

WEBSTER COUNTY, MISSISSIPPI

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

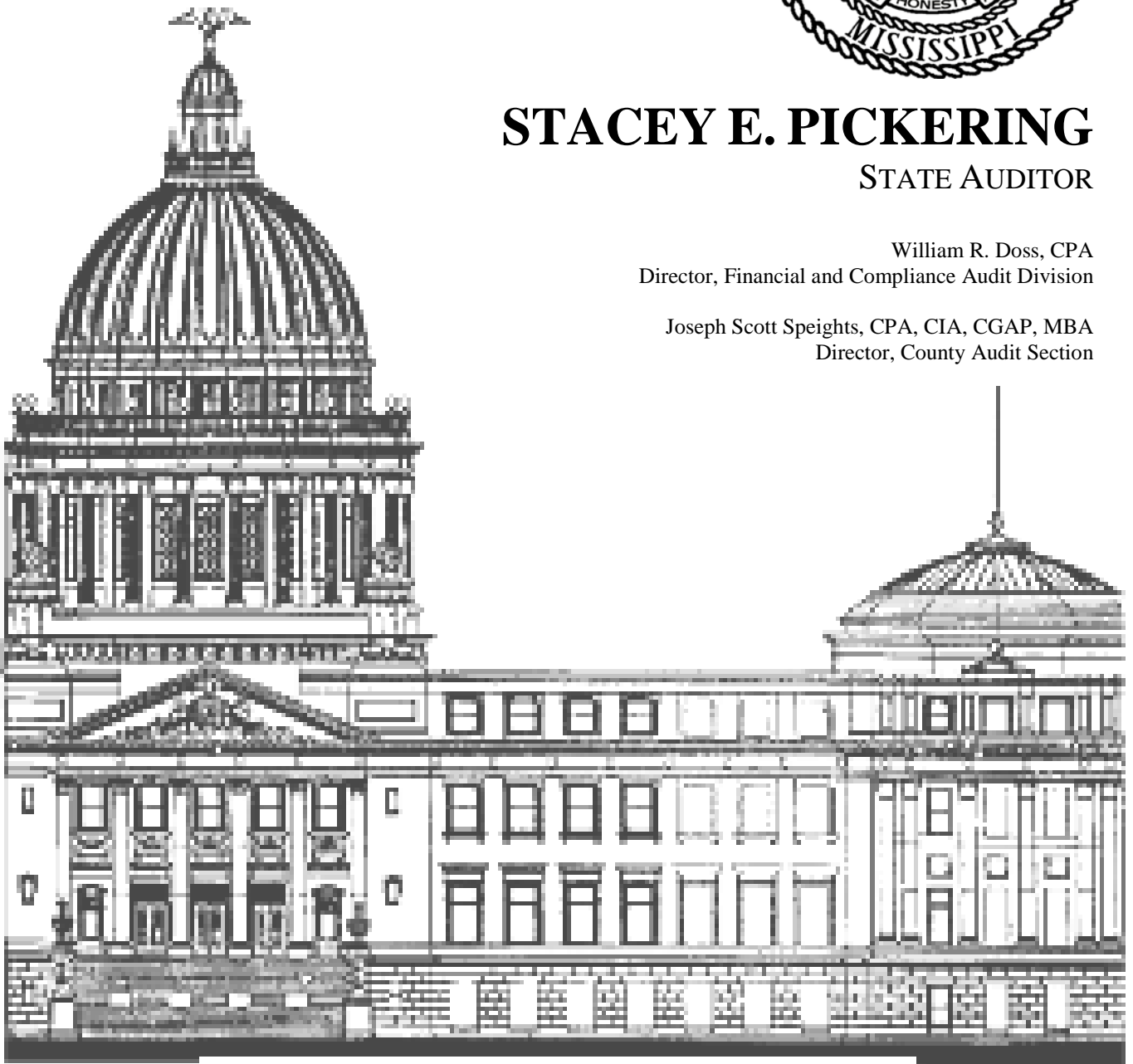


STACEY E. PICKERING

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

www.osa.state.ms.us



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

July 6, 2011

Members of the Board of Supervisors
Webster County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Webster 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 Webster County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Webster 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

WEBSTER COUNTY
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WEBSTER COUNTY

FINANCIAL SECTION

WEBSTER 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
Webster County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the discretely presented component unit is not reasonably determinable.

Management did not properly maintain subsidiary records documenting fines receivable and the aging of these fines receivable. The fines receivable aging schedules should only include fines due to the county. The aging schedule of the Circuit Court fines receivable included fees, state assessments and restitution in addition to the Circuit Court fines. The aging schedule of the Justice Court fines receivable included fees and assessments in addition to the Justice Court fines. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$209,829, as of September 30, 2009.

In our opinion, because of the omission of the discretely presented component unit, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit of Webster County, Mississippi, as of September 30, 2009, or the changes in financial position thereof for the year then ended.


In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of Webster County, Mississippi, as of September 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the State Aid Road Fund and the aggregate remaining fund information of Webster County, Mississippi, as of September 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 6, 2011, on our consideration of Webster 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.

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

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

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive, slightly slanted style.

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

July 6, 2011

WEBSTER COUNTY

FINANCIAL STATEMENTS

WEBSTER COUNTY

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WEBSTER COUNTY
Statement of Net Assets
September 30, 2009

Exhibit 1

	Primary Government <u>Governmental Activities</u>
ASSETS	
Cash	\$ 1,506,170
Property tax receivable	3,257,092
Fines receivable (net of allowance for uncollectibles of \$1,075,422)	209,829
Accounts receivable (net of allowance for uncollectibles of \$403,849)	115,912
Loans receivable (net of allowance for uncollectibles of \$352,706) (see note 6)	0
Intergovernmental receivables	100,056
Other receivables	51,911
Capital assets:	
Land	131,290
Other capital assets, net	5,094,719
Total Assets	<u>10,466,979</u>
LIABILITIES	
Claims payable	133,451
Intergovernmental payables	66,624
Accrued interest payable	13,589
Deferred revenue	3,257,092
Other payables	29,438
Long-term liabilities	
Due within one year:	
Capital debt	302,146
Non-capital debt	293,114
Due in more than one year:	
Capital debt	936,801
Non-capital debt	127,300
Total Liabilities	<u>5,159,555</u>
NET ASSETS	
Invested in capital assets, net of related debt	3,987,062
Restricted:	
Expendable:	
General government	45,383
Debt service	16,035
Public safety	61,853
Public works	1,193,290
Health and welfare	243
Economic development	530
Unrestricted	3,028
Total Net Assets	<u>\$ 5,307,424</u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,818,193	167,507	60,875		(1,589,811)
Public safety	995,440	214,900	151,617	6,000	(622,923)
Public works	4,083,209	314,295	2,751,576		(1,017,338)
Health and welfare	137,061		56,728		(80,333)
Culture and recreation	61,239				(61,239)
Conservation of natural resources	44,789				(44,789)
Economic development and assistance	391,706				(391,706)
Interest on long-term debt	70,643				(70,643)
Total Governmental Activities	<u>7,602,280</u>	<u>696,702</u>	<u>3,020,796</u>	<u>6,000</u>	<u>(3,878,782)</u>
General revenues:					
Property taxes				\$	3,172,801
Road & bridge privilege taxes					125,444
Grants and contributions not restricted to specific programs					217,644
Unrestricted interest income					46,152
Miscellaneous					<u>37,358</u>
Total General Revenues					<u>3,599,399</u>
Changes in Net Assets					(279,383)
Net Assets - Beginning					5,585,307
Prior period adjustment					<u>1,500</u>
Net Assets - Beginning, as restated					<u>5,586,807</u>
Net Assets - Ending				\$	<u><u>5,307,424</u></u>

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

WEBSTER COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	State Aid Road Fund		
ASSETS				
Cash	\$ 423,062	65,888	1,017,220	1,506,170
Property tax receivable	1,953,148		1,303,944	3,257,092
Fines receivable (net of allowance for uncollectibles of \$1,075,422)	209,829			209,829
Accounts receivable (net of allowance for uncollectibles of \$403,849)			115,912	115,912
Loans receivable (net of allowance for uncollectibles of \$352,706) (see note 6)			0	0
Intergovernmental receivables	45,623	50,162	4,271	100,056
Other receivables	9,479		42,432	51,911
Due from other funds			34,734	34,734
Advances to other funds			78,000	78,000
Total Assets	\$ 2,641,141	116,050	2,596,513	5,353,704
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 54,527	50,162	28,762	133,451
Intergovernmental payables	66,624			66,624
Due to other funds	34,734			34,734
Advances from other funds	78,000			78,000
Deferred revenue	2,162,977		1,419,856	3,582,833
Other payables	29,438			29,438
Total Liabilities	2,426,300	50,162	1,448,618	3,925,080
Fund balances:				
Reserved for:				
Advances			78,000	78,000
Debt Service			29,624	29,624
Unreserved - undesignated, reported in:				
General Fund	214,841			214,841
Special Revenue Funds		65,888	1,081,313	1,147,201
Debt Service Funds			(41,042)	(41,042)
Total Fund Balances	214,841	65,888	1,147,895	1,428,624
Total Liabilities and Fund Balances	\$ 2,641,141	116,050	2,596,513	5,353,704

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

WEBSTER 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	\$ 1,428,624
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$3,552,122.	5,226,009
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable, net of allowance for doubtful accounts \$1,075,422	209,829
Accounts receivable, net of allowance for doubtful accounts \$403,849	115,912
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,659,361)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(13,589)</u>
Total Net Assets - Governmental Activities	\$ <u><u>5,307,424</u></u>

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

WEBSTER COUNTY

Exhibit 4

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

	Major Funds			Total Governmental Funds
	General Fund	State Aid Road Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 2,050,381		1,122,420	3,172,801
Road and bridge privilege taxes			125,444	125,444
Licenses, commissions and other revenue	97,219		9,535	106,754
Fines and forfeitures	131,515		562	132,077
Intergovernmental revenues	277,349	2,373,582	585,709	3,236,640
Charges for services	51,982		420,772	472,754
Interest income	40,154	298	5,700	46,152
Miscellaneous revenues	31,891		5,467	37,358
Total Revenues	<u>2,680,491</u>	<u>2,373,880</u>	<u>2,275,609</u>	<u>7,329,980</u>
EXPENDITURES				
Current:				
General government	1,636,665		144,893	1,781,558
Public safety	690,162		293,161	983,323
Public works		2,345,990	1,499,079	3,845,069
Health and welfare	91,827		45,234	137,061
Culture and recreation	56,039		5,200	61,239
Conservation of natural resources	44,789			44,789
Economic development and assistance	39,000		352,706	391,706
Debt service:				
Principal	16,074		360,738	376,812
Interest	1,271		61,688	62,959
Total Expenditures	<u>2,575,827</u>	<u>2,345,990</u>	<u>2,762,699</u>	<u>7,684,516</u>
Excess of Revenues over (under) Expenditures	<u>104,664</u>	<u>27,890</u>	<u>(487,090)</u>	<u>(354,536)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	43,472		132,359	175,831
Proceeds from sale of capital assets			7,835	7,835
Transfers in	92,187		107,778	199,965
Transfers out			(199,965)	(199,965)
Total Other Financing Sources and Uses	<u>135,659</u>	<u>0</u>	<u>48,007</u>	<u>183,666</u>
Net Changes in Fund Balances	240,323	27,890	(439,083)	(170,870)
Fund Balances - Beginning	31,296	37,998	1,530,200	1,599,494
Prior period adjustments	(56,778)		56,778	
Fund Balances - Beginning, as restated	<u>(25,482)</u>	<u>37,998</u>	<u>1,586,978</u>	<u>1,599,494</u>
Fund Balances - Ending	\$ <u>214,841</u>	<u>65,888</u>	<u>1,147,895</u>	<u>1,428,624</u>

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

WEBSTER 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	\$ (170,870)
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 \$333,058 exceeded capital outlays of \$58,317 in the current period.	(274,741)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$2,361 and the proceeds from the sale of \$7,835 in the current period.	(10,196)
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.	5,813
Solid waste 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.	(12,895)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$376,812 exceeded debt proceeds of \$175,831.	200,981
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Increase in accrued interest payable	(7,684)
Increase in compensated absences	<u>(9,791)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(279,383)</u></u>

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

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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 90,177
Other receivables	<u>22,589</u>
Total Assets	<u><u>\$ 112,766</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 14,335
Other liabilities	85,092
Intergovernmental payables	<u>13,339</u>
Total Liabilities	<u><u>\$ 112,766</u></u>

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

WEBSTER COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Webster 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 Webster County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component unit which has a significant operational or financial relationship with the county. Accordingly, the financial statements do not include the data of this component unit necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Webster County Development Council

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

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

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues

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

WEBSTER COUNTY

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental Funds:

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

State Aid Road Fund - This fund is used to account for monies from specific revenue sources that are restricted for state aid road projects.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND 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.

WEBSTER COUNTY

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Webster 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.

WEBSTER COUNTY

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

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. 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
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws 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.

WEBSTER COUNTY

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct principal balance of loan overstated in prior year.	\$ 1,500

WEBSTER COUNTY

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

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

<u>Explanation</u>	<u>Amount</u>
To move funds to Other Governmental funds.	\$ 56,778
To move funds from General Fund.	(56,778)
To record advances to other funds from prior year.	20,000
To record advances from other funds from prior year.	<u>(20,000)</u>
Total prior period adjustments	<u>\$ 0</u>

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$1,596,347, and the bank balance was \$1,865,417. 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.

(4) 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>
Other Governmental Funds	General	\$ <u>34,734</u>

The receivables 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.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ <u>78,000</u>

The amount payable to the other governmental funds represents loans made in prior years to cover deficits in the General Fund.

WEBSTER COUNTY

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 92,187
Other Governmental Funds	Other Governmental Funds	107,778
Total		<u>\$ 199,965</u>

The principal purposes of transfers to the General Fund were to transfer \$54,814 from Reappraisal Maintenance Fund for operating expenses and to close bond accounts. Bond proceeds of \$80,628 were transferred to debt service funds. Road maintenance districts transferred \$27,150 to Blacktop Fund for operating costs. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 35,128
Motor vehicle licenses	7,780
State aid road reimbursement	50,162
Other	6,986
Total Governmental Activities	<u>\$ 100,056</u>

(6) Loans Receivable.

Loans receivable balance at September 30, 2009, is as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Front Line Apparel Group	Sep-06	3.00%	Nov-09	\$ 352,706
Allowance for doubtful loan				(352,706)
Total Loans Receivable				<u>\$ -0-</u>

The Front Line Apparel Group defaulted on the loan.

WEBSTER COUNTY

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

(7) 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	\$ 131,290				131,290
Total non-depreciable capital assets	131,290	0	0	0	131,290
<u>Depreciable capital assets:</u>					
Infrastructure	2,480,306				2,480,306
Buildings	2,101,700				2,101,700
Mobile equipment	2,673,846	14,845	36,474	85,020	2,737,237
Furniture and equipment	175,073		29,348	6,518	152,243
Leased property under capital leases	1,223,421	43,472		(91,538)	1,175,355
Total depreciable capital assets	8,654,346	58,317	65,822	0	8,646,841
<u>Less accumulated depreciation for:</u>					
Infrastructure	198,797	49,581			248,378
Buildings	479,132	40,834			519,966
Mobile equipment	2,153,483	115,360	26,572	59,513	2,301,784
Furniture and equipment	153,133	7,151	29,054	4,693	135,923
Leased property under capital leases	290,145	120,132		(64,206)	346,071
Total accumulated depreciation	3,274,690	333,058	55,626	0	3,552,122
Total depreciable capital assets, net	5,379,656	(274,741)	10,196	0	5,094,719
Governmental activities capital assets, net	\$ 5,510,946	(274,741)	10,196	0	5,226,009

* Adjustments were made to reclassify leased property under capital leases that were paid off to mobile equipment and furniture and equipment.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 48,724
Public safety	47,694
Public works	236,640
Total governmental activities depreciation expense	\$ 333,058

WEBSTER COUNTY

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

(8) Claims and Judgments.

Risk Financing.

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

(9) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,149,966
Furniture and equipment	<u>25,389</u>
Total	1,175,355
Less: Accumulated depreciation	<u>346,071</u>
Leased Property Under Capital Leases	<u><u>\$ 829,284</u></u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 232,146	27,904
2011	153,888	21,168
2012	394,979	12,556
2013	<u>12,934</u>	<u>113</u>
Total	<u><u>\$ 793,947</u></u>	<u><u>61,741</u></u>

WEBSTER 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:			
1999 bridge bonds	\$ 205,000	4.70%	5-2014
1999 road equipment bonds	240,000	5.20%	11-2014
Total General Obligation Bonds	\$ 445,000		
B. Capital Leases:			
Three (3) trucks	\$ 30,634	3.98%	12-2012
Mack truck	73,423	4.35%	12-2011
2005 Ford Crown Victoria - Sheriff	2,109	3.39%	3-2010
2006 Ford Crown Victoria - Sheriff	7,962	4.04%	4-2011
Motor grader	79,604	4.05%	5-2010
Mowers	6,149	4.05%	4-2010
Motor grader	141,447	4.32%	11-2011
Tractor/bushhog	26,337	4.64%	8-2012
Three (3) Mack dump trucks	282,705	3.98%	4-2012
2009 Ford Crown Victoria - Sheriff	22,677	3.44%	5-2013
IBM E-server computer system	14,842	3.39%	1-2012
Case motor grader	70,058	3.39%	1-2013
Pot hole patcher	36,000	3.44%	10-2012
Total Capital Leases	\$ 793,947		
C. Other Loan:			
Front Line Apparel MDA Loan	\$ 351,333	3.00%	11-2011

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	\$ 70,000	21,205	293,114	10,900
2011	75,000	17,740	58,219	584
2012	80,000	13,910		
2013	85,000	9,950		
2014	90,000	5,625		
2015 – 2019	45,000	1,170		
Total	\$ 445,000	69,600	351,333	11,484

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

WEBSTER COUNTY

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

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 less than 1% 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	\$ 59,290	9,791			69,081	
General obligation bonds	515,000		70,000		445,000	70,000
Capital leases	912,786	175,831	294,670		793,947	232,146
Other loans	364,975		12,142	(1,500)	351,333	293,114
Total	<u>\$ 1,852,051</u>	<u>185,622</u>	<u>376,812</u>	<u>(1,500)</u>	<u>1,659,361</u>	<u>595,260</u>

* To correct error in prior year

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Funds, Bridge Funds, Reappraisal Fund and Emergency Preparedness (E911) Fund.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2009:

<u>Fund</u>	<u>Deficit Amount</u>
Confiscated Drug Money Fund	\$ 1,292
Solid Waste System Fund	125,556
Unemployment Fund	2,899
2000 Equipment Bond Fund	41,042

(12) Contingencies.

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

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

WEBSTER COUNTY

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

(13) Joint Venture.

The county participates in the following joint venture:

Webster County is a participant with the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha and Winston and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created for waste management purposes and is governed by 38 board members. No one primary government appoints a majority of the Authority's board members. Webster County did not appropriate any funds to the organization in the fiscal year 2009. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Webster County Board of Supervisors appoints two of the 22 members of the board of trustees. The county appropriated \$107,824 for maintenance and support of the college in fiscal year 2009.

The Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$24,000 for the district in fiscal year 2009.

Tombigbee Regional Library System provides services for the Counties of Choctaw, Clay, Monroe and Webster. The Webster County Board of Supervisors appoints one of the five members of the board of directors. The county appropriated \$36,500 for maintenance and support of the system in fiscal year 2009.

The Mississippi Regional Housing Authority IV operates in a district composed of the Counties of Carroll, Choctaw, Clay, Grenada, Lowndes, Montgomery, Oktibbeha, Webster and Winston. The Choctaw County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$15,167 for support of the agency in fiscal year 2009.

Prairie Opportunity, Inc. operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints one of the 21 members of the board of directors. The other 14 board members are not appointed by the counties. Most of the funding for the district is derived from federal funds, and the county provides a modest amount of financial support when matching funds are required for federal grants.

(15) Defined Benefit Pension Plan.

Plan Description. Webster 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.

WEBSTER COUNTY

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

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 \$174,183, \$158,790 and \$150,164, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Subsequent to September 30, 2009, the county issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/19/2009	3.44%	\$ 18,054	Capital lease	Ad valorem taxes
02/01/2010	3.25%	97,356	Capital lease	Ad valorem taxes
03/15/2010	3.44%	17,724	Capital lease	Ad valorem taxes
05/17/2010	3.55%	70,000	Capital lease	Ad valorem taxes
05/28/2010	3.55%	23,500	Capital lease	Ad valorem taxes

On June 14, 2010, Webster County received notification from the Mississippi Development Authority that based on the county's good faith attempts to secure repayment of the Front Line Apparel Group Loan, the Mississippi Development Authority does not expect Webster County to continue collection efforts on this loan. The Mississippi Development Authority subsequently approved the closeout of this project on January 19, 2011.

WEBSTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WEBSTER 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	\$ 2,100,676	2,053,793	2,053,793	
Road and bridge privilege taxes	300			
Licenses, commissions and other revenue	81,595	97,698	97,698	
Fines and forfeitures	135,500	128,530	128,530	
Intergovernmental revenues	453,000	419,308	419,308	
Charges for services	19,000	72,182	72,182	
Interest income	25,000	45,854	45,854	
Miscellaneous revenues	41,900	69,702	69,702	
Total Revenues	<u>2,856,971</u>	<u>2,887,067</u>	<u>2,887,067</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	1,857,445	1,796,107	1,796,107	
Public safety	618,613	652,850	652,850	
Health and welfare	42,774	43,039	43,039	
Culture and recreation	550	374	374	
Conservation of natural resources	196,600	192,972	192,972	
Total Expenditures	<u>2,715,982</u>	<u>2,685,342</u>	<u>2,685,342</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>140,989</u>	<u>201,725</u>	<u>201,725</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in		157,187	157,187	
Transfers out		(165,000)	(165,000)	
Total Other Financing Sources and Uses	<u>0</u>	<u>(7,813)</u>	<u>(7,813)</u>	<u>0</u>
Net Change in Fund Balance	140,989	193,912	193,912	
Fund Balances - Beginning	(13,576)	94,979	94,979	
Fund Balances - Ending	<u>\$ 127,413</u>	<u>288,891</u>	<u>288,891</u>	<u>0</u>

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

WEBSTER COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 State Aid Road
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 43,827	235,820	235,820	
Interest income	400	298	298	
Miscellaneous revenues	17,000	17,000	17,000	
Total Revenues	<u>61,227</u>	<u>253,118</u>	<u>253,118</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	50,000	358,228	358,228	
Total Expenditures	<u>50,000</u>	<u>358,228</u>	<u>358,228</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>11,227</u>	<u>(105,110)</u>	<u>(105,110)</u>	<u>0</u>
Net Change in Fund Balance	11,227	(105,110)	(105,110)	
Fund Balances - Beginning	<u>5,282</u>	<u>20,998</u>	<u>20,998</u>	
Fund Balances - Ending	<u>\$ 16,509</u>	<u>(84,112)</u>	<u>(84,112)</u>	<u>0</u>

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

WEBSTER COUNTY

Notes to 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 the major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	State Aid Road Fund
Budget (Cash Basis)	\$ 193,912	(105,110)
Increase (Decrease)		
Net adjustments for revenue accruals	(14,535)	(99,922)
Net adjustments for expenditure accruals	60,946	232,922
GAAP Basis	\$ 240,323	27,890

WEBSTER COUNTY

SPECIAL REPORTS

WEBSTER 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
Webster County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster 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 July 6, 2011. Our report includes an adverse opinion on the aggregate discretely presented component unit due to the omission of the discretely presented component unit which is required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. Our report includes a qualified opinion on the General Fund because the county did not properly maintain subsidiary records documenting fines receivable and the aging of these fines receivable. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Webster 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, 09-4, 09-5, 09-6, 09-7, 09-8, 09-9, and 09-10 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 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, 09-3, 09-4, 09-5, 09-6, 09-8, 09-9, and 09-10 to be material weaknesses.

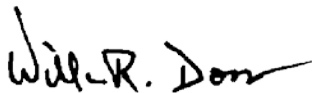
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as items 09-3 and 09-10.

We also noted certain instances of noncompliance which we have reported to the management of Webster County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated July 6, 2011, included within this document.

Webster County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Webster 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

July 6, 2011



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
Webster County, Mississippi

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

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

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Sheriff.

Finding

Section 31-7-103, Miss. Code Ann. (1972) requires a purchase requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972). As reported in the prior year's audit report, we noted in reading the minutes of the Board of Supervisors that two purchases were made by the Sheriff's office that deviated from the system prescribed by the above noted state law but were approved for payment anyway. The Sheriff did not complete the purchase requisitions or obtain purchase orders that are required before purchases can be made.

Noncompliance with Section 31-7-103, Miss. Code Ann. (1972), could result in unallowable purchases.

Recommendation

The Sheriff should comply with Section 31-7-103, Miss. Code Ann. (1972), by completing the required purchase requisitions and obtaining purchase orders before purchases are made.

Sheriff's Response

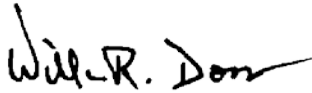
It was an oversight in not getting these two purchase requisitions preapproved by the board.

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

Webster County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating the central purchasing system and inventory control system of Webster 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.



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

July 6, 2011

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

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
10/07/2008	Limestone	\$ 26 per ton	APAC, Inc	\$ 19 per ton	The low bidder was unable to provide the limestone.
01/07/2009	Gas Diesel	1.6603 per gallon 1.9075 per gallon	Johnson Oil Company	1.4180 per gallon 1.8660 per gallon	The low bidder did not have no-lead fuel and they only had bio-diesel which would void the warranties on the new Mack trucks if used.

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

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

WEBSTER 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
Webster County, Mississippi

In planning and performing our audit of the financial statements of Webster County, Mississippi for the year ended September 30, 2009, we considered Webster 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 Webster 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 July 6, 2011, on the financial statements of Webster 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 immaterial instances of noncompliance with state laws and regulations 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 19-11-11, Miss. Code Ann. (1972) requires the board of supervisors to approve and adopt the budget and enter the same at length and in detail in its official minutes. The original approved budget for the fiscal year ended September 30, 2009, was not recorded in the board minutes. Noncompliance with Section 19-11-11, Miss. Code Ann. (1972), could result in the county spending funds in a manner not consistent with the budget approved by the board.

Recommendation

The Board of Supervisors should record the adopted budget in detail in the board minutes, as required by law.

Board of Supervisors' Response

In the future we will include adopted budget in board minutes.

2. Finding

Section 71-5-359 (5), Miss. Code Ann. (1972), requires the political subdivision to keep a balance of not less than two percent of the covered wages paid during the preceding year in an unemployment fund. Webster County's unemployment compensation trust fund has a deficit cash balance of \$2,899 at September 30, 2009. The minimum required balance at September 30, 2009 is \$14,880. The funds were not transferred to the Unemployment Compensation Fund during the year. The county is not in compliance with the state law and may not have the funds available to remit unemployment compensation funds to the State when requested.

Recommendation

The Board of Supervisors should ensure that unemployment compensation funds be transferred to the Unemployment Compensation Fund on a monthly basis to maintain the minimum balance required.

Board of Supervisors' Response

We will to the best of our ability make transfers to the Unemployment Compensation fund on a monthly basis to maintain the minimum balance required.

Tax Collector.

3. Finding

Section 27-19-63(4), Miss. Code Ann. (1972), assesses penalties at the rate of five percent for the first fifteen days of delinquency, or part thereof, and five percent for each additional thirty-day period of delinquency, or part thereof, not to exceed a maximum penalty of 25% for motor vehicle taxes. The Tax Collector did not collect penalties at the statutory rate of five percent as assessed by law for the late payment of motor vehicle taxes for some of the receipts tested. Failure to charge interest on delinquent taxes decreases revenue received by the county.

Recommendation

The Tax Collector should collect the five percent interest as assessed on delinquent taxes by state law.

Tax Collector's Response

I will in the future comply to the best of my ability.

4. Finding

Section 27-41-9, Miss. Code Ann. (1972), requires the tax payer to pay interest on ad valorem taxes not paid when due at the rate of one percent per month or fractional part thereof, from February 1 to the date of payment. The Tax Collector did not collect interest for each month or fractional part thereof for some receipts tested where property taxes were not paid when due. The failure to collect the correct interest on delinquent taxes decreases revenue received by the county.

Recommendation

The Tax Collector should collect interest on late payment of taxes or document that the postmark date was prior to February 1.

Tax Collector's Response

I will in the future comply to the best of my ability.

Sheriff.

5. Finding

Section 27-105-371, Miss. Code Ann. (1972) states all county officials who receive funds under the authority of their office shall deposit such funds into a county depository. Unidentified funds found by the county auditor or the State Auditor in the county depository shall be settled into the General Fund of the county within thirty (30) days of the determination. As reported in the prior year's audit report, the Sheriff's office had \$3,423 of unsettled funds. Noncompliance with Section 27-105-371, Miss. Code Ann. (1972), could result in improper use of county funds.

Recommendation

The Sheriff should comply with Section 27-105-371, Miss. Code Ann. (1972), and settle the unidentified funds into the General Fund of the county.

Sheriff's Response

We will settle by writing a check to the General Fund of Webster County to clear balance of account. We will comply just as soon as the bank clears up charges that occurred on this account that were not supposed to be on this account.

6. Finding

Section 45-6-3(d), Miss. Code Ann. (1972) requires that compensation for part time law enforcement officers be less than \$250 per week or \$1,075 per month. As reported in the prior year's audit report, two part time deputies were overpaid. For the fiscal year ending September 30, 2009, the amount of the overpayment was \$9,095. Noncompliance with Section 45-6-3(d), Miss. Code Ann. (1972), could result in part time law enforcement officers being overpaid.

Recommendation

The Sheriff should comply with Section 45-6-3, Miss. Code Ann. (1972), by paying part time enforcement officer less than \$250 per week or \$1,075 per month as required.

Sheriff's Response

In emergency situations where we only have three full time officers we sometimes have to use part time officers. I will do my best to correct the overtime hours to overtime pay for part time officers.

7. Finding

Section 27-105-371, Miss. Code Ann. (1972), requires all county officials who receive funds under the authority of their office to deposit such funds into a county depository. During audit test work it was noted that the Sheriff was not using the county depository to deposit funds. Failure to deposit funds in the county depository could result in the loss of public funds.

Recommendation

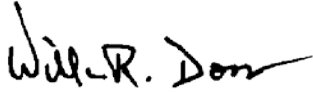
The Sheriff should ensure that all funds received by his office are deposited into the county depository.

Sheriff's Response

We will move our checking account to the approved county depository.

Webster 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.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

July 6, 2011

WEBSTER COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

WEBSTER COUNTY

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Section 1: Summary of Auditor’s Results

Financial Statements:

1.	Type of auditor’s report issued on the financial statements:	
	Governmental activities	Unqualified
	Aggregate discretely presented component unit	Adverse
	General Fund	Qualified
	State Aid Road Fund	Unqualified
	Aggregate remaining fund information	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?	Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency – Material Weakness

09-1. Finding

Generally accepted accounting principles require the financial data of the county’s component unit to be reported with the financial data of the county’s primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component unit. The financial statements do not include the financial data for the county’s legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

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

Board of Supervisors’ Response

The Board of Supervisors feels the cost to provide audited financial statements of the component unit would exceed the benefit of complying with GAAP.

WEBSTER COUNTY

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

Significant Deficiency – Material Weakness

09-2. Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include the proper accrual of expenditures, proper classification of revenues and expenditures/expenses and proper allowances in the financial statements. We noted the following deficiencies in the financial statement preparation and reporting:

- a. The accrued payroll liability and other receivables in the Agency Funds were overstated by \$1,185,297 in the financial statements.
- b. Payroll for the Sheriff's Department in the amount of \$22,066 was not accrued at September 30, 2009.
- c. Interfund transfers totaling \$162,592 and advances totaling \$20,000 were erroneously eliminated in the financial statements.
- d. The compensated absences liability was understated by \$11,273 in the financial statements.
- e. Assets and liabilities in the Agency Funds were understated by \$7,860 in the financial statements due to two checks in the Court Assessment Fund being processed at an incorrect amount.
- f. An allowance for doubtful accounts in the amount of \$352,706 was not recorded in the financial statements for an uncollectible loans receivable.
- g. State revenues in the amount of \$27,809 were erroneously classified as miscellaneous revenue.
- h. Expenditures in the amount of \$146,432 were erroneously recorded and reported as conservation of natural resources instead of economic development.
- i. Road and bridge privilege damages in the amount of \$1,307 were erroneously posted to the General Fund instead of the road maintenance funds.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval.

Failure to properly accrue expenditures, to properly classify revenues and expenditures/expenses and to establish allowance accounts for uncollectible loans could result in material misstatements in the financial statements.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes the proper accrual of expenditures, proper classification of revenues and expenditures and proper allowances in the financial statements.

Board of Supervisors' Response

The Board of Supervisors will implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the proper accrual of expenditures, proper classification of revenues and expenditures and proper allowances in the financial statements.

WEBSTER COUNTY

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

Chancery Clerk.

Significant Deficiency – Material Weakness
Material Noncompliance

09-3. Finding

Section 19-13-43, Miss. Code Ann. (1972) prohibits warrants from being signed or delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior thirteen years' audit reports, checks were written on county funds which did not have sufficient cash balances. We noted the Confiscated Drug Money Fund had a negative cash balance of \$1,292, the Solid Waste Fund had a negative cash balance of \$144,932, the Unemployment Compensation Fund had a negative cash balance of \$2,899, the 2000 Equipment Bond Fund had a negative cash balance of \$41,733, and the Mississippi Burn Center Fund had a negative cash balance of \$53 at September 30, 2009. Failure to have sufficient cash balances in county funds prior to issuing checks, results in other funds' cash being used for purposes other than their intended purposes.

Recommendation

The Chancery Clerk should ensure that no checks are written on a fund when cash is not available in that fund, as required by law.

Chancery Clerk's Response

I will try to the best of my ability to ensure that no checks are written on funds when cash is not available.

Tax Collector.

Significant Deficiency – Material Weakness

09-4. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and disbursement functions in the Tax Collector's office are not adequately separated for effective internal control. The Tax Collector prepares deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Tax Collector should implement a system for review of the accounting records by another person.

Tax Collector's Response

Our county is a small county and therefore we only have a limited amount of funds to hire extra personnel. I will have this checked from now on and will do my best in the future to be in compliance with this issue.

WEBSTER COUNTY

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

Circuit Clerk.

Significant Deficiency – Material Weakness

09 - 5. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and disbursement functions in the Circuit Clerk's office are not adequately separated for effective internal control. One deputy circuit clerk posts the cash journal, calculates the monthly settlements and disburses the funds and reconciles the bank statements. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person.

Circuit Clerk's Response

Circuit Clerk will sign all checks and sign off on the bottom of the cash journal. The civil and criminal cash journal is checked each month personally by the Circuit Clerk, but in the future the checks will be signed by me and I will place my signature at the bottom of the page each month.

Significant Deficiency – Material Weakness

09-6. Finding

An effective system of internal control over the accounting of fines receivable should include maintaining an accurate schedule of fines due to the county. The Circuit Clerk's aging schedule of fines receivable should only include Circuit Court fines due to the county. The aging schedule of the Circuit Clerk's fines receivable included fees, state assessments and restitution along with Circuit Court fines. The inclusion of these fees and assessments in the fines receivable aging schedule could materially misstate the fines receivable amount that is reported in the county's financial statements. Therefore, the Independent Auditor's Report is qualified on the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Circuit Court fines receivable, net.

Recommendation

The Circuit Clerk should ensure that only fines are reflected in the account balances shown on the aging schedule of fines receivable.

Circuit Clerk's Response

In process of computer software that will break this information down.

Significant Deficiency

09-7. Finding

An effective system of internal control should include timely deposits of collections into the bank. Deposits were made once a month. Failure to make timely deposits could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that deposits are made on a timely basis.

WEBSTER COUNTY

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

Circuit Clerk's Response

Circuit Clerk will make weekly deposits.

Justice Court Clerk.

Significant Deficiency – Material Weakness

09-8. Finding

An effective system of internal control should include an adequate separation of duties. Cash collection and disbursement functions in the Justice Court office are not adequately separated for effective internal control. Both Justice Court Clerks are involved in preparing deposits, calculating the monthly settlements, reconciling the bank statements and disbursing funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Justice Court Clerk's should implement a system for review of the accounting records by another person.

Justice Court Clerk's Response

We would ask the Board of Supervisors to hire someone to come in and check the bank statements, deposits and monthly settlements.

Significant Deficiency – Material Weakness

09-9. Finding

An effective system of internal control over the accounting of fines receivable should include maintaining an accurate schedule of fines due to the county. The Justice Court Clerk's aging schedule of fines receivable should only include Justice Court fines due to the county. The aging schedule of the Justice Court Clerk's fines receivable included clerk's fees and state assessments along with Justice Court fines. The inclusion of these fees and assessments in the fines receivable aging schedule could materially misstate the fines receivable amount that is reported in the county's financial statements. Therefore, the Independent Auditor's Report is qualified on the General Fund because we were not able to satisfy ourselves as to the fair presentation of Justice Court fines receivable, net.

Recommendation

The Justice Court Clerk should ensure that only fines are reflected in the account balances shown on the aging schedule of fines receivable.

Justice Court Clerk's Response

We suggest that the Board of Supervisor's contact Data System and have Data System look into correcting the problem in the system.

WEBSTER COUNTY

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

Board of Supervisors.

Significant Deficiency – Material Weakness
Material Noncompliance

09-10 Finding

Section 19-9-9, Miss. Code Ann. (1972), requires the Board of Supervisors to levy sufficient taxes annually to provide for the payment of principal and interest on bonds. As reported in the prior year's audit report, the tax levies approved by the Board of Supervisors were not sufficient to provide for the annual payment of principal and interest on the bonds. An interfund transfer was made from the special revenue bond proceeds fund to provide sufficient funds to pay the 1999 Bridge Bonds principal and interest and the 1999 Road Equipment Bonds sustained a deficit cash balance to pay the principal and interest due. Failure to levy sufficient taxes annually could cause deficit fund balances and the diversion of county funds.

Recommendation

The Board of Supervisors should increase the levies for the bonds to provide sufficient funds to pay the annual obligations.

Board of Supervisors' Response

The Board of Supervisors will increase the levies for the bonds to provide sufficient funds to pay the annual obligations.