

WALTHALL COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2009

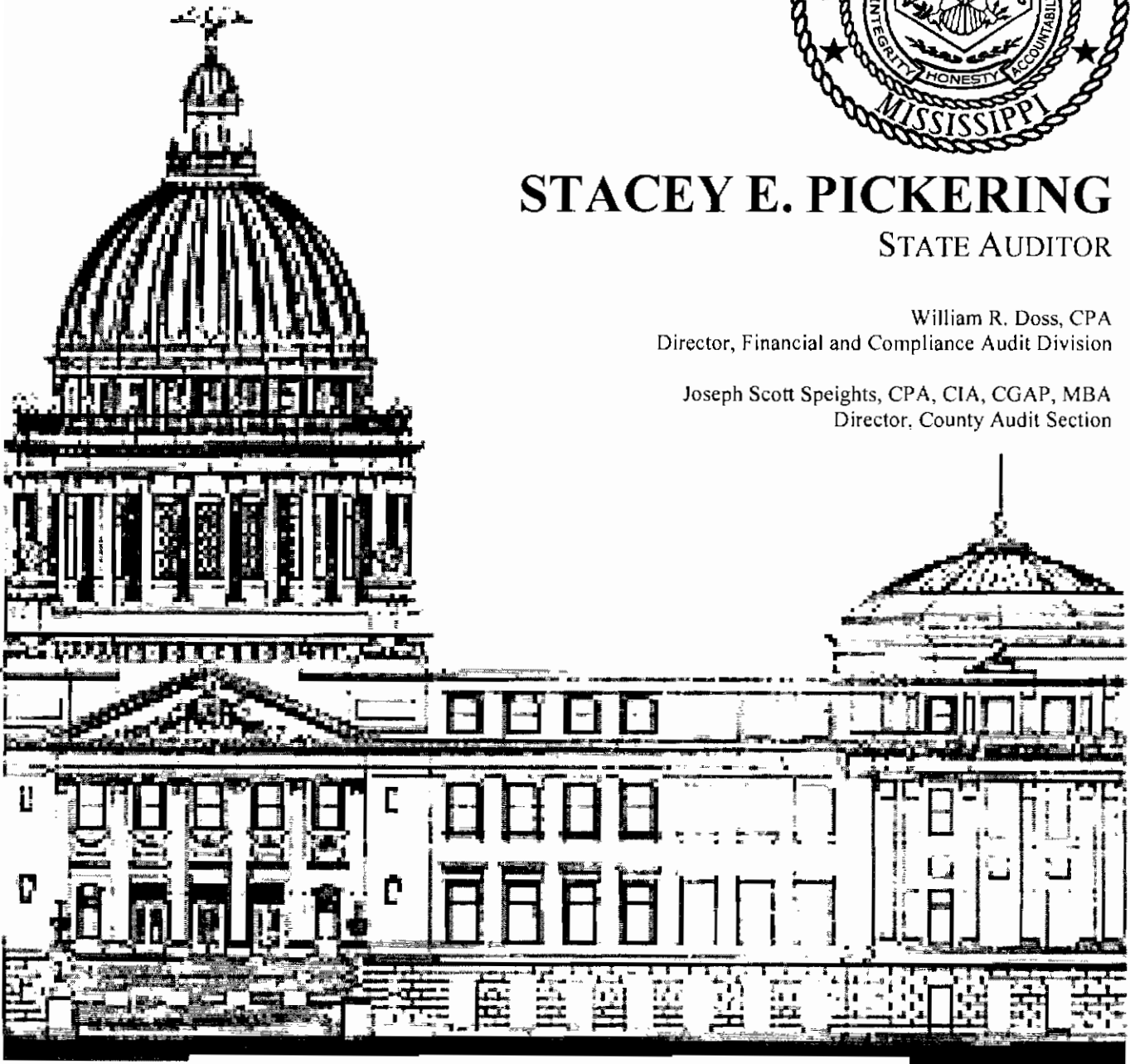


STACEY E. PICKERING

STATE AUDITOR

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

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

September 1, 2010

Members of the Board of Supervisors
Walthall County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Walthall County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Walthall County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Walthall County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

WALTHALL COUNTY

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WATHALL COUNTY

FINANCIAL SECTION

WATHALL COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Walthall County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Walthall County General Hospital, a component unit, which represents 100% of the assets, net assets and revenues of the aggregate discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based on the report of the other auditors.

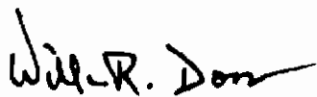
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of September 30, 2009, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2010, on our consideration of Walthall County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

The Budgetary Comparison Schedule and corresponding notes, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors 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.



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

September 1, 2010

WALTHALL COUNTY

FINANCIAL STATEMENTS

WALTHALL COUNTY

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WALTHALL COUNTY
WALTHALL COUNTY
Statement of Net Assets
September 30, 2009

Exhibit I

| | Primary Government | | | Component |
|--|----------------------------|-----------------------------|-------------------|------------------|
| | Governmental Activities | Business-type Activities | Total | Unit Hospital |
| ASSETS | | | | |
| Cash | \$ 4,510,102 | 99,184 | 4,609,286 | 731,131 |
| Property tax receivable | 3,768,500 | | 3,768,500 | |
| Patient accounts receivable (net of estimated uncollectibles of \$2,081,513) | | | | 1,244,647 |
| Accounts receivable (net of allowance for uncollectibles of \$530,814) | | 46,661 | 46,661 | |
| Fines receivable (net of allowance for uncollectibles of \$4,924,820) | 1,260,757 | | 1,260,757 | |
| Loans receivable | 1,259,954 | | 1,259,954 | |
| Inventories | | | | 222,065 |
| Estimated third-party payor settlements | | | | 999,050 |
| Other current assets | | | | 12,506 |
| Prepaid expenses | | | | 51,736 |
| Intergovernmental receivables | 73,690 | | 73,690 | |
| Other receivables | 22,283 | | 22,283 | |
| Internal balances | 27,828 | (27,828) | | |
| Noncurrent cash and investments: | | | | |
| Held by trustee for self-funded health insurance | | | | 370,042 |
| Internally designated for capital acquisitions | | | | 485,085 |
| Capital assets: | | | | |
| Land and construction in progress | 177,661 | | 177,661 | |
| Other capital assets, net | 7,580,184 | 193,316 | 7,773,500 | 1,145,329 |
| Other assets | | | | 277,814 |
| Total Assets | 18,680,959 | 311,333 | 18,992,292 | 5,539,405 |
| LIABILITIES | | | | |
| Claims payable | 243,825 | 17,275 | 261,100 | 316,463 |
| Accrued salaries and withholdings | | | | 600,533 |
| Intergovernmental payables | 228,645 | | 228,645 | |
| Accrued interest payable | 25,629 | | 25,629 | |
| Deferred revenue | 3,768,500 | | 3,768,500 | |
| Unearned revenue | 857 | 41,544 | 42,401 | 50,370 |
| Other payables | 67,722 | | 67,722 | |
| Due within one year: | | | | |
| Capital debt | 308,744 | 36,949 | 345,693 | 103,939 |
| Non-capital debt | 148,461 | | 148,461 | |
| Due in more than one year: | | | | |
| Capital debt | 1,011,108 | 22,762 | 1,033,870 | 216,906 |
| Non-capital debt | 1,191,925 | 7,204 | 1,199,129 | |
| Total Liabilities | 6,995,416 | 125,734 | 7,121,150 | 1,288,211 |

WALTHALL COUNTY
Statement of Net Assets
September 30, 2009

(Exhibit I Continued)

| | Primary Government | | | Component Unit |
|---|-------------------------|--------------------------|------------|----------------|
| | Governmental Activities | Business-type Activities | Total | Hospital |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 6,437,993 | 133,605 | 6,571,598 | 824,484 |
| Restricted: | | | | |
| Expendable: | | | | |
| General government | 15,840 | | 15,840 | |
| Debt service | 765,775 | | 765,775 | |
| Public safety | 264,430 | | 264,430 | |
| Public works | 555,480 | 51,994 | 607,474 | |
| Health and welfare | 170,525 | | 170,525 | |
| Culture and recreation | 40,553 | | 40,553 | |
| Unemployment compensation | 13,146 | | 13,146 | |
| Capital projects | 1,502,270 | | 1,502,270 | |
| Unrestricted | 1,919,531 | | 1,919,531 | 3,426,710 |
| Total Net Assets | \$ 11,685,543 | 185,599 | 11,871,142 | 4,251,194 |

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

WALTHALL COUNTY
Statement of Activities
For the Year Ended September 30, 2009

| Functions/Programs | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | | | Component Unit | |
|-------------------------------------|------------------|----------------------|------------------------------------|---|-------------------------|--------------------------|----------------|-------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Total |
| | | | | | Governmental Activities | Business-type Activities | | |
| Primary government: | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 1,827,571 | 176,628 | 44,201 | | (1,606,742) | | (1,606,742) | |
| Public safety | 1,727,660 | 189,959 | 169,946 | 61,985 | (1,305,770) | | (1,305,770) | |
| Public works | 2,332,133 | | 539,974 | 121,343 | (1,670,816) | | (1,670,816) | |
| Health and welfare | 363,721 | | 20,266 | 170,525 | (172,930) | | (172,930) | |
| Culture and recreation | 24,226 | 4,382 | | | (19,844) | | (19,844) | |
| Conservation of natural resources | 56,738 | | | | (56,738) | | (56,738) | |
| Economic development and assistance | 127,238 | | | 81,875 | (45,363) | | (45,363) | |
| Interest on long-term debt | 149,119 | | | | (149,119) | | (149,119) | |
| Total Governmental Activities | 6,608,406 | 370,969 | 774,387 | 435,728 | (5,027,322) | 0 | (5,027,322) | |
| Business-type activities: | | | | | | | | |
| Solid waste | 588,910 | 665,420 | | | | 76,510 | 76,510 | |
| Total Business-type Activities | 588,910 | 665,420 | 0 | 0 | 0 | 76,510 | 76,510 | |
| Total Primary Government | \$ 7,197,316 | 1,036,389 | 774,387 | 435,728 | (5,027,322) | 76,510 | (4,950,812) | |
| Component unit: | | | | | | | | |
| Walthall County General Hospital | \$ 11,173,104 | 10,413,562 | 103,200 | 179,500 | 0 | 0 | (476,842) | |
| Total Component Units | \$ 11,173,104 | 10,413,562 | 103,200 | 179,500 | 0 | 0 | (476,842) | |

WALTHAM COUNTY
Statement of Activities
For the Year Ended September 30, 2009

(Exhibit 2 Continued)

| | Net (Expense) Revenue and Changes in Net Assets | | | Component Unit |
|--|---|--------------------------|------------|----------------|
| | Primary Government | | Total | |
| | Governmental Activities | Business-type Activities | | |
| General revenues: | | | | |
| Property taxes | \$ 3,820,100 | 11 | 3,820,111 | |
| Road & bridge privilege taxes | 187,035 | | 187,035 | |
| Grants and contributions not restricted to specific programs | 442,550 | 20,179 | 462,729 | |
| Rental income | | | | 38,172 |
| Unrestricted interest income | 247,935 | 3,609 | 251,544 | 61,236 |
| Miscellaneous | 138,542 | | 138,542 | 129,192 |
| Gain on sale of capital assets | 593,230 | | 593,230 | |
| Transfers | (1,728) | 1,728 | | |
| Total General Revenues | 5,427,664 | 25,527 | 5,453,191 | 228,600 |
| Changes in Net Assets | 400,342 | 102,037 | 502,379 | (248,242) |
| Net Assets - Beginning | 11,285,201 | 83,562 | 11,368,763 | 4,499,436 |
| Net Assets - Ending | \$ 11,685,543 | 185,599 | 11,871,142 | 4,251,194 |

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

| | Major Funds | | | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|--------------------------------|
| | General Fund | Multicraft Building Fund | Other Governmental Funds | |
| ASSETS | | | | |
| Cash | \$ 2,356,669 | 75,747 | 2,077,686 | 4,510,102 |
| Property tax receivable | 2,588,500 | | 1,180,000 | 3,768,500 |
| Fines receivable (net of allowance for uncollectibles of \$4,924,820) | 1,260,757 | | | 1,260,757 |
| Loans receivable - current | | 49,394 | | 49,394 |
| Intergovernmental receivables | 56,017 | | 17,673 | 73,690 |
| Other receivables | 22,283 | | | 22,283 |
| Due from other funds | 6,487 | | 37,269 | 43,756 |
| Advances to other funds | 21,341 | | | 21,341 |
| Loans receivable - noncurrent | | 1,210,560 | | 1,210,560 |
| Total Assets | \$ 6,312,054 | 1,335,701 | 3,312,628 | 10,960,383 |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Claims payable | \$ 130,001 | | 113,824 | 243,825 |
| Intergovernmental payables | 220,562 | | | 220,562 |
| Due to other funds | 45,352 | | | 45,352 |
| Deferred revenue | 3,849,257 | | 1,180,000 | 5,029,257 |
| Unearned revenue | | | 857 | 857 |
| Other payables | 67,722 | | | 67,722 |
| Total Liabilities | 4,312,894 | 0 | 1,294,681 | 5,607,575 |
| Fund balances: | | | | |
| Reserved for: | | | | |
| Debt service | | | 791,404 | 791,404 |
| Loans receivable - noncurrent | | 1,210,560 | | 1,210,560 |
| Advances | 21,341 | | | 21,341 |
| Unemployment compensation | | | 13,146 | 13,146 |
| Unreserved - undesignated, reported in: | | | | |
| General Fund | 1,977,819 | | | 1,977,819 |
| Special Revenue Funds | | | 1,046,828 | 1,046,828 |
| Capital Project Funds | | 125,141 | 166,569 | 291,710 |
| Total Fund Balances | 1,999,160 | 1,335,701 | 2,017,947 | 5,352,808 |
| Total Liabilities and Fund Balances | \$ 6,312,054 | 1,335,701 | 3,312,628 | 10,960,383 |

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

WALTHALL COUNTY
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2009

Exhibit 3-1

| | <u>Amount</u> |
|---|----------------------|
| Total Fund Balance - Governmental Funds | \$ 5,352,808 |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | |
| Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$4,846,506. | 7,757,845 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 1,260,757 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (2,660,238) |
| Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds. | <u>(25,629)</u> |
| Total Net Assets - Governmental Activities | <u>\$ 11,685,543</u> |

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

WALTHALL COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2009

| | Major Funds | | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------------|--------------------------------|--------------------------------|
| | General Fund | Multicraft Building Fund | | |
| REVENUES | | | | |
| Property taxes | \$ 2,638,304 | | 1,181,796 | 3,820,100 |
| Road and bridge privilege taxes | | | 187,035 | 187,035 |
| Licenses, commissions and other revenue | 141,524 | | 4,382 | 145,906 |
| Fines and forfeitures | 123,178 | | 1,804 | 124,982 |
| Intergovernmental revenues | 551,523 | | 1,101,142 | 1,652,665 |
| Charges for services | 31,071 | | 140,998 | 172,069 |
| Interest income | 121,291 | 33,426 | 93,218 | 247,935 |
| Miscellaneous revenues | 88,944 | | 46,729 | 135,673 |
| Total Revenues | <u>3,695,835</u> | <u>33,426</u> | <u>2,757,104</u> | <u>6,486,365</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,905,151 | | | 1,905,151 |
| Public safety | 1,144,964 | | 678,149 | 1,823,113 |
| Public works | 30,200 | | 1,952,269 | 1,982,469 |
| Health and welfare | 169,079 | | 179,500 | 348,579 |
| Culture and recreation | 5,200 | | 172 | 5,372 |
| Conservation of natural resources | 56,738 | | | 56,738 |
| Economic development and assistance | 73,395 | | 86,788 | 160,183 |
| Debt service: | | | | |
| Principal | | | 460,947 | 460,947 |
| Interest | | | 123,490 | 123,490 |
| Total Expenditures | <u>3,384,727</u> | <u>0</u> | <u>3,481,315</u> | <u>6,866,042</u> |
| Excess of Revenues over (under) Expenditures | <u>311,108</u> | <u>33,426</u> | <u>(724,211)</u> | <u>(379,677)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from long-term debt | | | 319,800 | 319,800 |
| Proceeds from sale of capital assets | | 1,300,000 | | 1,300,000 |
| Compensation for loss of capital assets | | | 2,870 | 2,870 |
| Transfers in | 84,633 | | 455,716 | 540,349 |
| Transfers out | (457,444) | | (84,633) | (542,077) |
| Total Other Financing Sources and Uses | <u>(372,811)</u> | <u>1,300,000</u> | <u>693,753</u> | <u>1,620,942</u> |
| Net Changes in Fund Balances | (61,703) | 1,333,426 | (30,458) | 1,241,265 |
| Fund Balances - Beginning | <u>2,060,863</u> | <u>2,275</u> | <u>2,048,405</u> | <u>4,111,543</u> |
| Fund Balances - Ending | <u>\$ 1,999,160</u> | <u>1,335,701</u> | <u>2,017,947</u> | <u>5,352,808</u> |

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

WALTHAM 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, 2009

| | <u>Amount</u> |
|--|-------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ 1,241,265 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$928,985 exceeded capital outlays of \$755,416 in the current period. | (173,569) |
| In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the difference of the net gain of \$593,230 and the proceeds from the sale of \$1,300,000 in the current period. | (706,770) |
| 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. | (71,989) |
| Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt repayments of \$460,947 exceeded debt proceeds of \$319,800. | 141,147 |
| 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: | |
| Increase in compensated absences | (4,113) |
| Increase in accrued interest payable | <u>(25,629)</u> |
| Change in Net Assets of Governmental Activities | \$ <u>400,342</u> |

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

WALTHALL COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2009

Exhibit 5

| | Business-type Activities - Enterprise Fund |
|---|--|
| | Solid Waste Fund |
| | <u>Fund</u> |
| ASSETS | |
| Current assets: | |
| Cash | \$ 99,184 |
| Accounts receivable (net of allowance for uncollectibles of \$530,814) | 46,661 |
| Total Current Assets | <u>145,845</u> |
| Noncurrent assets: | |
| Capital assets, net | 193,316 |
| Total Noncurrent Assets | <u>193,316</u> |
| Total Assets | <u>339,161</u> |
| LIABILITIES | |
| Current liabilities: | |
| Claims payable | 17,275 |
| Due to other funds | 6,487 |
| Advances from other funds | 21,341 |
| Unearned revenue | 41,544 |
| Capital debt: | |
| Capital leases payable | 36,949 |
| Total Current Liabilities | <u>123,596</u> |
| Noncurrent liabilities: | |
| Capital debt: | |
| Capital leases payable | 22,762 |
| Non-capital debt: | |
| Compensated absences payable | 7,204 |
| Total Noncurrent Liabilities | <u>29,966</u> |
| NET ASSETS | |
| Invested in capital assets, net of related debt | 133,605 |
| Restricted for: | |
| Public works | 51,994 |
| Total Net Assets | <u>\$ 185,599</u> |

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

WALTHALL COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2009

| | Business-type Activities - Enterprise Fund |
|--|--|
| | Solid Waste Fund |
| Operating Revenues | |
| Charges for services | \$ 665,420 |
| Total Operating Revenues | <u>665,420</u> |
| Operating Expenses | |
| Personal services | 346,028 |
| Contractual services | 144,158 |
| Materials and supplies | 55,067 |
| Depreciation expense | 34,047 |
| Indirect administrative cost | 6,487 |
| Total Operating Expenses | <u>585,787</u> |
| Operating Income (Loss) | <u>79,633</u> |
| Nonoperating Revenues (Expenses) | |
| Property tax | 11 |
| Interest income | 3,609 |
| Intergovernmental grants | 20,179 |
| Interest expense | (3,123) |
| Net Nonoperating Revenue (Expenses) | <u>20,676</u> |
| Net Income (Loss) Before Capital Contributions | <u>100,309</u> |
| Transfers in | <u>1,728</u> |
| Changes in Net Assets | 102,037 |
| Net Assets - Beginning | <u>83,562</u> |
| Net Assets - Ending | <u>\$ 185,599</u> |

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

WALTHAM COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2009

Exhibit 7

| | Business-type Activities - Enterprise Fund |
|--|--|
| | Solid Waste Fund |
| Cash Flows From Operating Activities | |
| Receipts from customers | \$ 640,219 |
| Payments to suppliers | (199,064) |
| Payments to employees | (347,515) |
| Net Cash Provided (Used) by Operating Activities | <u>93,640</u> |
| Cash Flows From Noncapital Financing Activities | |
| Intergovernmental grants received | 20,179 |
| Cash received from property taxes | 11 |
| Cash received from other funds: | |
| Operating transfers in | <u>1,728</u> |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>21,918</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Principal paid on long-term debt | (35,566) |
| Interest paid on debt | (3,123) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(38,689)</u> |
| Cash Flows From Investing Activities | |
| Interest on deposits | <u>3,609</u> |
| Net Cash Provided (Used) by Investing Activities | <u>3,609</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 80,478 |
| Cash and Cash Equivalents at Beginning of Year | <u>18,706</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 99,184</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating income (loss) | \$ <u>79,633</u> |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 34,047 |
| Provision for uncollectible accounts | 87,186 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (89,583) |
| Increase (decrease) in claims payable | 204 |
| Increase (decrease) in compensated absences liability | (1,530) |
| Increase (decrease) in unearned revenue | (22,804) |
| Increase (decrease) in interfund payables | <u>6,487</u> |
| Total Adjustments | <u>14,007</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ 93,640</u> |

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

WALTHALL COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 8

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 38,303 |
| Due from other funds | <u>8,083</u> |
| Total Assets | <u>\$ 46,386</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 2,078 |
| Intergovernmental payables | <u>44,308</u> |
| Total Liabilities | <u>\$ 46,386</u> |

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

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Walthall County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Walthall County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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. Individual Component Unit Disclosures.

Blended Component Unit

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units' balances and transactions are blended with the balances and transactions of the primary government.

- Walthall County Airport Board
- Walthall County Economic Development Authority

Discretely Presented Component Unit

The component unit column in the financial statements include the financial data of the following component unit of the county. The component unit is reported in a separate column to emphasize that it is legally separate from the county. A majority of the members of the governing body of this component unit is appointed by the county Board of Supervisors.

Walthall County General Hospital is an acute care hospital established by Walthall County as a special purpose government entity under the laws of the State of Mississippi. The Hospital is owned by the county and is governed by a Board of Trustees appointed by the county Board of Supervisors.

The discretely presented component unit is audited by independent auditors, and their financial statements are issued under separate cover. The audited financial statements are available from the discretely presented component unit.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

C. 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, fund financial statements and accompanying note disclosures, 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 and its component unit. 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.

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

Fund Financial Statements:

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

D. Measurement Focus and Basis of Accounting.

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

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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

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.

Multicraft Building Fund - This fund is used to account for the revenues and expenditures related to the Multicraft Building industrial site.

The county reports the following major Proprietary Fund:

Solid Waste Fund - This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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.

E. 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.

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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

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

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

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

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

J. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets.

K. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

WALTHALL COUNTY

Notes to Financial Statements For the Year Ended September 30, 2009

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

Fund Financial Statements:

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

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

L. Property Tax Revenues.

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

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

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

M. 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.

N. Compensated Absences.

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

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

O. Patient Service Revenue.

The Hospital has agreements with third party payors, primarily Medicare and Medicaid, which provide for payments to the Hospital at amounts different from its established rates. Patient service revenue is reported at estimated net realizable amounts from patients, third-party payors and others for services rendered including estimated retroactive adjustments under reimbursement agreements with third-party payors due to audits, reviews and investigations.

The Hospital provides medical care without charge or at a reduced charge to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, these charges are not reported as revenues.

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$4,647,589, and the bank balance was \$4,890,623. The carrying amount of the Hospital's total deposits in financial institutions at September 30, 2009, was \$731,131. 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 Deposit Insurance Corporation (FDIC).

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.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|---------------------|-----------------------------|
| General | Solid Waste Fund | \$ 6,487 |
| Other Governmental Funds | General Fund | 37,269 |
| Agency Funds | General Fund | <u>8,083</u> |
| Total | | \$ <u><u>51,839</u></u> |

The General Fund receivable is the amount of indirect cost due to solid waste operations. All other amounts represent the tax revenue collected but not settled until October, 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

B. Advances From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|---------------------|---------------|
| General | Solid Waste Fund | \$ 21,341 |
| The General Fund receivable represents the amount of indirect cost due to solid waste operations. | | |

C. Transfers In/Out:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------------|--------------------------|-------------------|
| General Fund | Other Governmental Funds | \$ 84,633 |
| Other Governmental Funds | General Fund | 455,716 |
| Solid Waste Fund | General Fund | 1,728 |
| Total | | <u>\$ 542,077</u> |

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|------------------------------------|------------------|
| Governmental Activities: | |
| Legislative tax credit | \$ 55,188 |
| FEMA | 2,662 |
| Department of Archives and History | 15,840 |
| Total Governmental Activities | <u>\$ 73,690</u> |

(5) Loans Receivable.

Loans receivable balances at September 30, 2009, are as follows:

| <u>Description</u> | <u>Date of Loan</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Receivable Balance</u> |
|-------------------------------------|---------------------|----------------------|----------------------|---------------------------|
| 108 Tylertown Bldg., LLC (Kalencom) | 12/15/2008 | 3.00% | 12/01/2028 | \$ <u>1,259,954</u> |

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

| | Balance Oct. 1, 2008 | Additions | Deletions | Adjustments * | Balance Sept. 30, 2009 |
|---|-------------------------|------------------|------------------|------------------|---------------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 182,661 | | 5,000 | | 177,661 |
| Construction in progress | 471,344 | | | (471,344) | |
| Total non-depreciable capital assets | <u>654,005</u> | <u>0</u> | <u>5,000</u> | <u>(471,344)</u> | <u>177,661</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Infrastructure | 1,731,810 | | | 471,344 | 2,203,154 |
| Buildings | 4,696,885 | 196,500 | 765,000 | | 4,128,385 |
| Improvements other than buildings | 332,654 | | | | 332,654 |
| Mobile equipment | 4,460,297 | 158,658 | 258,110 | 151,908 | 4,512,753 |
| Furniture and equipment | 567,892 | 400,258 | 53,216 | | 914,934 |
| Leased property under capital leases | 486,718 | | | (151,908) | 334,810 |
| Total depreciable capital assets | <u>12,276,256</u> | <u>755,416</u> | <u>1,076,326</u> | <u>471,344</u> | <u>12,426,690</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Infrastructure | 127,525 | 75,575 | | | 203,100 |
| Buildings | 1,033,822 | 75,240 | 91,800 | | 1,017,262 |
| Improvements other than buildings | 47,991 | 8,435 | | | 56,426 |
| Mobile equipment | 2,720,926 | 351,986 | 233,061 | 96,124 | 2,935,975 |
| Furniture and equipment | 129,101 | 375,285 | 49,695 | | 454,691 |
| Leased property under capital leases | 232,712 | 42,464 | | (96,124) | 179,052 |
| Total accumulated depreciation | <u>4,292,077</u> | <u>928,985</u> | <u>374,556</u> | <u>0</u> | <u>4,846,506</u> |
| Total depreciable capital assets, net | <u>7,984,179</u> | <u>(173,569)</u> | <u>701,770</u> | <u>471,344</u> | <u>7,580,184</u> |
| Governmental activities capital assets, net | <u>\$ 8,638,184</u> | <u>(173,569)</u> | <u>706,770</u> | <u>0</u> | <u>7,757,845</u> |

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Business-type activities:

| | Balance Oct. 1, 2008 | Additions | Deletions | Adjustments | Balance Sept. 30, 2009 |
|--|-------------------------|-----------------|-----------|-------------|---------------------------|
| <u>Depreciable capital assets:</u> | | | | | |
| Mobile equipment | \$ 204,352 | | | | 204,352 |
| Leased property under capital leases | 173,880 | | | | 173,880 |
| Total depreciable capital assets | <u>378,232</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>378,232</u> |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Mobile equipment | 103,913 | 18,395 | | | 122,308 |
| Leased property under capital leases | 46,956 | 15,652 | | | 62,608 |
| Total accumulated depreciation | <u>150,869</u> | <u>34,047</u> | <u>0</u> | <u>0</u> | <u>184,916</u> |
| Total depreciable capital assets, net | <u>227,363</u> | <u>(34,047)</u> | <u>0</u> | <u>0</u> | <u>193,316</u> |
| Business-type activities capital assets, net | <u>\$ 227,363</u> | <u>(34,047)</u> | <u>0</u> | <u>0</u> | <u>193,316</u> |

Component unit:

| | Balance Oct. 1, 2008 | Additions | Deletions | Adjustments | Balance Sept. 30, 2009 |
|--|-------------------------|----------------|------------------|-------------|---------------------------|
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 25,000 | | | | 25,000 |
| Total non-depreciable capital assets | <u>25,000</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>25,000</u> |
| <u>Depreciable capital assets:</u> | | | | | |
| Land improvements | 94,085 | | | | 94,085 |
| Buildings and improvements | 2,228,152 | | | | 2,228,152 |
| Buildings under capital lease | 763,273 | | | | 763,273 |
| Fixed equipment | 1,150,746 | 211,570 | | | 1,362,316 |
| Major movable equipment | 2,178,287 | 133,000 | | | 2,311,287 |
| Major movable equipment under capital leases | 449,381 | 46,500 | (104,452) | | 391,429 |
| Minor equipment | 824,617 | | | | 824,617 |
| Automobiles | 17,389 | | | | 17,389 |
| New project construction | 5,000 | | (5,000) | | |
| Total depreciable capital assets | <u>7,710,930</u> | <u>391,070</u> | <u>(109,452)</u> | <u>0</u> | <u>7,992,548</u> |

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

| | Balance Oct. 1, 2008 | Additions | Deletions | Adjustments | Balance Sept. 30, 2009 |
|---|-------------------------|------------------|-----------------|-------------|---------------------------|
| <u>Less accumulated depreciation for:</u> | | | | | |
| Land improvements | 94,085 | | | | 94,085 |
| Buildings and improvements | 1,630,471 | 217,321 | | | 1,847,792 |
| Buildings under capital lease | 627,411 | 17,357 | | | 644,768 |
| Fixed equipment | 1,103,216 | 30,164 | | | 1,133,380 |
| Major movable equipment | 2,070,768 | 117,273 | | | 2,188,041 |
| Major movable equipment under capital leases | 202,690 | 74,448 | (90,812) | | 186,326 |
| Minor equipment | 717,228 | 43,210 | | | 760,438 |
| Automobiles | 17,389 | | | | 17,389 |
| Total accumulated depreciation | <u>6,463,258</u> | <u>499,773</u> | <u>(90,812)</u> | <u>0</u> | <u>6,872,219</u> |
| Total depreciable capital assets, net | <u>1,247,672</u> | <u>(108,703)</u> | <u>(18,640)</u> | <u>0</u> | <u>1,120,329</u> |
| Capital assets, net | <u>\$ 1,272,672</u> | <u>(108,703)</u> | <u>(18,640)</u> | <u>0</u> | <u>1,145,329</u> |

* Adjustments are the reclassification of completed construction in progress projects to infrastructure and paid out capital leases from leased property under capital leases to mobile equipment.

Depreciation expense was charged to the following functions:

| | Amount |
|--|-------------------|
| <u>Governmental Activities:</u> | |
| General government | \$ 28,019 |
| Public safety | 304,805 |
| Public works | 508,322 |
| Health and welfare | 15,142 |
| Culture and recreation | 18,854 |
| Economic development and assistance | 53,843 |
| Total governmental activities depreciation expense | <u>\$ 928,985</u> |
| <u>Business-type Activities:</u> | |
| Solid waste | \$ <u>34,047</u> |
| <u>Component Unit:</u> | |
| Walthall County General Hospital | \$ <u>499,773</u> |

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(7) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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, 2009, to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$47,419 for the year ended September 30, 2009. The future minimum lease receivables for these leases are as follows:

| <u>Year Ended September 30</u> | <u>Amount</u> |
|--|-----------------------------------|
| 2010 | \$ 49,003 |
| 2011 | 49,003 |
| 2012 | 49,003 |
| 2013 | 41,085 |
| 2014 | 30,000 |
| 2015 - 2019 | 150,000 |
| 2020 - 2024 | 150,000 |
| 2025 - 2029 | 150,000 |
| 2030 - 2034 | 150,000 |
| 2035 - 2039 | 150,000 |
| 2040 - 2044 | 150,000 |
| 2045 - 2049 | 150,000 |
| 2050 - 2054 | 150,000 |
| 2055 - 2059 | 150,000 |
| 2060 - 2064 | 150,000 |
| 2065 - 2068 | <u>100,000</u> |
| Total Minimum Payments Required | \$ <u><u>1,818,094</u></u> |

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

| Classes of Property | Governmental Activities | Business-type Activities |
|--------------------------------------|----------------------------|-----------------------------|
| Mobile equipment | \$ 334,810 | 173,880 |
| Less: Accumulated depreciation | <u>179,052</u> | <u>62,608</u> |
| Leased Property Under Capital Leases | <u>\$ 155,758</u> | <u>111,272</u> |

| Classes of Property | Component Unit |
|--------------------------------------|-------------------|
| Mobile equipment | \$ 391,429 |
| Less: Accumulated depreciation | <u>186,326</u> |
| Leased Property Under Capital Leases | <u>\$ 205,103</u> |

The following is a schedule by years of the total payments due as of September 30, 2009:

| Year Ending September 30 | Governmental Activities | | Business-type Activities | |
|--------------------------|-------------------------|--------------|--------------------------|--------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 64,668 | 2,515 | 36,949 | 1,740 |
| 2011 | <u>19,289</u> | <u>337</u> | <u>22,762</u> | <u>365</u> |
| Total | <u>\$ 83,957</u> | <u>2,852</u> | <u>59,711</u> | <u>2,105</u> |

| Year Ending September 30 | Component Unit | |
|--------------------------|-------------------|---------------|
| | Principal | Interest |
| 2010 | \$ 90,858 | 11,956 |
| 2011 | 61,659 | 5,946 |
| 2012 | 28,867 | 2,404 |
| 2013 | 10,842 | 820 |
| 2014 | <u>2,872</u> | <u>45</u> |
| Total | <u>\$ 195,098</u> | <u>21,171</u> |

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

(10) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|-------------------------------------|---------------------|---------------|---------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| Multi-purpose building | \$ 270,000 | 5.00% | 01/2014 |
| Multi-purpose building | 300,000 | 5.35% | 03/2015 |
| Library building | 190,000 | 5.00% | 02/2016 |
| Multicraft building refunding | <u>665,000</u> | 5.37% | 12/2013 |
| Total General Obligation Bonds | <u>\$ 1,425,000</u> | | |
| B. Capital Leases: | | | |
| District 1 tractor | \$ 2,207 | 3.43% | 07/2010 |
| District 5 tractor | 11,439 | 3.43% | 07/2010 |
| District 2 tractor | 12,566 | 3.43% | 08/2010 |
| Districts 1 & 3 Dura Patcher | 28,927 | 3.84% | 12/2010 |
| District 2 tractor | 14,409 | 4.50% | 07/2011 |
| District 5 tractor | <u>14,409</u> | 4.50% | 07/2011 |
| Total Capital Leases | <u>\$ 83,957</u> | | |
| C. Other Loans: | | | |
| Fire truck | \$ 39,131 | 4.53% | 08/2012 |
| Fire truck | 82,777 | 3.00% | 04/2015 |
| CAP loan - Georgia Pacific | 603,335 | 3.00% | 05/2026 |
| Bushhog | 4,400 | 4.33% | 03/2011 |
| Wheel loader | 63,000 | 4.42% | 02/2012 |
| F-150 pickup | 9,500 | 3.82% | 12/2011 |
| F-150 pickup | 9,500 | 3.82% | 12/2011 |
| Emergency communication equipment | 199,225 | 3.69% | 06/2013 |
| Durapatcher | 22,362 | 3.26% | 04/2013 |
| Tractor | <u>46,000</u> | 4.29% | 06/2014 |
| Total Other Loans | <u>\$ 1,079,230</u> | | |
| Business-type Activities: | | | |
| A. Capital Leases: | | | |
| Garbage trucks | <u>\$ 59,711</u> | 3.82% | 05/2011 |
| Component Unit: | | | |
| A. Capital Leases | <u>\$ 195,098</u> | 2.86/16.83 | 2014 |
| B. Other Loans | <u>\$ 125,747</u> | 5.07 | 09/2017 |

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

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

Governmental Activities:

| Year Ending September 30 | General Obligation Bonds | | Other Loans | |
|--------------------------|--------------------------|----------------|------------------|----------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 240,000 | 68,460 | 152,537 | 34,739 |
| 2011 | 245,000 | 55,724 | 154,592 | 29,466 |
| 2012 | 265,000 | 42,327 | 145,016 | 23,715 |
| 2013 | 270,000 | 28,268 | 133,692 | 19,440 |
| 2014 | 290,000 | 13,556 | 41,284 | 14,569 |
| 2015 - 2019 | 115,000 | 4,471 | 175,668 | 55,597 |
| 2020 - 2024 | | | 204,057 | 27,208 |
| 2025 - 2029 | | | 72,384 | 1,987 |
| Total | \$ <u>1,425,000</u> | <u>212,806</u> | <u>1,079,230</u> | <u>206,721</u> |

Component Unit:

| Year Ending September 30 | Other Loans | |
|--------------------------|-------------------|---------------|
| | Principal | Interest |
| 2010 | \$ 13,081 | 6,074 |
| 2011 | 13,760 | 5,395 |
| 2012 | 14,474 | 4,681 |
| 2013 | 15,225 | 3,930 |
| 2014 | 16,015 | 3,140 |
| 2015 - 2019 | 53,192 | 4,251 |
| Total | \$ <u>125,747</u> | <u>27,471</u> |

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2009, the amount of outstanding debt was equal to 1.43% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

| | Balance Oct. 1, 2008 | Additions | Reductions | Adjustments | Balance Sept. 30, 2009 | Amount due within one year |
|--------------------------|-------------------------|----------------|----------------|-------------|---------------------------|----------------------------------|
| Governmental Activities: | | | | | | |
| Compensated absences | \$ 67,938 | 4,113 | | | 72,051 | |
| General obligation bonds | 1,645,000 | | 220,000 | | 1,425,000 | 240,000 |
| Capital leases | 179,934 | | 95,977 | | 83,957 | 64,668 |
| Other loans | 904,400 | 319,800 | 144,970 | | 1,079,230 | 152,537 |
| Total | \$ <u>2,797,272</u> | <u>323,913</u> | <u>460,947</u> | <u>0</u> | <u>2,660,238</u> | <u>457,205</u> |

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

| | Balance Oct. 1, 2008 | Additions | Reductions | Adjustments | Balance Sept. 30, 2009 | Amount due within one year |
|----------------------------|-------------------------|-----------|------------|-------------|---------------------------|----------------------------------|
| Business-type Activities: | | | | | | |
| Compensated absences | \$ 8,734 | | 1,530 | | 7,204 | |
| Capital leases | 95,277 | | 35,566 | | 59,711 | 36,949 |
| Total | \$ 104,011 | 0 | 37,096 | 0 | 66,915 | 36,949 |
| Component Unit: | | | | | | |
| Note payable | \$ 138,180 | | 12,433 | | 125,747 | 13,081 |
| Capital leases obligations | 247,252 | 46,500 | 98,654 | 0 | 195,098 | 90,858 |
| Total | \$ 385,432 | 46,500 | 111,087 | 0 | 320,845 | 103,939 |

Compensated absences will be paid from the fund which the employees' salaries were paid which are generally the General Fund, 911 Emergency Fund, Road Maintenance Fund and Solid Waste Fund.

(11) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. No provision for any liability that may result has been recognized in the county's financial statements.

Litigation - The county is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to the various proceedings. However, the county's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the county.

(12) Joint Venture.

The county participates in the following joint venture:

Walthall County is a participant with the Counties of Amite and Pike in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Pike-Amite-Walthall Regional Library System. The joint venture was created to provide library service for the three counties and is governed by five board members. The Counties of Amite and Pike appoint two board members each and Walthall County appoints one board member. By contractual agreement, the county's appropriation to the joint venture was \$94,785 in fiscal year 2009. Complete financial statements for the Pike-Amite-Walthall Regional Library System can be obtained from 1022 Virginia Avenue, McComb, MS 39648.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southwest Mississippi Community College operates in a district composed of the Counties of Amite, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints two of the 14 members of the college board of trustees. The county appropriated \$333,213 for operations and maintenance of the college in fiscal year 2009.

WALTHALL COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2009

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints four of the 40 members of the board of directors. The county appropriated \$9,094 for support of the district in fiscal year 2009.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Walthall County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$17,313 for its support in fiscal year 2009.

Southwest Mississippi Partnership operates in a district composed of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Pike, Lincoln, Walthall and Wilkinson. The entity is governed by ten members, appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the county's Board of Supervisors. The member counties provide only modest financial support for the entity.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry, Stone and Walthall. The Walthall County Board of Supervisors appoints one of the ten members of the board of directors. The county appropriated \$37,913 for support of the district in fiscal year 2009.

(14) Defined Benefit Pension Plan.

Plan Description. Walthall County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2009 was 12% 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, 2009, 2008 and 2007 were \$254,775, \$249,838 and \$225,778, respectively, equal to the required contributions for each year.

(15) Subsequent Event.

Subsequent to September 30, 2009, Walthall County issued the following debt obligation:

| Issue Date | Interest Rate | Issue Amount | Type of Financing | Source of Financing |
|------------|---------------|--------------|-------------------|---------------------|
| 07/27/2010 | 3.39% | \$ 49,370 | Capital lease | Ad valorem taxes |

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WALTHALL COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WALTHALL COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2009

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|---------------------|------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 2,661,000 | 2,657,622 | 2,657,622 | |
| Licenses, commissions and other revenue | 140,000 | 147,836 | 147,836 | |
| Fines and forfeitures | 150,000 | 132,781 | 132,781 | |
| Intergovernmental revenues | 802,000 | 818,585 | 818,585 | |
| Charges for services | 68,030 | 30,917 | 30,917 | |
| Interest income | 70,000 | 121,538 | 121,538 | |
| Miscellaneous revenues | | 90,024 | 90,024 | |
| Total Revenues | <u>3,891,030</u> | <u>3,999,303</u> | <u>3,999,303</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 1,872,791 | 1,913,490 | 1,913,490 | |
| Public safety | 1,141,843 | 1,158,053 | 1,158,053 | |
| Public works | 30,330 | 37,897 | 37,897 | |
| Health and welfare | 196,314 | 192,960 | 192,960 | |
| Culture and recreation | 1,500 | 1,400 | 1,400 | |
| Education | 275,000 | 260,644 | 260,644 | |
| Conservation of natural resources | 68,051 | 61,815 | 61,815 | |
| Economic development and assistance | 58,594 | 53,705 | 53,705 | |
| Total Expenditures | <u>3,644,423</u> | <u>3,679,964</u> | <u>3,679,964</u> | <u>0</u> |
| Excess of Revenues over (under) Expenditures | <u>246,607</u> | <u>319,339</u> | <u>319,339</u> | <u>0</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other financing sources | 217,229 | 180,441 | 180,441 | 0 |
| Other financing uses | <u>(368,801)</u> | <u>(559,488)</u> | <u>(559,488)</u> | <u>0</u> |
| Total Other Financing Sources and Uses | <u>(151,572)</u> | <u>(379,047)</u> | <u>(379,047)</u> | <u>0</u> |
| Net Change in Fund Balance | 95,035 | (59,708) | (59,708) | 0 |
| Fund Balances - Beginning | <u>1,585,611</u> | <u>2,085,532</u> | <u>2,060,863</u> | <u>(24,669)</u> |
| Fund Balances - Ending | <u>\$ 1,680,646</u> | <u>2,025,824</u> | <u>2,001,155</u> | <u>(24,669)</u> |

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

WALTHALL COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2009

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 |
|--|---------------------------|
| | General Fund |
| Budget (Cash Basis) | \$ (59,708) |
| Increase (Decrease) | |
| Net adjustments for revenue accruals | (139,585) |
| Net adjustments for expenditure accruals | 137,590 |
| GAAP Basis | \$ (61,703) |

WALTHALL COUNTY

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WALTHAM COUNTY

SPECIAL REPORTS

WALTHALL COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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
Walthall County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Walthall County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 1, 2010. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of the Walthall County General Hospital, as described in our report on Walthall County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting and on compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Walthall 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 that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 09-1, 09-2, 09-3 and 09-4 to be significant deficiencies 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 control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the 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, of the significant deficiencies described above, we consider items 09-1, 09-2 and 09-3 to be material weaknesses.

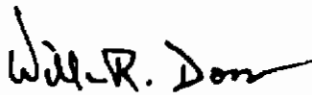
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Walthall 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*.

However, we noted certain matters that we reported to the management of Walthall County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated September 1, 2010, included within this document.

Walthall County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Walthall County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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.



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

September 1, 2010



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM, INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES (REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Walthall County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Walthall County, Mississippi, as of and for the year ended September 30, 2009. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.


The Board of Supervisors of Walthall County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Walthall County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Walthall County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Walthall County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Handwritten signature of William R. Doss in black ink.

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

September 1, 2010

WALTHALL COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2009

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

WALTHALL COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2009

Schedule 2

Our test results did not identify any emergency purchases.

WALTHALL COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2009

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

WALTHALL COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Walthall County, Mississippi

In planning and performing our audit of the financial statements of Walthall County, Mississippi for the year ended September 30, 2009, we considered Walthall County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Walthall County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 1, 2010, on the financial statements of Walthall County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors.

1. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record to be maintained for the proceedings of the Board of Supervisors. Purposes for interfund transfers were not spread on the minutes and a transfer of \$8,100 was not spread on the minutes. The failure to properly document authorization for interfund transfers by the board could result in erroneous amounts being reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should ensure that all interfund transfers and the purposes of the interfund transfers are included in the Board of Supervisors' minutes.

Board of Supervisors' Response

Out of all the transfers made, one was missed. It has now been adjusted.

2. Finding

Section 31-7-124, Miss. Code Ann. (1972), requires that each assistant receiving clerk be bonded in a penalty not less than \$50,000. The assistant receiving clerks were all bonded under a blanket bond covering an indefinite time period which was executed for a total of fifty-five county employees who held various positions. Failure to execute a bond for each assistant receiving clerk as required could limit the amount available for recovery if a loss occurred over multiple terms or involved multiple employees covered under the same blanket bond.

Recommendation

The Board of Supervisors should cancel the current bond and secure a new one for each assistant receiving clerk for the duration of the current term.

Board of Supervisors' Response

This has been corrected and is in line with the changes in July 2009.

3. Finding

Section 17-25-1, Miss. Code Ann. (1972), allows for the payment of various taxes, fees and other accounts receivable to the county by credit cards, charge cards, debit cards and other forms of electronic payment, in accordance with policies established by the State Auditor. According to Circular No. 14, as established by the Office of the State Auditor, the Board of Supervisors may enter into a contract with one or more credit card issuers, financial institutions or third party credit card processors to authorize these types of electronic payments. The contract may be entered into by negotiation and must be recorded on the Board of Supervisors' minutes. The Board of Supervisors authorized the online payment of Justice Court fines through a third party credit card processor, without negotiating and recording a contract on its minutes. This failure to negotiate and record a contract resulted in noncompliance with circular No. 14 and could result in the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should negotiate and record on its minutes a contract with this third party credit card processor.

Board of Supervisors' Response

The motion was recorded in the minutes. However, the contract was not signed by the vendor, and was not recorded. A signed copy is forthcoming and will be recorded in the minutes.

4. Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires that each deputy clerk of the circuit court be bonded in a penalty not less than \$50,000. The deputy circuit clerks were all bonded under a blanket bond covering an indefinite time period, which was executed for a total of fifty-five county employees who held various positions. Failure to execute a bond for each deputy circuit clerk as required could limit the amount available for recovery if a loss occurred over multiple terms or involved multiple employees covered under the same blanket bond.

Recommendation

The Board of Supervisors should cancel the current bond and secure a new one for each deputy clerk of the circuit court, for the duration of the current term.

Board of Supervisors' Response

The law changed the requirements in the middle of the year. This has now been corrected.

Chancery Clerk.

5. Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. The following duties were not performed:

- a. Bank officials were not notified when increases in deposits exceeded 25% of the average daily balance.
- b. The annual report was not submitted to the State Treasurer by October 31, 2009.

Failure to perform these duties increases the risk that the county's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure the annual report is submitted by October 31st, and the bank is notified when appropriate.

Chancery Clerk's Response

The reports we receive from the various banks are often delayed. However, we will keep a better record as to the exact date the reports should be filed by, and advise the bank of increases over 25%.

Constables.

6. Finding

Section 19-19-3, Miss. Code Ann. (1972), effective July 1, 2009, requires that each constable be bonded in a penalty not less than \$50,000. The constables were bonded for an amount less than the legally required amount. Failure to execute a bond for each constable for the required amount could limit the amount available for recovery if a loss occurred.

Recommendation

The Board of Supervisors should cancel the current bonds and secure a new one for each constable, for the legally required amount to cover the duration of the current term.

Board of Supervisors' Response

Changes occurring in the middle of the year caused this to be a finding. This is now corrected.

Justice Court Judges.

7. Finding

Effective July 1, 2009, Section 9-11-7, Miss. Code Ann. (1972), requires that each Justice Court Judge be bonded in a penalty not less than \$50,000. Each of the Justice Court Judges were bonded for an amount less than the legally required amount. Failure to execute a bond for each Justice Court Judge for the required amount could limit the amount available for recovery if a loss occurred.

Recommendation

The Board of Supervisors should cancel the current bonds and secure a new one for each Justice Court Judge, for the legally required amount to cover the duration of the current term.

Board of Supervisors' Response

The laws changed in July 2009. This is now corrected.

Walthall County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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



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

September 1, 2010

WALTHALL COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

WALTHALL COUNTY

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WALTHALL COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1. Finding

An effective system of internal control should include an adequate segregation of duties. Revenue collection and general ledger maintenance functions are not adequately segregated to assure adequate internal control structure. The bookkeeper receipts funds, prepares deposits, reconciles the county's bank statements and posts the receipts to the general ledger. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties for the revenue collection and general ledger maintenance functions

Board of Supervisors' Response

We have complete faith in Ms. Ginn's ability and integrity. However, we will begin oversight programs to help ensure compliance.

WALTHALL COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

Board of Supervisors.

Significant Deficiency - Material Weakness

09-2. Finding

An effective system of internal control should include an adequate segregation of duties. The maintenance of the general ledger, processing of payroll, and other payroll duties are not adequately segregated to assure adequate internal control structure. Based upon our test work, we noted the following internal control weaknesses in the payroll function:

- a. The bookkeeper, who maintains the general ledger, also prepares the payroll and distributes the payroll checks.
- b. Payroll is not subject to final approval by someone independent of payroll preparation and recordkeeping.

These conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisors should implement a system of internal controls that will ensure proper segregation of duties exists with respect to control of the general ledger, the processing of payroll and other payroll duties.

Board of Supervisors' Response

Although these all are duties handled by the bookkeeper, the Board will try to oversee these activities.

Justice Court Clerk.

Significant Deficiency - Material Weakness

09-3. Finding

An effective system of internal control over cash receipts and disbursements in the Justice Court Clerk's office should include reconciling the monthly bank statements to the cash journal, maintaining copies of issued receipts and monthly cash journals, ensuring that online court collections are posted to the accounts receivable records in a timely manner, and making timely monthly settlements. The following deficiencies were noted in the Justice Court Clerk's office:

- a. As reported in the prior year's audit report, the monthly bank statements were not reconciled to the cash journal.
- b. Civil receipts for the month of September 2009 were not available for audit procedures. These were seized during an investigation and subsequently returned to the county. However, the county could not locate them.
- c. Monthly cash journals for the year under audit were not available for audit procedures; however, electronic copies were provided by the county.

WALTHALL COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2009

- d. Online court collections were not posted to the accounts receivable records in a timely manner.
- e. Timely monthly settlements were not made during the year under audit.
- f. The former Justice Court Clerk is under investigation.

These deficiencies in internal control could result in the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should implement policies to ensure that the monthly bank statements are reconciled to the cash journal, copies of issued receipts and monthly cash journals are maintained, that online court collections are posted to the accounts receivable records in a timely manner, and that timely monthly settlements are made.

Justice Court Clerk's Response

I will do my best to correct these issues.

Circuit Clerk.

Significant Deficiency

09-4. Finding

An effective system of internal control over cash receipts and disbursements in the Circuit Clerk's office should include making daily bank deposits, reconciling the monthly bank statements to the cash journal, and ensuring that the amounts reported on the distribution of cash form as of September 30th match the reconciled book balances. The following deficiencies were noted in the Circuit Clerk's office:

- a. Daily bank deposits were not made during the fiscal year under audit.
- b. Monthly bank statements were not reconciled to the cash journal.
- c. The amounts listed on the distribution of cash form as of September 30, 2009, did not match the reconciled book balances.

These deficiencies in internal control could result in the loss or misappropriation of public funds.

Recommendation

The Circuit Clerk should implement policies to ensure that daily bank deposits are made, that the monthly bank statements are reconciled to the cash journal, and that the amounts reported on the distribution of cash form as of September 30th of each fiscal year, match the reconciled book balances.

Circuit Clerk's Response

- a. I am doing deposits as recommended
- b. I will correct.
- c. I would like to turn over unidentified money to the county.