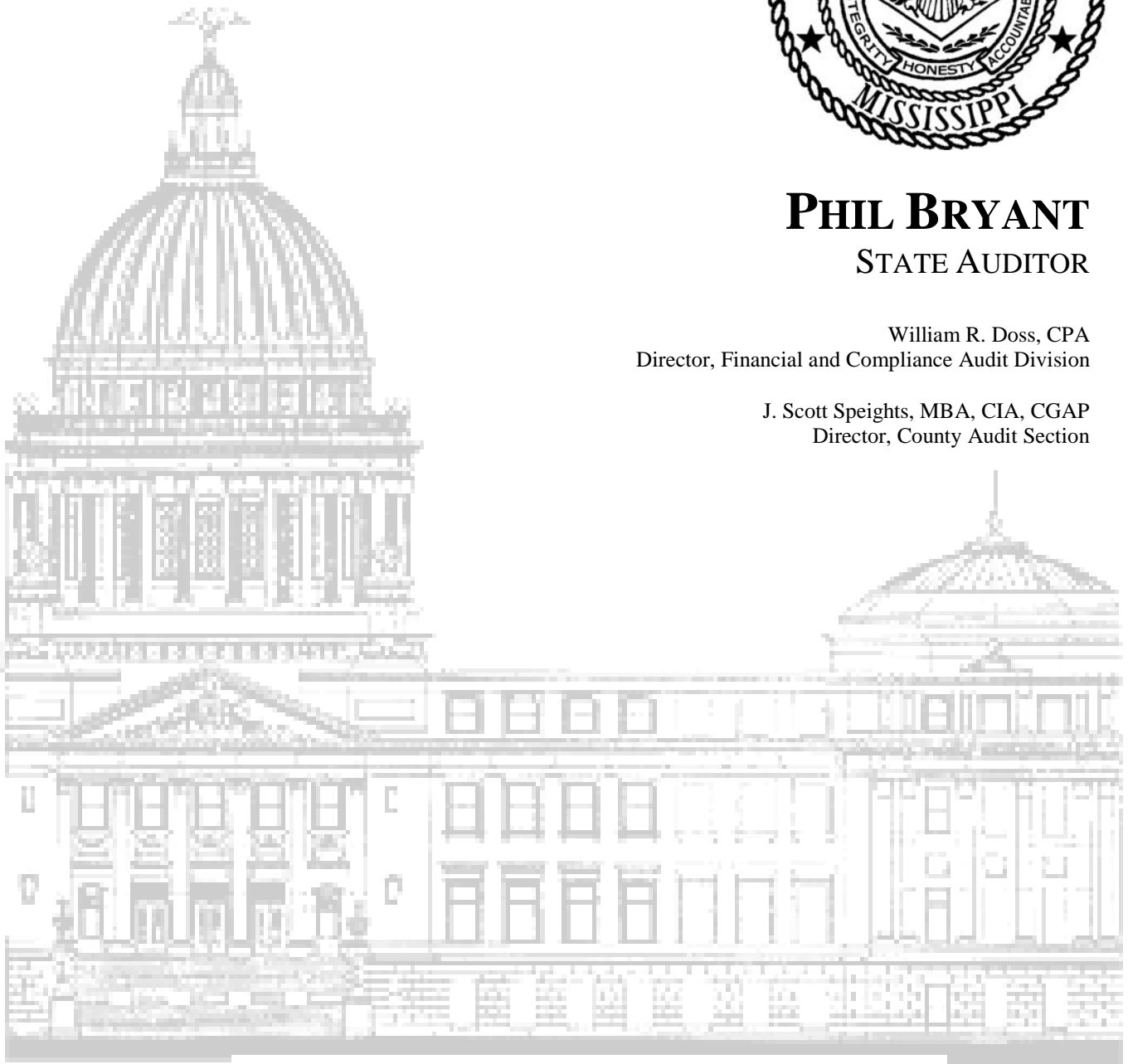
WALTHALL COUNTY, MISSISSIPPI
Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2006



PHIL BRYANT
STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

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Director, County Audit Section



A Report from the County Audit Section

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WALTHALL COUNTY

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WALTHAM 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, each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2006, 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, 2006, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Walthall County, Mississippi, as of September 30, 2006, and the respective changes in financial position, and, where applicable, cash flows 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 March 19, 2007, 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.

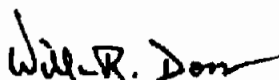
Walthall County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison 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. 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

March 19, 2007

WALTHALL COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

WALTHAM COUNTY
Statement of Net Assets
September 30, 2006

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 4,500,024	115,631	4,615,655
Property tax receivable	3,541,000		3,541,000
Accounts receivable (net of allowance for uncollectibles of \$249,289)		117,313	117,313
Fines receivable (net of allowance for uncollectibles of \$3,334,254)	1,196,605		1,196,605
Intergovernmental receivables	75,213		75,213
Other receivables	4,137		4,137
Internal balances	15,905	(15,905)	
Capital assets:			
Land	196,661		196,661
Other capital assets, net	6,907,100	330,734	7,237,834
Total Assets	16,436,645	547,773	16,984,418
LIABILITIES			
Claims payable	366,667	17,797	384,464
Intergovernmental payables	225,988		225,988
Deferred revenue	3,541,000		3,541,000
Unearned revenue	162,918	32,023	194,941
Other payables	27,737		27,737
Long-term liabilities			
Due within one year:			
Capital debt	341,036	30,289	371,325
Non-capital debt	26,014		26,014
Due in more than one year:			
Capital debt	2,288,939	132,177	2,421,116
Non-capital debt	713,618	6,340	719,958
Total Liabilities	7,693,917	218,626	7,912,543
NET ASSETS			
Invested in capital assets, net of related debt	4,473,786	168,268	4,642,054
Restricted:			
Expendable:			
General government	146,925		146,925
Debt service	559,267		559,267
Public safety	178,269		178,269
Public works	559,007	160,879	719,886
Culture and recreation	8,029		8,029
Unemployment compensation	11,400		11,400
Capital projects	235,075		235,075
Unrestricted	2,570,970		2,570,970
Total Net Assets	\$ 8,742,728	329,147	9,071,875

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

WALTHALL 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	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,829,735	214,703	139,318		(1,475,714)		(1,475,714)
Public safety	1,568,177	178,844	141,886	8,600	(1,238,847)		(1,238,847)
Public works	2,475,391		1,450,092	186,298	(839,001)		(839,001)
Health and welfare	192,400		32,998		(159,402)		(159,402)
Culture and recreation	65,252				(65,252)		(65,252)
Conservation of natural resources	75,144			6,789	(68,355)		(68,355)
Economic development and assistance	1,044,105			137,375	(906,730)		(906,730)
Interest on long-term debt	178,622				(178,622)		(178,622)
Total Governmental Activities	<u>7,428,826</u>	<u>393,547</u>	<u>1,764,294</u>	<u>339,062</u>	<u>(4,931,923)</u>	<u>0</u>	<u>(4,931,923)</u>
Business-type activities:							
Solid Waste	<u>560,521</u>	<u>214,780</u>	<u>21,650</u>			<u>(324,091)</u>	<u>(324,091)</u>
Total Primary Government	<u>\$ 7,989,347</u>	<u>608,327</u>	<u>1,785,944</u>	<u>339,062</u>	<u>(4,931,923)</u>	<u>(324,091)</u>	<u>(5,256,014)</u>
General revenues:							
Property taxes					\$ 3,782,891	50	3,782,941
Road & bridge privilege taxes					194,146		194,146
Grants and contributions not restricted to specific programs					473,448		473,448
Unrestricted interest income					171,450	9,408	180,858
Miscellaneous					<u>583,905</u>		<u>583,905</u>
Total General Revenues					<u>5,205,840</u>	<u>9,458</u>	<u>5,215,298</u>
Changes in Net Assets					<u>273,917</u>	<u>(314,633)</u>	<u>(40,716)</u>
Net Assets - Beginning					8,536,238	643,780	9,180,018
Prior period adjustment					<u>(67,427)</u>		<u>(67,427)</u>
Net Assets - Beginning, as restated					<u>8,468,811</u>	<u>643,780</u>	<u>9,112,591</u>
Net Assets - Ending					<u>\$ 8,742,728</u>	<u>329,147</u>	<u>9,071,875</u>

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

WALTHAM COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2006

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	State Aid Fund		
ASSETS				
Cash	\$ 2,568,282	37,950	1,893,792	4,500,024
Property tax receivable	2,422,000		1,119,000	3,541,000
Fines receivable (net of allowance for uncollectibles of \$3,334,255)	1,196,605			1,196,605
Intergovernmental receivables	75,213			75,213
Other receivables	4,137			4,137
Due from other funds	5,040		65,732	70,772
Advances to other funds	10,865			10,865
Total Assets	<u>\$ 6,282,142</u>	<u>37,950</u>	<u>3,078,524</u>	<u>9,398,616</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 230,083	37,950	98,634	366,667
Intergovernmental payables	207,599			207,599
Due to other funds	84,121			84,121
Deferred revenue	3,618,605		1,119,000	4,737,605
Unearned revenue			162,918	162,918
Other payables	27,737			27,737
Total Liabilities	<u>4,168,145</u>	<u>37,950</u>	<u>1,380,552</u>	<u>5,586,647</u>
Fund balances:				
Reserved for:				
Debt service			559,267	559,267
Advances	10,865			10,865
Unemployment compensation			11,400	11,400
Unreserved - undesignated, reported in:				
General Fund	2,103,132			2,103,132
Special Revenue Funds			892,230	892,230
Capital Project Funds			235,075	235,075
Total Fund Balances	<u>2,113,997</u>	<u>0</u>	<u>1,697,972</u>	<u>3,811,969</u>
Total Liabilities and Fund Balances	<u>\$ 6,282,142</u>	<u>37,950</u>	<u>3,078,524</u>	<u>9,398,616</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, 2006

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 3,811,969
Amounts reported for governmental activities 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 \$3,598,182.	7,103,761
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,196,605
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(3,369,607)</u>
Total Net Assets - Governmental Activities	<u>\$ 8,742,728</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, 2006

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	State Aid Fund		
REVENUES				
Property taxes	\$ 2,569,937		1,212,954	3,782,891
Road and bridge privilege taxes			194,146	194,146
Licenses, commissions and other revenue	149,936		4,269	154,205
Fines and forfeitures	184,283			184,283
Intergovernmental revenues	607,523	856,669	1,075,196	2,539,388
Charges for services	38,034		129,278	167,312
Interest income	109,502		61,948	171,450
Miscellaneous revenues	521,680		45,303	566,983
Total Revenues	<u>4,180,895</u>	<u>856,669</u>	<u>2,723,094</u>	<u>7,760,658</u>
EXPENDITURES				
Current:				
General government	1,785,503			1,785,503
Public safety	1,046,262		464,434	1,510,696
Public works	26,801	856,669	1,718,257	2,601,727
Health and welfare	174,758		2,500	177,258
Culture and recreation	800		7,324	8,124
Conservation of natural resources	75,144			75,144
Economic development and assistance	52,793		967,625	1,020,418
Debt service:				
Principal			489,981	489,981
Interest			178,622	178,622
Total Expenditures	<u>3,162,061</u>	<u>856,669</u>	<u>3,828,743</u>	<u>7,847,473</u>
Excess of Revenues over (under) Expenditures	<u>1,018,834</u>	<u>0</u>	<u>(1,105,649)</u>	<u>(86,815)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			838,510	838,510
Proceeds from sale of capital assets			36,940	36,940
Transfers in			67,758	67,758
Transfers out	(67,758)			(67,758)
Total Other Financing Sources and Uses	<u>(67,758)</u>	<u>0</u>	<u>943,208</u>	<u>875,450</u>
Net Changes in Fund Balances	<u>951,076</u>	<u>0</u>	<u>(162,441)</u>	<u>788,635</u>
Fund Balances - Beginning	1,162,921		1,927,840	3,090,761
Prior period adjustment			(67,427)	(67,427)
Fund Balances - Beginning, as restated	<u>1,162,921</u>	<u>0</u>	<u>1,860,413</u>	<u>3,023,334</u>
Fund Balances - Ending	<u>\$ 2,113,997</u>	<u>0</u>	<u>1,697,972</u>	<u>3,811,969</u>

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

WALTHALL COUNTY
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 For the Year Ended September 30, 2006

Exhibit 4-1

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 788,635
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 \$375,764 exceeded capital outlays of \$347,407 in the current period.	(28,357)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$16,922 and the proceeds from the sale of \$36,940 in the current period.	(20,018)
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.	(112,253)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$838,510 exceeded debt repayments of \$489,981.	(348,529)
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>(5,561)</u>
Change in Net Assets of Governmental Activities	<u>\$ 273,917</u>

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

WALTHALL COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2006

Exhibit 5

	<u>Business-type Activities - Enterprise Fund Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 115,631
Accounts receivable (net of allowance for uncollectibles of \$249,289)	117,313
Total Current Assets	<u>232,944</u>
Noncurrent assets:	
Capital assets, net	330,734
Total Noncurrent Assets	<u>330,734</u>
Total Assets	<u>563,678</u>
LIABILITIES	
Current liabilities:	
Claims payable	17,797
Due to other funds	5,040
Advances from other funds	10,865
Unearned revenue	32,023
Capital debt:	
Capital leases payable	<u>30,289</u>
Total Current Liabilities	<u>96,014</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	132,177
Non-capital debt:	
Compensated absences payable	<u>6,340</u>
Total Noncurrent Liabilities	<u>138,517</u>
NET ASSETS	
Invested in capital assets, net of related debt	168,268
Restricted for public works	<u>160,879</u>
Total Net Assets	<u>\$ 329,147</u>

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

WALTHALL COUNTY
Statement of Revenues, Expenses and Changes in Fund Net Assets -
Proprietary Fund
For the Year Ended September 30, 2006

Exhibit 6

	Business-type Activities - Enterprise Funds
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 214,780
Other operating cash receipts	21,650
Total Operating Revenues	<u>236,430</u>
Operating Expenses	
Personal services	296,549
Contractual services	156,761
Materials and supplies	57,638
Depreciation expense	41,785
Indirect administrative cost	5,040
Total Operating Expenses	<u>557,773</u>
Operating Income (Loss)	<u>(321,343)</u>
Nonoperating Revenues (Expenses)	
Property tax	50
Interest income	9,408
Interest expense	(2,748)
Net Nonoperating Revenue (Expenses)	<u>6,710</u>
Changes in Net Assets	(314,633)
Net Assets - Beginning	<u>643,780</u>
Net Assets - Ending	<u>\$ 329,147</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, 2006

Exhibit 7

	Business-type Activities - Enterprise Funds
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 365,687
Other operating cash receipts	21,650
Payments to suppliers	(208,785)
Payments to employees	(298,069)
Net Cash Provided (Used) by Operating Activities	<u>(119,517)</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(13,373)
Interest paid on debt	(2,698)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(16,071)</u>
Cash Flows From Investing Activities	
Interest on deposits	9,408
Net Cash Provided (Used) by Investing Activities	<u>9,408</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(126,180)
Cash and Cash Equivalents at Beginning of Year	<u>241,811</u>
Cash and Cash Equivalents at End of Year	<u>\$ 115,631</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(321,343)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	41,785
Provision for uncollectible accounts	146,970
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	4,617
Increase (decrease) in claims payable	5,623
Increase (decrease) in compensated absences liability	(1,529)
Increase (decrease) in unearned revenue	(680)
Increase (decrease) in interfund payables	5,040
Total Adjustments	<u>201,826</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (119,517)</u>

Noncash Capital Financing Activity:

Walthall County lease purchased mobile equipment for \$175,839 for 5 years at 3.82 % interest. Principal payments of \$13,373 were made on the lease during the year.

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 70,722
Due from other funds	<u>18,389</u>
Total Assets	<u>\$ 89,111</u>
LIABILITIES	
Amounts held in custody for others	\$ 30,192
Intergovernmental payables	<u>58,919</u>
Total Liabilities	<u>\$ 89,111</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, 2006

(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 are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and 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, 2006

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-type activity 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 (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.

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.

WALTHALL COUNTY

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

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

The county reports the following major Governmental Funds:

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

State Aid Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance of state roads.

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.

WALTHALL COUNTY

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

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.

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

WALTHALL COUNTY

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

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 roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

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

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

I. Long-term Liabilities.

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

WALTHALL COUNTY

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

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."

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.

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

K. Property Tax Revenues.

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

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

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

WALTHALL COUNTY

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
Governmental Activities:	
To correct prior year error in intergovernmental revenue	\$ <u><u>(67,427)</u></u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances.

Explanation	Amount
Other Governmental Funds:	
To correct prior year error in intergovernmental revenue	\$ <u><u>(67,427)</u></u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$4,686,377, and the bank balance was \$4,879,904. 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.

WALTHALL COUNTY

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

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 5,040
Other Governmental Funds	General	65,732
Agency Funds	General	<u>18,389</u>
Total		<u>\$ 89,161</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, 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	<u>\$ 10,865</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>
Other Governmental	General Fund	<u>\$ 67,758</u>

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

WALTHALL COUNTY

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

(5) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ <u><u>75,213</u></u>

(6) Capital Assets.

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

Governmental Activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 196,661				196,661
Total non-depreciable capital assets	196,661	0	0	0	196,661
<u>Depreciable capital assets:</u>					
Infrastructure	1,168,410				1,168,410
Buildings	4,696,885				4,696,885
Improvements other than buildings	332,654				332,654
Mobile equipment	3,253,435	167,358	200,178	84,404	3,305,019
Furniture and equipment	368,376	36,539			404,915
Leased property under capital leases	538,293	143,510		(84,404)	597,399
Total depreciable capital assets	10,358,053	347,407	200,178	0	10,505,282
<u>Less accumulated depreciation for:</u>					
Infrastructure	13,869	24,280			38,149
Buildings	823,874	90,542			914,416
Improvements other than buildings	22,674	8,435			31,109
Mobile equipment	2,056,616	200,133	180,160	45,582	2,122,171
Furniture and equipment	340,202	20,420			360,622
Leased property under capital leases	145,343	31,954		(45,582)	131,715
Total accumulated depreciation	3,402,578	375,764	180,160	0	3,598,182

WALTHALL COUNTY

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

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments *	Balance Sept. 30, 2006
Total depreciable capital assets, net	6,955,475	(28,357)	20,018	0	6,907,100
Governmental activities capital assets, net	\$ 7,152,136	(28,357)	20,018	0	7,103,761

* Adjustments are the reclassification of paid out capital leases from leased property under capital leases to mobile equipment.

Business-type Activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
Mobile equipment	\$ 463,589				463,589
Leased property under capital leases		175,839			175,839
Total depreciable capital assets	463,589	175,839	0	0	639,428
<u>Less accumulated depreciation for:</u>					
Mobile equipment	266,909	25,959			292,868
Leased property under capital leases		15,826			15,826
Total accumulated depreciation	266,909	41,785	0	0	308,694
Total depreciable capital assets, net	196,680	134,054	0	0	330,734
Business-type activities capital assets, net	\$ 196,680	134,054	0	0	330,734

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 5,083
Public safety	94,054
Public works	181,233
Health and welfare	15,142
Culture and recreation	57,128
Economic Development	23,124
Total governmental activities depreciation expense	\$ 375,764
Business-type Activities:	
Solid waste	\$ 41,785

WALTHALL COUNTY

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

(7) Claims and Judgments.

Risk Financing.

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

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$4,500 for the year ended September 30, 2006. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2007	\$ 4,500
2008	4,500
2009	4,500
2010	4,500
2011	4,500
2012 - 2016	22,500
2017 - 2021	22,500
2018 - 2026	22,500
2027 - 2031	22,500
2032 - 2036	22,500
2037 - 2041	22,500
2042 - 2046	<u>9,000</u>
 Total Minimum Payments Required	 \$ <u><u>166,500</u></u>

WALTHALL COUNTY

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

(9) Capital Leases.

As Lessee:

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

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 597,399	175,839
Less: Accumulated depreciation	<u>131,715</u>	<u>15,826</u>
Leased Property Under Capital Leases	<u>\$ 465,684</u>	<u>160,013</u>

The following is a schedule by years of the total payments due as of September 30, 2006:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 106,752	11,162	30,289	5,209
2008	100,183	7,252	34,235	4,454
2009	74,017	3,902	35,566	3,123
2010	60,296	1,313	36,949	1,740
2011	<u>5,896</u>	<u>38</u>	<u>25,427</u>	<u>365</u>
Total	<u>\$ 347,144</u>	<u>23,667</u>	<u>162,466</u>	<u>14,891</u>

(10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Multi-purpose building (1998)	\$ 405,000	5.00%	01/14
Multi-purpose building (2000)	415,000	5.35%	03/15
Library improvements (2001)	250,000	5.00%	02/16
Multi-craft building refunding (2005)	<u>990,000</u>	5.37%	11/13
Total General Obligation Bonds	<u>\$ 2,060,000</u>		
B. Capital Leases:			
District 5 - Ford F-750 dump truck	\$ 7,327	3.99%	07/07
District 2 - Motor grader	41,923	4.59%	12/08
District 3 - New Holland tractor with boom mower	25,111	3.19%	05/08

WALTHALL COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
District 1 - Tractor with boom mower	50,028	3.43%	07/10
District 5 - Tractor with boom mower	51,044	3.43%	07/10
District 2 - Tractor with boom mower	50,028	3.43%	08/10
District 3 - New Holland tractor	28,727	3.94%	01/10
Districts 1 & 3 - Two Dura patchers and tank	92,956	3.84%	12/10
 Total Capital Leases	 \$ <u>347,144</u>		
 C. Other Loans:			
Emergency 911 fire truck	\$ 73,388	4.53%	08/12
Wheel loader 928G	29,088	3.45%	05/09
Emergency 911 fire truck	120,355	3.00%	04/15
Cap Loan - Georgia Pacific	684,362	3.00%	05/26
 Total Other Loans	 \$ <u>907,193</u>		

Business-type Activities:

A. Capital Leases:			
Garbage trucks	\$ <u>162,466</u>	3.82%	05/11

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2007	\$ 200,000	102,869	60,298	27,915
2008	215,000	91,975	62,333	25,880
2009	220,000	80,543	60,586	23,771
2010	240,000	68,460	54,883	21,881
2011	245,000	55,724	56,738	20,026
2012 - 2016	940,000	88,624	226,785	79,978
2017 - 2021			186,516	44,749
2022 - 2026			199,054	14,663
 Total	 \$ <u>2,060,000</u>	 <u>488,195</u>	 <u>907,193</u>	 <u>258,863</u>

WALTHALL COUNTY

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

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, 2006, the amount of outstanding debt was equal to 2.24% 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	\$ 49,709	5,561			55,270	
General obligation bonds	2,395,000		335,000		2,060,000	200,000
Capital leases	307,682	143,510	104,048		347,144	106,752
Other loans	263,126	695,000	50,933		907,193	60,298
Total	\$ 3,015,517	844,071	489,981	0	3,369,607	367,050
Business-type Activities:						
Capital leases	\$ 0	175,839	13,373	0	162,466	30,289

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2006:

Fund	Deficit Amount
Law Enforcement Equipment Grant Fund	\$ 2,403
Law Enforcement Terrorism Prevention Grant Fund	27,218
Hurricane Relief Grant Fund	44,443
Cap Loan - Georgia Pacific Fund	9,904

(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.

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.

WALTHALL COUNTY

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

(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 \$95,378 in fiscal year 2006. 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 \$320,494 for the operation and maintenance of the college in fiscal year 2006.

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 2006.

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 its support in fiscal year 2006.

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 \$37,971 for support for fiscal year 2006.

WALTHALL COUNTY

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

(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 rate at September 30, 2006 was 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 (employer share only) to PERS for the years ending September 30, 2006, 2005 and 2004 were \$202,630, \$174,434 and \$159,146, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Subsequent to September 30, 2006, 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>
02-20-07	4.42%	\$ 105,000	Other loans	District 3 Road and Bridge Maintenance Fund revenue
01-11-07	4.33%	11,000	Other loans	District 2 Road and Bridge Maintenance Fund revenue

WALTHAM COUNTY

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WALTHALL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WALTHALL COUNTY

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WALTHAM 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	\$ 2,298,000	2,535,968	2,535,968	
Licenses, commissions and other revenue	115,000	146,372	146,372	
Fines and forfeitures	170,000	180,924	180,924	
Intergovernmental revenues	450,000	779,739	779,739	
Charges for services	40,000	38,034	38,034	
Interest income	38,500	108,405	108,405	
Miscellaneous revenues	70,000	92,866	92,866	
Total Revenues	<u>3,181,500</u>	<u>3,882,308</u>	<u>3,882,308</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,557,468	1,645,930	1,645,930	
Public safety	916,600	1,031,496	1,031,496	
Public works	13,000	25,205	25,205	
Health and welfare	166,958	154,677	154,677	
Culture and recreation	3,700	600	600	
Education	180,000	193,150	193,150	
Conservation of natural resources	74,768	67,265	67,265	
Economic development and assistance	56,094	49,976	49,976	
Capital projects	60,000	3,168	3,168	
Total Expenditures	<u>3,028,588</u>	<u>3,171,467</u>	<u>3,171,467</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>152,912</u>	<u>710,841</u>	<u>710,841</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		36,960	36,960	
Compensation for loss of capital assets		321,483	321,483	
Transfers out	(16,000)	(71,089)	(71,089)	
Total Other Financing Sources and Uses	<u>(16,000)</u>	<u>287,354</u>	<u>287,354</u>	<u>0</u>
Net Change in Fund Balance	136,912	998,195	998,195	0
Fund Balances - Beginning	<u>802,962</u>	<u>1,196,597</u>	<u>1,196,597</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 939,874</u>	<u>2,194,792</u>	<u>2,194,792</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 125,000	856,669	856,669	
Total Revenues	<u>125,000</u>	<u>856,669</u>	<u>856,669</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	125,000	818,719	818,719	
Total Expenditures	<u>125,000</u>	<u>818,719</u>	<u>818,719</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>37,950</u>	<u>37,950</u>	<u>0</u>
Net Change in Fund Balance	0	37,950	37,950	0
Fund Balances - Beginning	<u>17,190</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 17,190</u>	<u>37,950</u>	<u>37,950</u>	<u>0</u>

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

WALTHALL COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 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 the major Special Revenue Fund:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>State Aid Fund</u>
Budget (Cash Basis)	\$ 998,195	37,950
Increase (Decrease)		
Net adjustments for revenue accruals	(64,493)	
Net adjustments for expenditure accruals	<u>17,374</u>	<u>(37,950)</u>
GAAP Basis	<u>\$ 951,076</u>	<u>0</u>

WALTHAM COUNTY

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WALTHAM COUNTY

SUPPLEMENTAL INFORMATION

WALTHALL COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Agency or		Federal Expenditures
	CFDA Number	Pass-through Number	
MAJOR FEDERAL AWARDS			
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS 065 B (74)(F)	\$ 2,250
Highway planning and construction	20.205	BR NBIS 066 B (74)(F)	14,180
Highway planning and construction	20.205	ER 0074 22 B(F)	<u>791,713</u>
Total Expenditures of Major Federal Awards			<u>808,143</u>
OTHER FEDERAL AWARDS			
U. S. Department of Agriculture/ Rural Business - Cooperative Service			
Community facilities loans and grants	10.766	N/A	<u>8,600</u>
U. S. Department of Housing and Urban Development/ Passed-through Mississippi Development Authority			
Community development block grants/state's program	14.228	1120-03-074-PF-01	2,500
HOME investment partnerships program	14.239	1216-MO4-SG-28-0992	28,589
HOME investment partnerships program	14.239	1217-MO5-SG-28-0992	<u>108,786</u>
Total U.S. Department of Housing and Urban Development			<u>139,875</u>
U. S. Department of Justice - Office of Justice Programs/Passed-through the Mississippi Department of Public Safety			
Local law enforcement block grant program	16.592	04LB1741	2,696
Edward Byrne memorial justice assistance grant program	16.738	06HR1741	<u>39,186</u>
Total U.S. Department of Justice			<u>41,882</u>
U.S. Department of Transportation - Federal Aviation Administration			
Airport improvement program	20.106	N/A	<u>20,304</u>
U.S. Election Assistance Commission/ Passed-through the Mississippi Secretary of State's Office			
Help America Vote Act requirements payments (Note B)	90.401	N/A	<u>90,422</u>

WALTHALL COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program Title	Federal Agency or CFDA Number	Pass-through Number	Federal Expenditures
U.S. Department of Health and Human Services - Administration for Children and Families/ Passed-through the Mississippi Secretary of State's Office Voting access for individuals with disabilities _grants to states	93.617	N/A	<u>2,388</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Department of Public Safety Office of Homeland Security Homeland Security Cluster			
State domestic preparedness equipment support program	97.004	3SUP-99	13,286
State domestic preparedness equipment support program	97.004	3SSG-2054	57,497
State domestic preparedness equipment support program	97.004	04LE074	26,605
State domestic preparedness equipment support program	97.004	05LE074	<u>27,218</u>
 Total U. S. Department of Homeland Security			 <u>124,606</u>
 Total Expenditures of Other Federal Awards			 <u>428,077</u>
 Total Expenditures of Federal Awards			 <u>\$ 1,236,220</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.

Note B - Help America Vote Act requirements payments (CFDA #90.401)

Of the federal expenditures presented in the schedule, federal awards totaling \$90,422 represent non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

WALTHAM COUNTY

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WALTHAM COUNTY

SPECIAL REPORTS

WALTHALL COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Walthall County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated March 19, 2007. 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 06-1, 06-2 and 06-3.

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 06-3 to be a material weakness.

Compliance and Other Matters

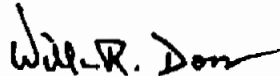
As part of obtaining reasonable assurance about whether Walthall County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which 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*.

However, we noted certain instances of noncompliance which we have reported to the management of Walthall County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated March 19, 2007, included within this document.

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

March 19, 2007



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 its major federal program for the year ended September 30, 2006. Walthall County, Mississippi's major federal program is 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 its major federal program 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 its major federal program for the year ended September 30, 2006.

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.


We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Walthall County, Mississippi's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 06-4.

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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

March 19, 2007



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, 2006. 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 certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors

1. Finding

Section 31-7-13(k), Miss. Code Ann. (1972), requires the Board of Supervisors to approve and document emergency purchases on its minutes. The documentation should include a description of the commodity purchased, the price thereof and the nature and reason for the emergency. The Board of Supervisors did not document the approval of an emergency purchase on its minutes. The lack of proper approval and documentation could result in unauthorized purchases.

Recommendation

The Board of Supervisors should approve and document in their minutes all emergency purchases.

Board of Supervisors' Response

The Board will comply on all future emergency purchases as required and document the nature of emergency purchases.

Inventory Control Clerk.

2. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the county to establish and maintain an inventory control system. As reported in the prior year audit report, 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.

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. The failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

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

I am in the process of preparing this year's inventory. Have not completed it yet.

3. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each year. As reported in the prior year audit report, the required inventory reports were not prepared by the Inventory Control Clerk. The failure to prepare the annual reports could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should prepare the inventory reports, as required by law.

Inventory Control Clerk's Response

I am in the process of preparing this year's inventory. Have not completed it yet.

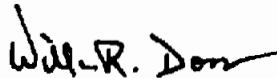
In our opinion, except for the noncompliance referred to in the preceding paragraph, Walthall County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

March 19, 2007

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

Schedule 1

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

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
12-21-05	Shingles	\$ 8,190	Builder's Mart	Repair of roof damage due to Hurricane Katrina

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

Schedule 3

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



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Walthall County, Mississippi

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

In addition, for areas not considered material to Walthall County, Mississippi's financial reporting, we 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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated March 19, 2007, on the financial statements of Walthall County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for the proceedings of the Board of Supervisors. The following deficiencies were noted in the board minutes:

- a. As reported in the prior year audit report, interfund transfers were made without board authorization spread on the minutes.
- b. The contract authorizing the Hurricane Katrina debris removal was not spread on the minutes.

The failure to properly document authorization for interfund transfers and contracts entered into by the board could result in erroneous amounts being reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should spread complete orders on the minutes relative to interfund transfers and include contracts entered into by the board.

Board of Supervisors' Response

From this point all transfers will be approved and put on the minutes as required. The board did not receive a copy of the contract from the engineer on this project. We will insist that contracts be provided in the future.

Justice Court Clerk.

2. Finding

An effective system of internal control over the collection, recording and disbursement of cash should include maintaining cash journals and the supporting documentation. The following deficiencies were noted in the accounting for cash:

- a. As reported in the last two years' audit reports, the breakdown on some daily check up sheets by cash, check and/or money order did not reconcile to the corresponding bank deposit. Additionally, a daily check up sheet was not prepared every day.
- b. As reported in the prior year audit report, deposits were not made timely. A test of deposits for one month revealed five deposits made at least 10 days late.
- c. The criminal cash journal, civil cash journal and clearing cash journal were not reconciled to the corresponding bank accounts.
- d. A November 2006 cash count revealed a net cash shortage of \$9,284 in the criminal, civil and clearing bank accounts.

Without adequate accounting records, inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should properly maintain cash journals and the supporting documentation. A daily check up sheet should be prepared which reconciles the amount of cash, checks and money orders received to the corresponding bank deposit. Collections should be deposited timely. The cash journals should reconcile to the bank accounts on a monthly basis. A cash shortage should be reviewed and documented.

Justice Court Clerk's Response

We are checking into the above and will have it reconciled and will comply.

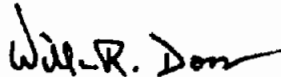
Auditor's Note

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

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



PHIL BRYANT
State Auditor



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

March 19, 2007

WALTHAM COUNTY

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WALTHAM COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WALTHAM COUNTY

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WALTHALL COUNTY

Schedule of Findings and Questioned Costs
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 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 material weaknesses? | 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? | Yes |
| 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? | Yes |
| 7. | Federal program identified as a major program: | |
| | Highway planning and construction, CFDA #20.205 | |
| 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 finding 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, 2006

Section 2: Financial Statement Findings

Board of Supervisors.

Reportable Condition

06-1. Finding

An effective system of internal control over the payroll function should include proper authorization of time sheets by both the employee and their immediate supervisor. Our test results revealed that employee's time sheets were not signed by either the employee or their supervisor. The lack of authorization of employee time sheets increases the possibility of inaccurate payroll checks and the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should ensure time sheets are properly authorized by both the employee and their immediate supervisor.

Justice Court Clerk.

Reportable Condition

06-2. Finding

An effective system of internal control should include the separation of duties over the accounting for the collection, recording and disbursement of cash. As reported in the last three years' audit reports, one person receipts funds, prepares deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements and disburses all funds. Failure to have an adequate separation of duties could result in the loss or misappropriation of public funds.

Recommendation

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

Inventory Control Clerk.

Reportable Condition - Material Weakness

06-3. Finding

As reported in the prior year audit report, 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.

WALTHALL COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2006

As a result, the only capital assets activity during the year were those additions or deletions noted during the audit. Adjustments were proposed and made to record the items noted. The failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

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

Section 3: Federal Award Findings and Questioned Costs

06-4. Finding

20.205 Highway planning and construction
Grant number ER 0074 22B(F)
U. S. Department of Transportation
Passed-through the Mississippi Department of Transportation

Reportable Condition

Compliance Requirement: Procurement and Suspension and Debarment

The OMB Circular A-133 Compliance Supplement, Part 3(I), specifies that a non-federal entity entering into a covered transaction with another entity must verify that the entity is not suspended or debarred or otherwise excluded. The county entered into a contract for services, which qualified as a covered transaction. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that verification was obtained to determine if the entity was suspended or debarred.

Recommendation

The Board of Supervisors should implement controls to ensure verification is obtained that an entity is not suspended or debarred or otherwise excluded. The verification may be accomplished by checking the *Excluded Parties List System* maintained by the General Services Administration, collecting a certification from the entity or adding a clause or condition to the covered transaction with the entity.

WALTHAM COUNTY

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WALTHALL COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

WALTHALL COUNTY

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WALTHALL COUNTY
Board of Supervisors
P. O. Box 351
Tylertown, MS 39667
601-876-4947

CORRECTIVE ACTION PLAN
March 19, 2007

Office of the State Auditor
P. O. Box 956
Jackson, MS 39205

Gentlemen:

Walthall County respectfully submits the following corrective action plan for the year ended September 30, 2006.

The findings from the schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

06-01 Corrective Action Planned:

Time sheets are now being signed by employees and supervisors.

Anticipated Completion Date:

Has been done.

Name of Contact Person Responsible for Corrective Action:

Cindy C. Ginn, Bookkeeper, Walthall County Board of Supervisors.

06-02 Corrective Action Planned:

We will comply.

Anticipated Completion Date:

Has been done.

Name of Contact Person Responsible for Corrective Action:

Sandra K. Schilling, Justice Court Clerk, Walthall County.

06-03 Corrective Action Planned:

I am in the process of preparing this year's inventory. Have not completed it yet.

Anticipated Completion Date:

September 30, 2007.

Name of Contact Person Responsible for Corrective Action:

Milton R. Dunaway, Inventory Clerk, Walthall County.

SECTION 3: FEDERAL AWARD FINDINGS

06-04 Corrective Action Planned:

The Board will have County Engineer give notices for minutes from now on.

Anticipated Completion Date:

Has been done.

Contact Person Responsible for Corrective Action:

Board of Supervisors, Walthall County.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Montgomery". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Larry Montgomery
President, B.O.S.
(601) 876-4947