



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

YALOBUSHA COUNTY, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2007**

YALOBUSHA COUNTY

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION.....	1
INDEPENDENT AUDITOR'S REPORT.....	2
FINANCIAL STATEMENTS.....	4
Statement of Net Assets.....	5
Statement of Activities.....	6
Balance Sheet - Governmental Funds.....	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	8
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	9
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities.....	10
Statement of Fiduciary Assets and Liabilities.....	11
Notes to Financial Statements.....	12
REQUIRED SUPPLEMENTARY INFORMATION.....	24
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - General Fund.....	25
Notes to the Required Supplementary Information.....	26
SPECIAL REPORTS.....	27
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
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)).....	30
Limited Internal Control and Compliance Review Management Report.....	34
SCHEDULE OF FINDINGS.....	35

YALOBUSHA COUNTY

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS

Members of the Board of Supervisors
Yalobusha County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Yalobusha County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the basic financial statements of the county's primary government 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 do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenue and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Yalobusha County, Mississippi, as of September 30, 2007, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Yalobusha County, Mississippi, as of September 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2008, on our consideration of Yalobusha 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.

Yalobusha 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 accounting principles generally accepted in the United States of America. 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.



Windham and Lacey, PLLC
September 15, 2008

YALOBUSHA COUNTY

FINANCIAL STATEMENTS

YALOBUSHA COUNTY
Statement of Net Assets
September 30, 2007

Exhibit 1

	Primary Government
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 6,441,957
Property tax receivable	2,957,523
Fines receivable, net of allowance for for uncollectible of \$795,614	80,416
Intergovernmental receivables	249,950
Other receivables, net	29,497
Capital assets, net	14,585,894
Total Assets	<u>24,345,237</u>
LIABILITIES	
Claims payable	62,915
Intergovernmental payables	65,307
Accrued interest payable	73,839
Deferred revenue	2,957,523
Other payables	17,631
Long-term liabilities	
Due within one year:	
Capital related debt	316,130
Due in more than one year:	
Capital related debt	3,757,139
Non-capital debt	61,871
Total Liabilities	<u>7,312,355</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,512,625
Restricted net assets:	
Expendable:	
Debt service	337,208
Public Safety	572,688
Public Works	1,875,341
Unemployment compensation	53,627
Other	543,017
Unrestricted	3,138,376
Total Net Assets	\$ <u>17,032,882</u>

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

YALOBUSHA COUNTY
Statement of Activities
For the Year Ended September 30, 2007

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Fines, Fees and Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
General government	\$ 2,508,798	279,007		(2,229,791)
Public safety	1,136,054	176,028	149,390	(669,959)
Public works	2,221,867	356,094	1,814,910	1,024,382
Health and welfare	365,595		26,494	(339,101)
Culture and recreation	64,837			(64,837)
Conservation of natural resources	70,923			(70,923)
Economic development and assistance	12,604			(12,604)
Interest on long-term debt	192,871			(192,871)
Total Governmental Activities	6,573,549	811,129	1,964,300	(2,555,704)
Total Primary Government	\$ 6,573,549	811,129	1,964,300	(2,555,704)

General revenues:	
Taxes:	\$
Property taxes	4,231,269
Road & bridge privilege taxes	138,307
Grants and contributions not restricted to specific programs	383,366
Unrestricted investment income	335,182
Miscellaneous	205,369
Gain on sale of assets	1,937
Total General Revenues	5,295,430
Changes in Net Assets	2,739,726
Net Assets - Beginning	14,293,156
Net Assets - Ending	\$ 17,032,882

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

YALOBUSHA COUNTY
Balance Sheet - Governmental Funds
September 30, 2007

Exhibit 3

	Major Funds			
	General Funds	Capital Improvements State Aid Road Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 3,367,598	32,428	3,041,931	6,441,957
Property tax receivable	1,973,415		984,108	2,957,523
Fines receivable, net of allowance for uncollectible of \$795,614	80,416			80,416
Intergovernmental receivables	47,430	202,520		249,950
Other receivables	332		10,710	11,042
Advances to other funds	12,359			12,359
Due from other funds			34,378	34,378
Total Assets	\$ 5,481,550	234,948	4,071,127	9,787,625
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 58,334		4,584	62,918
Intergovernmental payables	65,307			65,307
Advances from other funds			12,359	12,359
Due to other funds	36,317			36,317
Other payables	19,038			19,038
Deferred revenue	2,053,831		984,108	3,037,939
Total Liabilities	2,232,827	0	1,001,051	3,233,878
Fund balances:				
Reserved for:				
Advances	12,359			12,359
Debt service			411,047	411,047
Unemployment compensation			53,627	53,627
Unreserved, reported in:				
General fund	3,236,364			3,236,364
Special revenue funds			2,605,402	2,605,402
Capital project funds		234,948		234,948
Total Fund Balances	3,248,723	234,948	3,070,076	6,553,747
Total Liabilities and Fund Balances	\$ 5,481,550	234,948	4,071,127	9,787,625

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

YALOBUSHA COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2007

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 6,553,747
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds	14,585,894
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	80,416
Garbage fees receivable	21,828
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(4,135,140)
Accrued interest on bonds	(73,839)
Other	<u>(24)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u>17,032,882</u>

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

YALOBUSHA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2007

	Major Funds			Total Governmental Funds
	General Fund	Capital Improvements State Aid Road Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 2,872,166		1,358,914	4,231,080
Road and bridge privilege taxes			137,951	137,951
Licenses, commissions and other revenue	83,007		9,571	92,578
Fines and forfeitures	123,767		13,490	137,257
Intergovernmental revenues	476,355	2,052,495	1,014,178	3,543,028
Charges for services	22,648		517,736	540,384
Interest income	203,964		131,218	335,182
Miscellaneous revenues	120,425		113,722	234,147
Total Revenues	<u>3,902,332</u>	<u>2,052,495</u>	<u>3,296,780</u>	<u>9,251,607</u>
EXPENDITURES				
Current:				
General government	2,080,391		273,218	2,353,609
Public safety	668,745		392,986	1,061,731
Public works	75	1,879,469	1,963,884	3,843,428
Health and welfare	321,941			321,941
Culture and recreation	44,004		12,915	56,919
Conservation of natural resources	70,923			70,923
Economic development and assistance	12,604			12,604
Debt service:				
Principal			370,838	370,838
Interest			196,960	196,960
Paying agent fees			2,517	2,517
Total Expenditures	<u>3,198,683</u>	<u>1,879,469</u>	<u>3,213,318</u>	<u>8,291,470</u>
Excess of Revenues over (under) Expenditures	<u>703,649</u>	<u>173,026</u>	<u>83,462</u>	<u>960,137</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	27,419	100,000	254,738	382,157
Transfers out	(335,421)		(46,736)	(382,157)
Proceeds from sale of assets			43,950	43,950
Total Other Financing Sources and Uses	<u>(308,002)</u>	<u>100,000</u>	<u>251,952</u>	<u>43,950</u>
Net Changes in Fund Balances	395,647	273,026	335,414	1,004,087
Fund Balances - Beginning	<u>2,853,076</u>	<u>(38,078)</u>	<u>2,734,662</u>	<u>5,549,660</u>
Fund Balances - Ending	\$ <u>3,248,723</u>	<u>234,948</u>	<u>3,070,076</u>	<u>6,553,747</u>

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

YALOBUSHA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2007

	<u>Amount</u>
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 1,004,087
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$1,918,972 exceeded depreciation \$531,309 in the current period.	1,387,663
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.	76,878
Debt proceeds provide current financial resources to governmental 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 \$370,838 exceeded debt proceeds \$0.	370,838
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Change in compensated absences	(1,015)
Solid waste receivable	(32,133)
Accrued bond interest payable	4,089
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.	<u>(70,681)</u>
Change in net assets of governmental activities (Exhibit 2)	<u>\$ 2,739,726</u>

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

YALOBUSHA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2007

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,177
Due from other funds	<u>1,939</u>
Total Assets	<u>\$ 3,116</u>
LIABILITIES	
Intergovernmental payables	\$ <u>3,116</u>
Total Liabilities	<u>\$ 3,116</u>

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

YALOBUSHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Yalobusha 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 Yalobusha 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 these component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Yalobusha General Hospital
- Yalobusha County Public Library System

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. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

YALOBUSHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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 fund (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenue is 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 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 judgements, 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.

Capital Projects - State Aid Road Fund - Accounts for monies from the State of Mississippi that are restricted for maintenance and construction of certain road and bridge projects in the county.

YALOBUSHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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.

FIDUCIARY FUND TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

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.

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.

YALOBUSHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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.

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 statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Yalobusha County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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 and construction-in-progress. A full year's depreciation expense is taken for all purchases of capital assets during the year. No depreciation is taken for sales of assets in the year of sale. The following schedule details those thresholds:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	5,000	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.

YALOBUSHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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

YALOBUSHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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 collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. 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) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$6,443,134, and the bank balance was \$6,976,839. 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. 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.

YALOBUSHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 34,378
Agency Funds	General Fund	<u>1,939</u>
Total		<u>\$ 36,317</u>

Amounts listed are the tax revenues collected but not settled until October, 2007. All interfund balances are expected to be repaid within one year of the date of the financial statements.

Advances:

The following balance represents amounts advanced to the rural fire fund for capital acquisition:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>12,359</u>
Total		<u>\$ 12,359</u>

B. Transfers:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Funds:		
General Fund	Other Governmental Funds	\$ 27,419
Capital Projects-State Aid Road Fund	General Fund	100,000
Other Governmental Funds	General Fund	235,421
Other Governmental Funds	Other Governmental Funds	<u>19,317</u>
Total		<u>\$ 382,157</u>

The purpose of these transfers were routine allocations between funds for road and bridge maintenance, transfers for debt service, and transfers to fire districts for fire protection. In addition, funds were transferred from the General Fund to state aid road funds and capital project funds for construction costs.

YALOBUSHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 47,430
State aid road reimbursement	<u>202,520</u>
Total Governmental Activities	<u>\$ 249,950</u>

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 540,964				540,964
Construction in progress	<u>2,865,872</u>	904,381		(2,922,549)	<u>847,704</u>
Total capital assets, not being depreciated	<u>3,406,836</u>	<u>904,381</u>	<u>0</u>	<u>(2,922,549)</u>	<u>1,388,668</u>
Capital assets, being depreciated:					
Buildings	9,200,354			2,922,549	12,122,903
Improvements other than buildings	10,818				10,818
Mobile equipment	4,261,352	43,174	(221,091)	155,388	4,238,823
Furniture and equipment	399,899	72,855	(99,506)		373,248
Property under capital leases	572,287			(155,388)	416,899
Infrastructure		<u>898,562</u>			<u>898,562</u>
Total capital assets being depreciated	<u>14,444,710</u>	<u>1,014,591</u>	<u>(320,597)</u>	<u>2,922,549</u>	<u>18,061,253</u>
Less: Accumulated depreciation for:					
Buildings	1,450,773	212,611			1,663,384
Improvements other than buildings	3,463	433			3,896
Mobile equipment	2,647,745	216,104	(158,594)	111,290	2,816,545
Furniture and equipment	237,791	35,878	(91,322)		182,347
Property under capital leases	242,862	48,312		(111,290)	179,884
Infrastructure		<u>17,971</u>			<u>17,971</u>
Total accumulated depreciation	<u>4,582,634</u>	<u>531,309</u>	<u>(249,916)</u>	<u>0</u>	<u>4,864,027</u>
Total capital assets, being depreciated, net	<u>9,862,076</u>	<u>483,282</u>	<u>(70,681)</u>	<u>2,922,549</u>	<u>13,197,226</u>
Governmental activities capital assets, net	<u>\$ 13,268,912</u>	<u>1,387,663</u>	<u>(70,681)</u>	<u>0</u>	<u>14,585,894</u>

YALOBUSHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 241,533
Public safety	115,685
Public works	166,172
Culture and recreation	<u>7,920</u>
Total depreciation expense - governmental activities	<u>\$ 531,310</u>

(6) 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 \$1,000,000 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, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

	<u>Governmental</u>
	<u>Activities</u>
Asset:	
Machinery and equipment	\$ 416,899
Less: Accumulated depreciation	<u>(179,884)</u>
Total	<u>\$ 237,015</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

	<u>Governmental Activities</u>	
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 81,130	4,948
2009	<u>62,139</u>	<u>2,035</u>
Total	<u>\$ 143,269</u>	<u>6,983</u>

YALOBUSHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(8) Long-term Debt.

Debt outstanding as of September 30, 2007, 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:			
Hospital bonds	\$ 615,000	3.9 - 4.125%	11/01/2013
Courthouse bonds	<u>3,315,000</u>	3.9 - 5.0%	05/01/2022
Total General Obligation Bonds	<u>\$ 3,930,000</u>		
B. Capital Leases:			
2 2003 Crown Victorias	\$ 4,203	3.92%	05/15/2008
2006 GMC truck	6,502	3.86%	03/23/2008
2004 Dodge Ram 1500 pickup	7,029	3.05%	03/15/2009
Used 2001 CAT 140H motorgrader	49,581	3.35%	09/30/2009
2004 Dodge Ram 1500 pickup	9,224	3.05%	03/15/2009
Kubota Model M105shc tractor	12,515	3.08%	09/08/2009
2004 Dodge Ram 1500 pickup	7,029	3.05%	03/15/2009
Tractor	5,488	3.00%	01/06/2008
1997 CAT 140H motorgrader	37,730	3.24%	12/10/2008
2004 GMC Sierra pickup	<u>3,968</u>	3.05%	03/22/2008
Total Capital Leases	<u>\$ 143,269</u>		

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

Governmental Activities:

<u>Year Ending September 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 235,000	175,713
2009	240,000	166,054
2010	250,000	156,471
2011	265,000	146,284
2012	275,000	135,364
2013-2017	1,275,000	503,998
2018-2022	<u>1,390,000</u>	<u>210,940</u>
Total	<u>\$ 3,930,000</u>	<u>1,494,824</u>

YALOBUSHA COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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, 2007, the amount of outstanding debt was equal to 6.3% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Balance Sept. 30, 2007	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 60,856	1,015		61,871	
General obligation bonds	4,180,000		250,000	3,930,000	235,000
Capital leases	264,107		120,838	143,269	81,130
Total	<u>\$ 4,504,963</u>	<u>1,015</u>	<u>370,838</u>	<u>4,135,140</u>	<u>316,130</u>

(9) Contingencies and Commitments.

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.

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.

General Obligation Debt Contingencies - The county issued general obligation bonds to provide funds for constructing and improving capital facilities of the Yalobusha General Hospital. Such debt is being retired from pledged resources of the hospital and, therefore, is reported as a liability of the hospital. However, because general obligation bonds are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year-end is \$2,571,000.

(10) Related Organization.

The Yalobusha County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Yalobusha County Water & Sewer District, but the county's accountability for this organization does not extend beyond making the appointments. During the year, the county did not appropriate to this organization.

YALOBUSHA COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(11) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Yalobusha County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$19,690 for the support of the district in fiscal year 2007.

North Central Mississippi Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Yalobusha County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$32,974 for support of the district in fiscal year 2007.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Yalobusha County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$114,692 for maintenance and support of the college in fiscal year 2007.

In 2003, the Oakland/Yalobusha Natural Gas District was formed to provide natural gas distribution infrastructure and natural gas to the Town of Oakland and parts of Yalobusha County. The Yalobusha County Board of Supervisors appoints two of the seven members of the governing board of the District.

(12) Defined Benefit Pension Plan.

Plan Description. Yalobusha 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, 2007 was 11.85% 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, 2007, 2006 and 2005 were \$205,566, \$190,828 and \$185,918, respectively, equal to the required contributions for each year.

YALOBUSHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

YALOBUSHA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,845,750	2,875,368	2,875,368	
Licenses, commissions and other revenue	62,350	86,833	86,833	
Fines and forfeitures	130,200	139,978	139,978	
Intergovernmental revenues	355,925	476,355	476,355	
Charges for services	36,000	23,453	23,453	
Interest income	120,000	203,922	203,922	
Miscellaneous revenues	66,554	110,820	110,820	
Total Revenues	<u>3,616,779</u>	<u>3,916,729</u>	<u>3,916,729</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,221,783	2,049,089	2,049,089	
Public safety	663,485	660,689	660,689	
Public works	75	75	75	
Health and welfare	325,642	322,067	322,067	
Culture and recreation	46,200	44,004	44,004	
Conservation of natural resources	61,524	69,349	69,349	
Economic development and assistance	12,474	12,604	12,604	
Total Expenditures	<u>3,331,183</u>	<u>3,157,877</u>	<u>3,157,877</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>285,596</u>	<u>758,852</u>	<u>758,852</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing uses				
Transfers in	50,000	27,419	27,419	
Transfers out	(402,984)	(335,421)	(335,421)	
Total Other Financing Sources and Uses	<u>(352,984)</u>	<u>(308,002)</u>	<u>(308,002)</u>	<u>0</u>
Net Change in Fund Balance	(67,388)	450,850	450,850	0
Fund Balances - Beginning	<u>2,417,838</u>	<u>2,797,937</u>	<u>2,797,937</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,350,450</u>	<u>3,248,787</u>	<u>3,248,787</u>	<u>0</u>

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

YALOBUSHA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2007

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:

	Governmental Fund Type
	<u>General Fund</u>
Net Change in Fund Balance - Budget (Cash Basis)	\$ 450,850
Increase (decrease):	
Net adjustments for revenue accruals	(14,397)
Net adjustments for expenditure accruals	<u>(40,806)</u>
Net Change in Fund Balance GAAP Basis	\$ <u>395,647</u>

YALOBUSHA COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

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

Members of the Board of Supervisors
Yalobusha County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Yalobusha County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise Yalobusha County, Mississippi's basic financial statements and have issued our report thereon dated September 15, 2008. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which is required by accounting principles generally accepted in the United States of America to be reported with the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its 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 Yalobusha County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency described in the accompanying Schedule of Findings as item 07-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above, item 07-1, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yalobusha County, Mississippi's 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*.

Yalobusha County's response to the finding identified in our audit is described in the accompanying Schedule of Findings. We did not audit Yalobusha County's responses and, accordingly we express no opinion on it.

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



Windham and Lacey, PLLC
September 15, 2008

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

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
Yalobusha County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Yalobusha County, Mississippi, as of and for the year ended September 30, 2007. 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 Yalobusha 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 Yalobusha County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Yalobusha 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 Yalobusha 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.



Windham and Lacey, PLLC
September 15, 2008

YALOBUSHA COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2007

Schedule 1

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

YALOBUSHA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2007

Schedule 2

Our test results did not identify any emergency purchases.

YALOBUSHA COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

Schedule 3

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

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

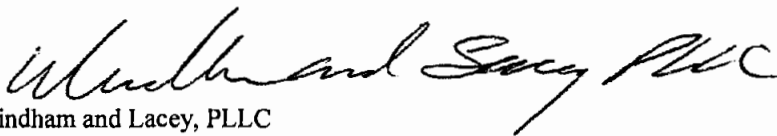
Members of the Board of Supervisors
Yalobusha County Mississippi

In planning and performing our audit of the financial statements of Yalobusha County, Mississippi for the year ended September 30, 2007, we considered Yalobusha 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 Yalobusha 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 September 15, 2008, on the financial statements of Yalobusha County, Mississippi.

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

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



Windham and Lacey, PLLC
September 15, 2008

YALOBUSHA COUNTY

SCHEDULE OF FINDINGS

YALOBUSHA COUNTY

Schedule of Findings
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	
	Governmental Activities	Unqualified
	General Fund	Unqualified
	Capital Projects State Aid Road Fund	Unqualified
	Aggregate remaining fund information	Unqualified
	Aggregate discretely presented component units	Adverse
2.	Internal control over financial reporting:	
	a. Material weakness identified?	Yes
	b. Significant deficiency identified that is not considered to be a material weakness?	Yes
3.	Noncompliance material to the financial statements?	No

Section 2: Financial Statement Findings

Significant Deficiency – Material Weakness

07-1. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for inclusion in the county's financial statements.

Board of Supervisors' Response

Financial data was provided for Yalobusha General Hospital and Yalobusha County Nursing Home which is audited by a CPA firm. However, the Yalobusha County Public Library System is not audited and the financial data is not available. We will work with the library to obtain sufficient financial data.