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WASHINGTON COUNTY, MISSISSIPPI

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

Bridgers & Company, P.C.
Certified Public Accountants
Vicksburg, Mississippi

WASHINGTON COUNTY

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WASHINGTON COUNTY

FINANCIAL SECTION

WASHINGTON COUNTY

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

Members of the Board of Supervisors
Washington County, Mississippi

We have audited the accompanying financial statements, of the governmental activities, each major fund and the aggregate remaining fund information of Washington 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.

Except as discussed in the following paragraph, 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 *Governmental 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.

Management did not maintain adequate records documenting property tax revenue of the Tax Collector's office. Due to the nature of these records, we were unable to satisfy ourselves as to the fair presentation of Tax Collector cash at September 30, 2006, and the related revenues and liabilities.

The financial statements referred to above include only the primary government of Washington 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 Washington County, Mississippi, as of September 30, 2006, and the respective changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of any adjustments, if any, as might have been determined to be necessary had we been able to examine adequate evidence documenting the amount of Tax Collector cash and related revenues and liabilities, as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund for the primary government of Washington County, Mississippi, as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

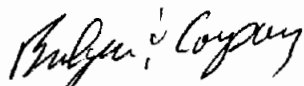
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Highway Maintenance Fund, the Sporting World Fund, and the aggregate remaining fund information for the primary government of Washington County, Mississippi, as of September 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated June 12, 2008, on our consideration of Washington County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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

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

Our audit was conducted for the purpose of forming opinions on the primary government financial statements that collectively comprise Washington 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.



BRIDGERS & COMPANY, P.C.
Certified Public Accountants
Vicksburg, Mississippi

June 12, 2008

WASHINGTON COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Washington County
Statement of Net Assets
September 30, 2006

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 10,233,014
Property tax receivable	16,206,248
Fines receivable, (net of allowance for uncollectibles of \$11,146,567)	353,863
Loans receivable	446,026
Intergovernmental receivables	251,120
Other receivables	142,264
Lease payments receivable	545,758
Capital assets, net	15,675,422
Total Assets	<u>43,853,715</u>
LIABILITIES	
Claims payable	1,026,170
Claims and judgements payable	245,487
Intergovernmental payables	399,458
Accrued interest payable	225,486
Deferred revenue	16,291,200
Other payables	17,906
Long-term liabilities	
Due within one year:	
Capital related debt	1,848,390
Non-capital debt	250,000
Due in more than one year:	
Capital related debt	7,942,561
Non-capital debt	1,974,258
Total Liabilities	<u>30,220,916</u>
NET ASSETS	
Invested in capital assets, net of related debt	5,884,471
Restricted:	
Expendable:	
General Government	251,120
Debt service	932,716
Public safety	379,029
Economic development	724,222
Public works	893,797
Health and welfare	145,212
Capital projects	367,954
Unrestricted	<u>4,054,278</u>
Total Net Assets	<u>\$ 13,632,799</u>

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

Washington County
Statement of Activities
For the Year Ended September 30, 2008

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 7,812,063	1,105,838		66,897	-6,639,328
Public safety	4,960,714	515,445	530,501		-3,914,768
Public works	4,271,514	60,794	243	559,474	-3,651,248
Health and welfare	1,033,413				-1,033,170
Culture and recreation	734,670				-734,670
Conservation of natural resources	345,653				-345,653
Economic development and assistance	611,302	13,410			-597,892
Interest on long-term debt	627,934				-627,934
Total Governmental Activities	\$ 20,397,263	1,634,693	591,538	626,371	-17,544,661

General revenues:	
Property taxes	\$ 16,624,980
Road & bridge privilege taxes	420,721
Grants and contributions not restricted to specific programs	1,042,988
Unrestricted investment income	235,361
Miscellaneous	2,040,856
Total General Revenues	20,364,906
Changes in Net Assets	2,820,245
Net Assets - Beginning	11,889,737
Prior period adjustments	-1,077,183
Net Assets - Beginning, as restated	10,812,554
Net Assets - Ending	\$ 13,632,799

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

ASSETS	Major Funds					Total Governmental Funds
	General Fund	Highway Maintenance	Sporting World	Other Governmental Funds	Other Governmental Funds	
Cash	5,896,096	624,434	134,026	3,578,458	10,233,014	
Property tax receivable	12,403,442	254,584		3,548,222	16,206,248	
Fines receivable	353,863				353,863	
Loans receivable			424,802	21,224	446,026	
Intergovernmental receivables	251,120				251,120	
Advances to other funds	169,103				169,103	
Due from other funds		7,229		55,146	62,375	
Lease payments receivable			545,758		545,758	
Total Assets	19,073,624	886,247	1,104,586	7,203,050	28,267,507	
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	702,623	118,660		204,887	1,026,170	
Claims and judgements payable	245,487				245,487	
Intergovernmental payables	389,458				389,458	
Advances from other funds				26,839	26,839	
Due to other funds	62,375				62,375	
Deferred revenue	12,757,305	254,584	545,758	3,548,222	17,105,869	
Other payables	17,906				17,906	
Total Liabilities	14,185,154	373,244	545,758	3,779,948	18,884,104	
Fund balances						
Reserved for:						
Advances	169,103			918,216	169,103	
Debt service			424,802	21,224	918,216	
Loans receivable					446,026	
Unreserved, reported in:						
General Fund	4,719,367				4,719,367	
Special Revenue Funds		513,003	134,026	2,483,662	3,130,991	
Total Fund Balances	4,888,470	513,003	558,828	3,423,102	9,383,403	
Total Liabilities and Fund Balances	\$ 19,073,624	886,247	1,104,586	7,203,050	28,267,507	

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

Washington 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	\$ 9,383,403
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$ 11,762,511.	15,675,422
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	353,863
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	-12,015,209
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the Funds.	460,806
Accrued interest payable is not due and payable in the current - period and, therefore, is not reported in the funds.	-225,486
Total Net Assets - Governmental Activities	\$ <u>13,632,799</u>

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

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

	Major Funds				
	General Fund	Highway Maintenance	Sporting World	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 11,991,523	785,375		3,848,082	16,624,980
Road and bridge privilege taxes		420,721			420,721
Licenses, commissions and other revenue	646,240				646,240
Fines and forfeitures	438,811				438,811
Intergovernmental revenues	1,929,269	351,588		1,198,631	3,479,488
Charges for services	62,282			522,585	584,867
Interest income	180,110	15,631	1,633	37,987	235,361
Miscellaneous revenues	578,376	14,732	4,098	217,885	815,091
Total Revenues	<u>15,826,611</u>	<u>1,588,047</u>	<u>5,731</u>	<u>5,825,170</u>	<u>23,245,559</u>
EXPENDITURES					
Current:					
General government	7,708,307			39,828	7,748,135
Public safety	4,122,799			640,429	4,763,228
Public works	42,222	3,025,548		2,919,983	5,987,753
Health and welfare	989,329			11,676	1,001,005
Culture and recreation	666,232			1,555	667,787
Conservation of natural resources	338,089			5,754	343,843
Economic development and assistance	336,875			223,394	560,269
Debt service:					
Principal	99,722	882,307	12,486	1,371,908	2,366,423
Interest	18,299	68,808	1,636	486,866	575,609
Total Expenditures	<u>14,321,874</u>	<u>3,976,663</u>	<u>14,122</u>	<u>5,701,393</u>	<u>24,014,052</u>
Excess of Revenues over (under) Expenditures	<u>1,504,737</u>	<u>-2,388,616</u>	<u>-8,391</u>	<u>123,777</u>	<u>-768,493</u>

OTHER FINANCING SOURCES (USES)

Long-term capital debt issued				370,978	1,763,063
Proceeds from sale of capital assets				192,510	954,366
Transfers in	1,392,085				
Transfers out	761,856				
Lease principal payments		12,486		7,200	19,686
Total Other Financing Sources and Uses	<u>0</u>	<u>2,153,941</u>	<u>12,486</u>	<u>570,688</u>	<u>2,737,115</u>
Net Changes in Fund Balances	1,504,737	-234,675	4,095	694,465	1,968,622
Fund Balances - Beginning	3,069,058	1,062,353	554,733	3,805,820	8,491,964
Prior period adjustment	314,675	-314,675		-1,077,183	-1,077,183
Fund Balances - Beginning, as restated	<u>3,383,733</u>	<u>747,678</u>	<u>554,733</u>	<u>2,728,637</u>	<u>7,414,781</u>
Fund Balances - Ending	<u>\$ 4,888,470</u>	<u>513,003</u>	<u>558,828</u>	<u>3,423,102</u>	<u>9,383,403</u>

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

Washington 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 Change in Fund Balances - Governmental Funds	\$ 1,968,622

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,452,914 exceeded depreciation of \$1,131,500 in the current period.	1,321,414
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In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$5,342 and the proceeds from the sale of \$ 954,366.	-959,708
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Fine revenue recognized on the modified accrual basis in the funds during the current year, is increased because fines were collected for which prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	-22,709
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Debt proceeds provide current financial resources to Government Funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$2,366,423, exceeded debt proceeds of \$ 1,763,063.	603,360
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Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting, when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balance by a combination of the following items:

Accrued interest payable	-52,325
Compensated absences	-18,723

In the statement of activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the changes in net assets differs from change in fund balances by the principal collections on the capital leases.	-19,686
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Change in Net Assets of Governmental Activities	<u>\$ 2,820,245</u>
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The notes to the financial statements are an integral part of this statement.

Washington County
Statement of Fiduciary Assets and Liabilities
September 30, 2006

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 131,542
Other receivable (Note 4)	<u>142,264</u>
 Total Assets	 <u><u>273,806</u></u>
 LIABILITIES	
Intergovernmental payables	131,542
Advances from other funds	<u>142,264</u>
 Total Liabilities	 \$ <u><u>273,806</u></u>

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

WASHINGTON COUNTY

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WASHINGTON COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Washington 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 Washington County to present these financial statements on the primary government and its component unit which has a significant operational or financial relationship with the county.

Management has chosen to omit from these financial statements the following component units which have a significant operational or financial relationship 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.

- * Delta Regional Medical Center
- * Washington County Library System
- * Washington County Port Commission

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
- * Tax 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.

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary 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.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund 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.

WASHINGTON COUNTY

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

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.

Highway Maintenance Fund - Accounts for monies from specific revenue sources that are restricted for highway maintenance.

Sporting World Fund - Accounts for lease funds used for debt retirement.

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.

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 market 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.

WASHINGTON COUNTY

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

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 financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental 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. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which 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 retroactively report major infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are not reported on the government wide financial statements. Current year general infrastructure assets are reported on the government wide financial statements. General infrastructure assets include ell roads and bridges and other infrastructure assets.

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

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

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

WASHINGTON COUNTY

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

I. Long-term liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, constructions or 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 or regulation of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

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

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 vehicle and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

WASHINGTON COUNTY

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

	<u>Amount</u>
Exhibit 2 - Statement of Activities.	
1. The county is no longer serving as the administering entity for the Delta Work Force Program. The program is now being administered by South Delta Planning and Development District. Adjustment was required to reverse a receivable accrued in the year 2005.	\$ -1,077,183
	<u>\$ -1,077,183</u>
Exhibit 4 - Statement of Revenues, Expenditures, and Changes in Fund Balances For Governmental Funds.	
1. To reverse receivable accrued in 2005 for Delta Work Force Program.	\$ -1,077,183
2. To reclassify revenue from tax collector's receivable as of June 30, 2005, between the General Fund	314,675
Highway Maintenance Fund.	<u>-314,675</u>
	<u>\$ -1,077,183</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$ 10,364,556, and the bank balance was \$ 11,490,701. 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.

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.

WASHINGTON COUNTY

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

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:

Due From / To Other Funds

A. <u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Highway Maintenance Fund	General Fund	7,229
Other Governmental Funds	General Fund	55,148
Total		<u>\$ 62,375</u>

All receivables represent the tax revenue collected but not settled until after September 30, 2006. All interfund balances are expected to be repaid one year from the date of the financial statements.

B. Advances to / from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	\$ 142,284
General Fund	Solid waste Fund	26,839
Total		<u>\$ 169,103</u>

The General Fund receivable of \$ 142,284 is amount owed in settlement of prior year theft. This amount has not been paid in several years. The receivable of \$ 26,839 is for indirect cost due from Solid Waste Fund that has not been paid within one year.

(5) Intergovernmental Receivables

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

Governmental Activities:	<u>Receivables</u>
Legislative tax credit	\$ 199,287
DA grants	5,727
Homeland Security grants	48,108
	<u>\$ 251,120</u>

(6) Loans Receivable.

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

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
World Class Athletic	9-97	7.00	3-08	\$ 21,224
Sporting World	7-98	5.19	6-08	24,802
Paul Love Apartments	4-00	Variable	5-50	400,000
				<u>\$ 446,026</u>

WASHINGTON COUNTY

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

(7) The other receivable in the Fiduciary Funds represents the amount owed by Robert L. Taylor, a former Chancery Clerk, as part of a settlement upon conviction for embezzlement in 1984. The funds were supposed to have been repaid within the probationary period, but were not. The county has made efforts to collect this amount but have been unsuccessful.

(8) Capital Assets:

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

Governmental activities:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
Non-depreciable capital assets:					
Land	\$ 3,906,228				3,906,228
Depreciable capital assets:					
Infrastructure	2,051,300	910,480			2,961,780
Buildings	11,736,882				11,736,882
Mobile equipment	5,710,583	909,664	1,611,011	191,256	5,200,492
Furniture and equipment	2,604,021		21,240		2,582,781
Leased property under capital leases	808,256	632,770		-191,256	1,049,770
Total depreciable capital assets	22,711,042	2,452,914	1,632,251	0	23,531,705
Less accumulated depreciation for:					
Infrastructure	85,267	116,450			201,717
Buildings	5,853,298	152,208			6,005,506
Mobile equipment	2,869,624	666,695	652,842	89,017	2,972,494
Furniture and equipment	2,331,129	8,151	19,701		2,319,579
Leased property under capital leases	164,236	187,996		-89,017	263,215
Total accumulated depreciation	11,303,554	1,131,500	672,543	0	11,762,511
Total depreciable capital assets, net	11,407,488	1,321,414	959,708	0	11,769,194
Governmental activities capital assets, net	15,313,716	1,321,414	959,708	0	15,675,422

Adjustments were made to reclassify assets from leased property under capital leases to mobile equipment.

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

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 62,685
Public safety	203,556
Public works	715,108
Health and welfare	31,003
Culture and recreation	66,305
Conservation of natural resources	1,810
Economic development	51,033
Total governmental activities depreciation expense	\$ 1,131,500

(9) 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 Worker's Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005 to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-serving organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$ 50,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2005 and 2006:

	2005	2006
Unpaid Claims, Beginning of Fiscal Year	\$ 274,875	224,949
Plus: Incurred Claims (Including IBNRs)	1,965,219	2,016,719
Less: Claims payments	2,015,145	1,996,181
Unpaid Claims, End of Fiscal Year	\$ 224,949	245,487

WASHINGTON COUNTY

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

(10) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2006:

<u>Class of Property</u>	<u>Amount</u>
Buildings:	
Brocato	\$ <u>623,655</u>
Total	\$ <u><u>623,655</u></u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2006, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 21,732	8,971
2008	22,171	8,532
2009	22,618	8,085
2010	23,075	7,628
2011	23,540	7,163
2012-2016	126,641	28,874
2017-2021	138,162	15,353
2022-2023	<u>82,867</u>	<u>2,346</u>
Total	\$ <u><u>460,806</u></u>	<u><u>84,952</u></u>

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,049,770
Total	1,049,770
Less: Accumulated depreciation	<u>263,215</u>
Leased Property Under Capital Leases	\$ <u><u>786,555</u></u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 290,174	24,832
2008	277,401	15,866
2009	218,230	7,649
2010		
2011		
Thereafter		
Total	\$ <u><u>785,805</u></u>	<u><u>48,347</u></u>

WASHINGTON COUNTY

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

(11) Long - term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Road and Bridge Bonds	\$ 1,750,000	5.5 to 5.75	9-22
Textron Fastening Systems, Inc.	1,810,000	5.5 to 7.20	5-19
2004 Refunding Bond	2,735,000	1.1 to 3.6	5-13
	<u>6,295,000</u>		
Total General Obligation Bonds			
	<u>\$ 6,295,000</u>		
B. Capital Leases:			
Four Caterpillar Motor Graders	\$ 153,035	2.97	6-08
Three Mac Tractor Trucks	252,810	3.45	4-09
Four Mac Dump Trucks	379,960	3.45	4-09
	<u>785,805</u>		
Total Capital Leases			
	<u>\$ 785,805</u>		
C. Other Loans:			
Warfield Point (Corp of Engineers)	\$ 258,781	5.12	9-26
State of Mississippi (World Class Athletics)	21,224	7.0	3-08
Port Fund - MDA Revitalization Loan	442,438	3.0	11-11
Sporting World CAP loan	24,802	5.19	6-08
05-06 Road Work	180,000	4.85	6-07
Equipment Note	178,806	3.75	3-11
Port Fund - (CAP Loan)	333,987	5.18	9-17
SRM Fund - (CAP Loan)	188,797	3.0	6-19
2005 Equipment Note	1,398,000	3.10	5-10
E911 Note	1,821,511	3.97	6-15
	<u>4,640,146</u>		
Total Other Loans			
	<u>\$ 4,640,146</u>		

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	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,135,000	262,174	673,216	177,408
2008	700,000	233,724	738,805	148,631
2009	540,000	211,726	741,763	125,023
2010	425,000	192,579	756,648	97,575
2011	440,000	175,781	397,986	71,174
2012-2016	1,710,000	607,998	1,078,138	181,750
2017-2021	1,190,000	209,033	182,428	33,993
2022-2026	155,000	7,363	61,135	12,511
2027-2030			12,227	626
Total	<u>\$ 6,295,000</u>	<u>1,900,378</u>	<u>4,640,146</u>	<u>848,689</u>

WASHINGTON 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 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 3.26 % 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 10/1/2005	Additions	Reductions	Adjustments	Balance 9/30/2006	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 275,535	18,723			294,258	
General obligation bonds	7,405,000		1,110,000		6,295,000	1,135,000
Capital leases	236,982	1,392,085	843,262		785,805	290,174
Other loans	4,682,329	370,978	413,161		4,640,146	673,216
Total	\$ 12,599,846	1,781,786	2,366,423		12,015,209	2,098,390

(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 purpose. Any disallowance resulting from a grantor audit may become a liability of the county. No provisions for any liability that may result has been recognized in the county's financial statement.

Litigation - The county is part 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 council believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

WASHINGTON COUNTY

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

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

<u>Description</u>	<u>Balance at Sept. 30, 2006</u>
Industrial revenue bonds	\$ 9,935,000
Urban renewal notes	<u>12,500,000</u>
Total	<u>\$ 22,435,000</u>

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Delta Community College operates in a district composed of the counties of Bolivar, Coahoma, Humphreys, Issaquena, Leflore, Sharkey, Sunflower and Washington. The Washington County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated 3.0 mills to the college for maintenance, improvement and enlargement in fiscal year 2006.

Delta Community Mental Health Services operates in a district composed of the counties of Bolivar, Issaquena, Sharkey and Washington. The Washington County Board of Supervisors appoints one of the four members of the board of commissioners. The county appropriated \$ 298,000 to the entity in fiscal year 2006.

South Delta Planning and Development District operates in a district composed of the counties of Bolivar, Humphreys, Issaquena, Sharkey, Sunflower and Washington. The Washington County Board of Supervisors appoint five of the 22 members of the board of trustees. The county appropriated \$ 24,000 for the support of the district in fiscal year 2006.

WASHINGTON COUNTY

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

(14) Defined Benefit Pension Plan.

Plan Description - Washington 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 39201-1055 or by calling 1-800-444-PERS.

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005 and 2004 were \$802,725, \$759,432 and \$725,215, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2006, Washington County issued the following debt obligations.

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11-17-06	4.85	150,000	Open Line	General Funds
06-06-07	4.85	470,000	Open Line	General Funds
11-29-06	4.47	694,000	Lease Purchase	General Funds
12-27-06	4.50	174,330	Lease Purchase	General Funds
02-02-07	4.34	80,018	Lease Purchase	General Funds
03-13-07	4.24	387,960	Lease Purchase	General Funds
04-12-07	4.24	170,344	Lease Purchase	General Funds
07-11-07	4.22	447,864	Lease Purchase	General Funds

WASHINGTON COUNTY

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WASHINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Washington 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	\$ 11,790,578	12,578,766	12,578,766	
Licenses, commissions and other revenue	454,000	615,124	615,124	
Fines and forfeitures	375,000	438,810	438,810	
Intergovernmental revenues	1,387,500	1,990,103	1,990,103	
Charges for services	50,000	62,281	62,281	
Interest income	50,000	178,625	178,625	
Miscellaneous revenues	375,000	463,185	463,185	
Total Revenues	14,482,078	16,326,894	16,326,894	0
EXPENDITURES				
Current:				
General government	8,719,613	8,227,719	8,227,719	
Public safety	4,906,977	4,391,071	4,391,071	
Public works	65,000	42,517	42,517	
Health and welfare	1,034,216	994,890	994,890	
Culture and recreation	621,314	557,882	557,882	
Conservation of natural resources	308,882	289,053	289,053	
Economic development and assistance	440,580	336,875	336,875	
Debt Service	25,990	25,990	25,990	
Total Expenditures	16,122,572	14,865,997	14,865,997	0
Excess of Revenues over (under) Expenditures	-1,640,494	1,460,897	1,460,897	0
OTHER FINANCING SOURCES (USES)				
Transfers in	206,288	167,607	167,607	
Transfers out		-859,247	-859,247	
Total Other Financing Sources and Uses	206,288	-691,640	-691,640	0
Net Change in Fund Balance	-1,434,206	769,257	769,257	0
Fund Balance - Beginning	5,128,445	5,128,445	5,128,445	0
Fund Balance - Ending	\$ <u>3,694,239</u>	<u>5,897,702</u>	<u>5,897,702</u>	<u>0</u>

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

Washington County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Highway Maintenance
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 638,984	778,146	778,146	
Intergovernmental revenues	646,000	772,309	772,309	
Miscellaneous revenues	25,000	30,363	30,363	
Total Revenues	1,309,984	1,580,818	1,580,818	0
EXPENDITURES				
Public works	1,551,455	1,606,278	1,606,278	
Debt service	108,529	965,786	965,786	
Total Expenditures	1,659,984	2,572,064	2,572,064	0
Excess of Revenues over (under) Expenditures	-350,000	-991,246	-991,246	0
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		761,853	761,856	
Transfers in				
Transfers out				
Total Other Financing Sources and Uses		761,853	761,856	
Net Change in Fund Balance	-350,000	-229,393	-229,390	0
Fund Balance - Beginning	853,824	853,824	853,824	
Fund Balance - Ending	\$ 503,824	624,431	624,434	0

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

Washington County
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Sporting World
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES	\$ 0	0	0	0
EXPENDITURES				
Debt service	14,125	30,703	30,703	0
	<u>14,125</u>	<u>30,703</u>	<u>30,703</u>	<u>0</u>
Total Expenditures	<u>14,125</u>	<u>30,703</u>	<u>30,703</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>-14,125</u>	<u>-30,703</u>	<u>-30,703</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments	<u>14,125</u>	<u>14,122</u>	<u>14,122</u>	<u>0</u>
Net Change in Fund Balance	0	-16,581	-16,581	0
Fund Balance - Beginning	<u>117,445</u>	<u>117,445</u>	<u>117,445</u>	<u>0</u>
Fund Balance - Ending	<u>\$ 117,445</u>	<u>100,864</u>	<u>100,864</u>	<u>0</u>

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

Washington 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 Budget Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	General Fund	Highway Maintenance Fund	Sporting World
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance - Budget (Cash Basis)	\$769,257	-229,390	-16,581
Increase (Decrease)			
Net adjustments for revenue accruals	-667,890	1,399,314	4,095
Net adjustments for expenditure accruals	1,403,370	-1,404,599	16,581
	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance - GAAP Basis	<u>\$1,504,737</u>	<u>-234,675</u>	<u>4,095</u>

WASHINGTON COUNTY

SUPPLEMENTAL INFORMATION

WASHINGTON COUNTY

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

Federal Grantor/ Pass - through Grantor Program Title	Federal CFDA Number	Agency or Pass - through Number	Federal Expenditures
<u>U.S. Department of Justice</u>			
Direct Program:			
Drug court discretionary grant program	18.585	* 2003-DC-BX-0038	\$ 260,000
Passed-through Mississippi Department of Public Safety:			
Juvenile accountability block grant	16.523	DOJB1761	81,767
Juvenile justice and delinquency prevention - allocation to states	16.640	2VA1761	32,936
Violence against women formular grant	16.588	1SP1761	27,559
Community capacity development office	16.595	02WSQX0048	63,811
Community capacity development office	16.595	WSQX0077	<u>23,689</u>
Total U.S. Department of Justice			<u>489,762</u>
U.S. Department of Homeland Security/Passed through the			
State homeland security program	97.073	* 04 SHSP076	\$ 8,993
State homeland security program	97.073	* 05 SHSP076	78,437
Law enforcement terrorism prevention	97.074	* 04 LETPP076	37,113
Law enforcement terrorism prevention	97.074	* 05 LETPP076	30,468
Total U.S. Department of Homeland Security			<u>155,011</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	<u>27,029</u>
Total U.S. Department of Transportation			<u>27,029</u>
Total Expenditures of Federal Awards			<u>\$ 671,802</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Programs audited as major programs are indicated be an astrick.

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

WASHINGTON COUNTY

SPECIAL REPORTS

WASHINGTON COUNTY

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PRACTICE SECTION

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
Washington County, Mississippi

We have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington 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 June 12, 2008. 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 and the report is qualified on the governmental activities and the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Tax Collector cash and the related revenues and liabilities. Except for the limitations related to the qualified opinion, 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 Washington County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide 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 Washington County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06-01, 06-02, and 06-3.

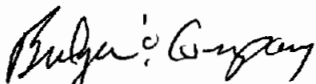
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial 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, we consider item 06-01 and 06-02 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Washington 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 grants 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06-1, 06-2 and 06-3.

Additionally, we noted certain instances of noncompliance which we have reported to the management of Washington County, Mississippi, in the Independent Auditor's Report on Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 12, 2008, 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.


BRIDGERS & COMPANY, P.C.
Certified Public Accountants
Vicksburg, Mississippi

June 12, 2008

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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
Washington County, Mississippi

Compliance

We have audited the compliance of Washington County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Washington County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of Washington County, Mississippi's management. Our responsibility is to express an opinion on Washington 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 Washington 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 Washington County, Mississippi's compliance with those requirements.

In our opinion, Washington County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Washington 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 Washington 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 purposes of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


BRIDGERS & COMPANY, P.C.
Certified Public Accountants
Vicksburg, Mississippi

June 12, 2008

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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
Washington County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Washington 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 Washington 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 Washington 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:

Inventory Control Clerk.

1. A proper classification of assets is not being maintained on all assets, particularly between lease purchased items and mobile equipment.

Recommendation

The Inventory Control Clerk should receive additional training on maintaining the fixed asset system.

Inventory Control Clerk's Response

A new inventory control clerk has been named and has received training relating to the requirements of the fixed asset system.

2. Controls were not in place to insure that all fixed assets acquired by the county were recorded in the fixed asset system. Our tests revealed a leased purchase equipment item that was not entered into fixed assets. It did appear to be an isolated incident.

Recommendation

The Inventory Control Clerk should develop procedures which reconcile assets added to inventory with all new lease purchases during the year.

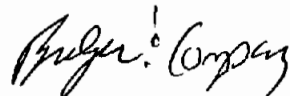
Inventory Control Clerk's Response

Procedures will be put in place that will reconcile assets added to inventory with all new lease purchases.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Washington 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 Washington 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.


BRIDGERS & COMPANY, P.C.
Certified Public Accountants
Vicksburg, Mississippi

June 12, 2008

WASHINGTON 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.

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

Schedule 2

Our test results did not identify any emergency purchases.

WASHINGTON 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.

WASHINGTON COUNTY

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PRACTICE SECTION

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Washington County, Mississippi

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

In addition, for areas not considered material to Washington 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 June 12, 2008, on the financial statements of Washington County, Mississippi.

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 immaterial instances of noncompliance with state laws and regulations and other matters 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 19-13-43, Miss. Code Ann. (1972), requires funds to have cash available before checks are written. Checks were written on county funds which did not have sufficient cash balances. This is a repeat finding.

Recommendation

The County Administrator should ensure that no checks are written on funds when cash is not available.

County Administrator's Response

These funds were reimbursement funds for grants in which the county has to expend funds prior to being reimbursed.

Chancery Clerk.

Finding

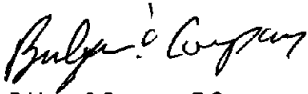
Section 9-1-43, Miss. Code Ann. (1972), requires that the Chancery Clerk file an annual report by April 15th of the following year. The report was filed timely, but amounts owed to the county were not paid until August 13th.

Recommendation

The Chancery Clerk should pay funds owed to the county in a timely manner.

Chancery Clerk's Response

The late payment was an oversight and will not happen in the future. Payments for the subsequent year were made timely.



Bridgers & Company, P.C.
Certified Public Accountants
Vicksburg, Mississippi

June 12, 2008

WASHINGTON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WASHINGTON 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:	
	Governmental activities	Qualified
	General Fund	Qualified
	Highway Maintenance Fund	Unqualified
	Sporting World Fund	Unqualified
	Aggregate remaining Fund Information	Unqualified
2.	Internal control over financial reporting:	
	a. Material weakness identified?	Yes
	b. Reportable condition identified that is not considered to be a material weakness?	Yes
3.	Noncompliance material to the primary government financial statements?	Yes

Federal Awards:

4.	Internal control over major programs:	
	a. Material weakness identified?	No
	b. Reportable condition identified that is not considered to be a material weakness ?	No
5.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
6.	Any audit finding reported as required by Section __.510(a) of Circular A-133?	No
7.	Federal program identified as a major program:	
	Drug court discretionary grant program, CFDA # 16.585	
	State homeland security program, CFDA # 97.073	
	Law enforcement terrorism prevention, 97.074	
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

WASHINGTON COUNTY

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

Section 2: Financial Statement Findings

Tax Collector:

06-01 Finding

Control procedures were inadequate for maintaining proper records documenting property tax revenues. Therefore, the Independent Auditor's report is qualified because we were unable to satisfy ourselves as to the fair presentation of property tax revenues in the governmental activities and the General Fund. This is a repeat finding.

Recommendation

The Tax Collector should establish control procedures to maintain adequate records documenting the proper receipt and disbursement of funds so that an accurate balance of the funds on hand can be properly determined. This is a repeat finding.

Tax Collector's Response

The elected tax collector is currently not serving in office and was not available for comment. It is unclear at this time, as to whether she will resume her duties at a later date. The tax collector's office is being operated by an interim tax collector.

06-02 Finding

The cash journal was not properly maintained as prescribed by the Office of the State Auditor. This is a repeat finding.

Recommendation

The cash journal should be properly maintained as prescribed in the *Mississippi County Financial Accounting Manual*.

Tax Collector's Response

The elected tax collector is currently not serving in office and was not available for comment. It is unclear at this time, as to whether she will resume her duties at a later date. The tax collector's office is being operated by an interim tax collector.

Circuit Clerk

06-03 Finding

The Mississippi County Financial Accounting Manual requires that the Circuit Clerk maintain records of outstanding fines which would allow for detail listings and aging schedules. The Circuit Clerk's office was not maintaining records as required. This is a repeat finding.

Recommendation

The Circuit Clerk should maintain computerized records of outstanding fines and provide the county with monthly detailed reports and aging schedules.

Circuit Clerk's Response

The Circuit Clerk is no longer in office and was not available for comment. The new clerk will make every effort to comply with the above recommendation.

WASHINGTON COUNTY

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

Section 3: Federal Award Findings and Questioned Costs

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