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**WINSTON COUNTY, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

WINSTON COUNTY

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**WINSTON COUNTY**

**FINANCIAL SECTION**



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

Members of the Board of Supervisors  
Winston County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of and for the year ended September 30, 2007, 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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Winston County, Mississippi, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, 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 August 29, 2008, on our consideration of Winston County, Mississippi's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Winston County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Watkins, Ward and Stafford, PLLC  
August 29, 2008

*Watkins, Ward and Stafford, PLLC*

**WINSTON COUNTY**

**FINANCIAL STATEMENTS**

WINSTON COUNTY  
Statement of Net Assets  
September 30, 2007

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 8,797,258	2,854,506	11,651,764
Investments	3,816,240		3,816,240
Property tax receivable	3,472,879		3,472,879
Accounts receivable (net of allowance for uncollectibles of \$626,879)		111,851	111,851
Fines receivable (net of allowance for uncollectibles of \$823,945)	151,872		151,872
Loans receivable	630,306		630,306
Intergovernmental receivables	153,764	289,578	443,342
Other receivables	92,608	6,835	99,443
Internal balances	349,032	(297,019)	52,013
Restricted assets	49,300		49,300
Land and construction in progress	891,981	54,000	945,981
Other capital assets, net	19,776,347	4,456,884	24,233,231
<b>Total Assets</b>	<b>38,181,587</b>	<b>7,476,635</b>	<b>45,658,222</b>
<b>LIABILITIES</b>			
Claims payable	478,073	166,072	644,145
Intergovernmental payables	114,830		114,830
Accrued interest payable	80,213	67,354	147,567
Deferred revenue	3,472,879		3,472,879
Unearned revenue	74		74
Other payables	59,731		59,731
Long-term liabilities			
Due within one year:			
Capital debt	227,315	326,696	554,011
Non-capital debt	529,312		529,312
Due in more than one year:			
Capital debt	878,940	3,829,074	4,708,014
Non-capital debt	3,947,737	25,560	3,973,297
<b>Total Liabilities</b>	<b>9,789,104</b>	<b>4,414,756</b>	<b>14,203,860</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19,562,073	355,114	19,917,187
Restricted:			
Expendable:			
General government	380,384		380,384
Debt service	4,367,797	309,021	4,676,818
Public safety	378,334	2,218,952	2,597,286
Public works	1,962,544	178,792	2,141,336
Economic development	524,863		524,863
Unemployment compensation	29,039		29,039
Other purposes	49,300		49,300
Unrestricted	1,138,149		1,138,149
<b>Total Net Assets</b>	<b>\$ 28,392,483</b>	<b>3,061,879</b>	<b>31,454,362</b>

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 2,262,740	506,875	708,537	15,700	(1,740,165)	488,527	(1,740,165)
Public safety	1,498,105	392,417	357,003	100,149	(297,002)	(140,962)	(297,002)
Public works	2,375,529		25,118	353,174	(1,665,352)	347,565	(1,665,352)
Health and welfare	118,710				(93,592)		(93,592)
Culture and recreation	144,543		75,432		(144,543)		(144,543)
Education	110,432				(35,000)		(35,000)
Conservation of natural resources	95,592				(95,592)		(95,592)
Economic development and assistance	191,164				(191,164)		(191,164)
Interest on long-term debt	278,931				(278,931)		(278,931)
Total Governmental Activities	7,075,746	899,292	1,166,090	468,023	(4,541,341)	488,527	(4,541,341)
<b>Business-type activities:</b>							
Correctional Facility	2,634,519	3,117,933	5,113			488,527	488,527
Solid waste	520,583	379,621				(140,962)	(140,962)
Total Business-type Activities	3,155,102	3,497,554	5,113	0		347,565	347,565
<b>Total Primary Government</b>	<b>\$ 10,230,848</b>	<b>4,396,846</b>	<b>1,171,203</b>	<b>468,023</b>	<b>(4,541,341)</b>	<b>347,565</b>	<b>(4,193,776)</b>
<b>General revenues:</b>							
Property taxes					\$ 3,460,806		3,460,806
Road & bridge privilege taxes					217,420		217,420
Grants and contributions not restricted to specific programs					552,044		552,044
Unrestricted interest income					653,738	109,892	763,630
Miscellaneous					481,935	64,052	525,987
Transfers					(99,563)	99,563	0
Total General Revenues, Special Item, Extraordinary Item and Transfers					5,246,380	273,507	5,519,887
Changes in Net Assets					705,039	621,072	1,326,111
Net Assets - Beginning					27,738,985	2,387,719	30,126,704
Prior period adjustments					(51,541)	53,088	1,547
Net Assets - Beginning, as restated					27,687,444	2,440,807	30,128,251
Net Assets - Ending					\$ 28,392,483	3,061,879	31,454,362

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

WINSTON COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2007

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Children's Treatment Center Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 5,448,490	1	3,348,767	8,797,258
Investments		3,816,240		3,816,240
Property tax receivable	2,609,749		863,130	3,472,879
Fines receivable (net of allowance for uncollectibles of \$823,945)	151,872			151,872
Loans receivable			630,306	630,306
Intergovernmental receivables	118,579		35,185	153,764
Other receivables	5,441		87,167	92,608
Due from other funds	116,356		35,390	151,746
Advances to other funds	251,974			251,974
Restricted assets			49,300	49,300
Total Assets	\$ <u>8,702,461</u>	<u>3,816,241</u>	<u>5,049,245</u>	<u>17,567,947</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Claims payable	\$ 258,759		194,050	452,809
Intergovernmental payables	114,830			114,830
Due to other funds	42,914			42,914
Advances from other funds			11,775	11,775
Deferred revenue	2,761,621		863,130	3,624,751
Unearned revenue			74	74
Other payables	50,256		9,475	59,731
Total Liabilities	<u>3,228,380</u>	<u>0</u>	<u>1,078,504</u>	<u>4,306,884</u>
<b>Fund balances:</b>				
<b>Reserved for:</b>				
Debt service		3,816,241		3,816,241
Loans receivable			630,306	630,306
Advances	251,974			251,974
Unemployment compensation			29,039	29,039
Other			49,300	49,300
<b>Unreserved - undesignated, reported in:</b>				
General Fund	5,222,107			5,222,107
Special Revenue Funds			3,260,633	3,260,633
Debt Service Funds			1,463	1,463
Total Fund Balances	<u>5,474,081</u>	<u>3,816,241</u>	<u>3,970,741</u>	<u>13,261,063</u>
Total Liabilities and Fund Balances	\$ <u>8,702,461</u>	<u>3,816,241</u>	<u>5,049,245</u>	<u>17,567,947</u>

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

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 13,261,063
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 \$29,751,367.	20,668,328
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	151,872
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(5,583,304)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(80,213)
Claims payable not paid within sixty days of fiscal year end did not meet the current period expenditure definition; however, they would be reported as current period expenditures on the government-wide financial statements	(25,263)
<b>Total Net Assets - Governmental Activities</b>	<b>\$ <u>28,392,483</u></b>

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

## WINSTON COUNTY

Exhibit 4

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

	Major Funds			Total Governmental Funds
	General Fund	Children's Treatment Center Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 2,503,055		960,100	3,463,155
Road and bridge privilege taxes			217,420	217,420
Licenses, commissions and other revenue	313,274		18,013	331,287
Fines and forfeitures	227,265		83	227,348
Intergovernmental revenues	746,894		1,440,262	2,187,156
Charges for services	955		370,273	371,228
Interest income	314,815	171,243	167,680	653,738
Miscellaneous revenues	73,383		388,552	461,935
<b>Total Revenues</b>	<b>4,179,641</b>	<b>171,243</b>	<b>3,562,383</b>	<b>7,913,267</b>
<b>EXPENDITURES</b>				
Current:				
General government	2,023,693		218,541	2,242,234
Public safety	862,657		456,065	1,318,722
Public works	7,750		2,470,266	2,478,016
Health and welfare	104,925			104,925
Culture and recreation	144,543			144,543
Education	110,432			110,432
Conservation of natural resources	95,592			95,592
Economic development and assistance	93,392		104,291	197,683
Debt service:				
Principal	34,192	25,000	298,781	357,973
Interest	5,389	169,027	108,595	283,011
<b>Total Expenditures</b>	<b>3,482,565</b>	<b>194,027</b>	<b>3,656,539</b>	<b>7,333,131</b>
Excess of Revenues over (under) Expenditures	697,076	(22,784)	(94,156)	580,136
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets			14,391	14,391
Compensation for loss of capital assets			50,000	50,000
Transfers in			437	437
Transfers out	(100,000)			(100,000)
<b>Total Other Financing Sources and Uses</b>	<b>(100,000)</b>	<b>0</b>	<b>64,828</b>	<b>(35,172)</b>
<b>Net Changes in Fund Balances</b>	<b>597,076</b>	<b>(22,784)</b>	<b>(29,328)</b>	<b>544,964</b>
Fund Balances - Beginning	4,930,093	3,839,025	4,000,069	12,769,187
Prior period adjustment(s)	(53,088)			(53,088)
Fund Balances - Beginning, as restated	4,877,005	3,839,025	4,000,069	12,716,099
<b>Fund Balances - Ending</b>	<b>\$ 5,474,081</b>	<b>3,816,241</b>	<b>3,970,741</b>	<b>13,261,063</b>

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

**WINSTON COUNTY**

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 544,964
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 \$ 672,754 exceeded capital outlays of \$ 536,356 in the current period.	(136,398)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$ 53,507 and the proceeds from the sale of \$ 64,391 in the current period.	(10,884)
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.	(32,920)
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 \$ 357,973 exceeded debt proceeds of which there were none.	357,973
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:	
Compensated absences payable	3,488
Interest payable on long term debt	4,079
Claims payable	(25,263)
Change in Net Assets of Governmental Activities	\$ <u><u>705,039</u></u>

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

WINSTON COUNTY  
Statement of Net Assets - Proprietary Funds  
September 30, 2007

Exhibit 5

	Business-type Activities - Enterprise Funds		
	Correctional Facility Fund	Solid Waste Funds	Total
<b>ASSETS</b>			
Current assets:			
Cash	\$ 2,723,663	130,843	2,854,506
Accounts receivable (net of allowance for uncollectibles of \$626,879)		111,851	111,851
Intergovernmental receivables	289,578		289,578
Other receivables	6,835		6,835
Due from other funds		7,524	7,524
Total Current Assets	<u>3,020,076</u>	<u>250,218</u>	<u>3,270,294</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	54,000		54,000
Other capital assets, net	4,278,544	178,340	4,456,884
Total Noncurrent Assets	<u>4,332,544</u>	<u>178,340</u>	<u>4,510,884</u>
Total Assets	<u>7,352,620</u>	<u>428,558</u>	<u>7,781,178</u>
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	128,659	37,413	166,072
Due to other funds	53,614	10,729	64,343
Advances from other funds	224,689	15,510	240,199
Accrued interest payable	67,354		67,354
Capital debt:			
Capital leases payable		36,696	36,696
Other long-term liabilities	290,000		290,000
Total Current Liabilities	<u>764,316</u>	<u>100,348</u>	<u>864,664</u>
Noncurrent liabilities:			
Capital debt:			
Capital leases payable		109,074	109,074
Other long-term liabilities	3,720,000		3,720,000
Non-capital debt:			
Compensated absences payable	17,787	7,774	25,561
Total Noncurrent Liabilities	<u>3,737,787</u>	<u>116,848</u>	<u>3,854,635</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	322,544	32,570	355,114
Restricted for:			
Debt service	309,021		309,021
Public safety	2,218,952		2,218,952
Public works		178,792	178,792
Total Net Assets	<u>\$ 2,850,517</u>	<u>211,362</u>	<u>3,061,879</u>

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

## WINSTON COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds  
For the Year Ended September 30, 2007

	Business-type Activities - Enterprise Funds		
	Correctional Facility Fund	Solid Waste Fund	Total
Operating Revenues			
Charges for services	\$ 3,117,933	379,620	3,497,553
Total Operating Revenues	<u>3,117,933</u>	<u>379,620</u>	<u>3,497,553</u>
Operating Expenses			
Personal services	1,396,345	254,610	1,650,955
Contractual services	405,989	170,213	576,202
Materials and supplies	450,018	61,158	511,176
Depreciation expense	118,427	17,061	135,488
Indirect administrative cost	53,614	10,729	64,343
Total Operating Expenses	<u>2,424,393</u>	<u>513,771</u>	<u>2,938,164</u>
Operating Income (Loss)	<u>693,540</u>	<u>(134,151)</u>	<u>559,389</u>
Nonoperating Revenues (Expenses)			
Interest income	103,930	5,962	109,892
Operating grants	5,113		5,113
Gain (loss) on sale of capital assets	(4,236)		(4,236)
Interest expense	(210,125)	(6,813)	(216,938)
Other income (expenses)	67,694	595	68,289
Net Nonoperating Revenue (Expenses)	<u>(37,624)</u>	<u>(256)</u>	<u>(37,880)</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	655,916	(134,407)	521,509
Transfers in		100,000	100,000
Transfers out	(437)		(437)
Changes in Net Assets	<u>655,479</u>	<u>(34,407)</u>	<u>621,072</u>
Net Assets - Beginning	2,141,950	245,769	2,387,719
Prior period adjustments	53,088		53,088
Net Assets - Beginning, as restated	<u>2,195,038</u>	<u>245,769</u>	<u>2,440,807</u>
Net Assets - Ending	\$ <u>2,850,517</u>	<u>211,362</u>	<u>3,061,879</u>

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

Winston County  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended September 30, 2007

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Correctional Facilities Fund	Solid Waste Fund	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers	\$ 3,308,149	384,238	3,692,387
Payments to suppliers	(815,430)	(225,926)	(1,041,356)
Payments to employees	(1,435,314)	(248,918)	(1,684,232)
Net Cash Provided (Used) by Operating Activities	<u>1,057,405</u>	<u>(90,606)</u>	<u>966,799</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Operating grants received	5,113		5,113
Cash received from other funds:			
Operating transfers in		100,000	100,000
Interfund loan repayments		9,565	9,565
Cash paid to other funds:			
Operating transfers out	(437)		(437)
Interfund loan repayments		(7,524)	(7,524)
Other receipts	67,694	595	68,289
Net Cash Provided (Used) by Noncapital Financing Activities	<u>72,370</u>	<u>102,636</u>	<u>175,006</u>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Principal paid on long-term debt	(275,000)	(35,213)	(310,213)
Interest paid on debt	(214,342)	(6,813)	(221,155)
Other payments purchases of capital assets	(38,393)		(38,393)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(527,735)</u>	<u>(42,026)</u>	<u>(569,761)</u>
<b>Cash Flows From Investing Activities</b>			
Interest and dividends on investments	103,931	5,962	109,893
Net Cash Provided (Used) by Investing Activities	<u>103,931</u>	<u>5,962</u>	<u>109,893</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>705,971</b>	<b>(24,034)</b>	<b>681,937</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>2,017,692</b>	<b>154,877</b>	<b>2,172,569</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 2,723,663</b>	<b>130,843</b>	<b>2,854,506</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 693,540	(134,151)	559,389
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	118,427	17,061	135,488
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	188,150	4,616	192,766
(Increase) decrease in other receivables	2,066		2,066
Increase (decrease) in claims payable	3,706	8,587	12,293
Increase (decrease) in compensated absences liability	(2,098)	2,552	454
Increase (decrease) in interfund payables	53,614	10,729	64,343
Total Adjustments	<u>363,865</u>	<u>43,545</u>	<u>407,410</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,057,405</u>	<u>(90,606)</u>	<u>966,799</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 135,603
 Total Assets	 \$ <u>135,603</u>
 <b>LIABILITIES</b>	
Amounts held in custody for others	\$ 8,810
Intergovernmental payables	74,780
Due to other funds	52,013
Total Liabilities	\$ <u>135,603</u>

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

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Winston 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 Winston County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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

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

B. Basis of Presentation

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and Fund Financial Statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which 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.

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

**Fund Financial Statements:**

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

**C. Measurement Focus and Basis of Accounting.**

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

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

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

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

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.

**Children's Treatment Center Fund** – This fund is used to account for all activities related to the lease and sale of Diamond Grove Psychiatric Hospital.

The county reports the following major proprietary funds:

**Correctional Facility Fund** – This fund is used to account for all activities related to the operation of the correctional facility.

**Solid Waste Fund** – The solid waste fund accounts 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.

**PROPRIETARY FUND TYPES**

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.

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**FIDUCIARY FUND TYPES**

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

**D. Account Classifications.**

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

**E. Deposits 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 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 the 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 payable 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."

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

H. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Winston County meets this criteria but has elected to report all infrastructure assets on the government wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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 of capital assets are reported in the government-wide statements and business type activities. 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:

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

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

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 and in the Proprietary Fund in the 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.

J. Equity Classifications.

Government-wide Financial statements:

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

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

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

Unrestricted net assets – All other 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.

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

**K. Property Tax Revenues.**

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

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

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

**L. Intergovernmental Revenues in Governmental Funds.**

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

**M. Compensated Absences.**

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

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

2. Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities

<u>Explanation</u>		Amount
Prior period adjustments for assets should have been included in prior years	\$	<u>1,547</u>
Total prior period adjustments	\$	<u>1,547</u>

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

<u>Explanation</u>		
Adjustment to correct for advances repaid in prior years	\$ (	<u>53,088 )</u>
Total prior period adjustments	\$ (	<u>53,088</u>

Exhibit 6 – Statement of Revenues, Expenses, and Changes in Fund Net Assets

<u>Explanation</u>		
Adjustment to correct for advances repaid in prior years	\$	<u>53,088</u>
Total prior period adjustments	\$	<u>53,088</u>

3. Deposits and Investments

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$11,787,367, and the bank balance was \$11,849,319. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

3. Deposits and Investments (Continued)

Investments:

Investments balances at September 30, 2007, are as follows:

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. State Local Gov't Issue Slug DTD 5/11/06 0% 12/1/07	Less than 1	3,050	Not rated
U.S. State Local Gov't Issue Slug DTD 5/11/06 0% 6/1/08	Less than 1	383,050	Not rated
U.S. State Local Gov't Issue Slug DTD 5/11/06 4.72% 6/1/09	1 to 5	<u>3,430,140</u>	Not rated
Total		<u>\$ 3,816,240</u>	

**Interest Rate Risk.** The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

**Custodial Credit Risk – Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. Of the county's investment, none of the underlying securities were held by the investment's counterparty, not in the name of the county.

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

4. Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Correctional Facility Fund	\$ 53,614
General Fund	Solid Waste Fund	10,729
General Fund	Agency Fund (Payroll Clearing)	32,476
General Fund	Agency Fund (State Assessment Clearing)	19,537
Solid Waste Fund	General Fund	7,524
Nonmajor governmental funds	General Fund	<u>35,390</u>
Total		<u>\$ 159,270</u>

The amount due to the general fund from the correctional facility and solid waste funds represents indirect administrative costs incurred during the September 30, 2007 fiscal year. The amount due to the general fund from the payroll clearing fund and state assessment clearing fund is due to posting errors which has caused excess cash to accumulate in the applicable bank accounts that should be transferred to the general fund. The amount payable to the solid waste and nonmajor governmental funds from the general fund represents ad valorem taxes collected by the tax collector in September 2007, but not remitted to the county until October 2007. 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>
Major Funds:		
General Fund	Solid Waste Fund	\$ 15,510
General Fund	Correctional Facility Fund	224,689
General Fund	Nonmajor Governmental Funds	<u>11,775</u>
Total		<u>\$ 251,974</u>

The amount due to the general fund from the correctional facility and solid waste funds represents indirect administrative costs incurred in previous fiscal years that have never been paid to the general fund. The amount due to the general fund from the nonmajor governmental funds represents expenses paid for these various funds in prior fiscal years out of the general fund that were not repaid. None of these advances are expected to be paid within one year.

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

C. Transfers In/Out:

	<u>Transfer In</u>	<u>Transfer Out</u>		<u>Amount</u>
Major Funds:				
Nonmajor governmental funds		Correctional Facility Fund	\$	437
Solid Waste Fund		General Fund		<u>100,000</u>
Total			\$	<u>100,437</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

5. Intergovernmental Receivables.

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit due tax collector	\$ 98,972
Motor vehicle fuel payments due from state	21,638
Dept. of Health & Human Services Reimbursement	3,634
Overweight fines and harvest permits due from state	150
MEMA grant funds	4,990
Motor vehicle license payments due from state	6,752
State Aid Reimbursement	11,389
Other	<u>6,239</u>
Total Governmental Activities	\$ <u>153,764</u>

Business-type Activities:

MDOC payments for housing prisoners	\$ 266,563
Other local government payments for housing prisoners	22,215
Other	<u>800</u>
Total Business-type Activities	\$ <u>289,578</u>

6. Loans Receivable.

Loans receivable balances at September 30, 2007, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>		<u>Balance Payable</u>
Taylor CAP loan	6/98	4.00%	5/13	\$	451,759
Southern Products loan	9/98	6.25%	3/14		<u>178,547</u>
Total				\$	<u>630,306</u>

**WINSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

7. Capital Assets.

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

**Governmental activities:**

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments	Balance Sept. 30, 2007
<b>Non-depreciable capital assets:</b>					
Land	\$ 658,664				658,664
Construction in progress	<u>1,019,486</u>	<u>396,039</u>	—	( 1,182,208 )	<u>233,317</u>
Total non-depreciable capital assets	<u>1,678,150</u>	<u>396,039</u>	—	( 1,182,208 )	<u>891,981</u>
<b>Depreciable capital assets:</b>					
Infrastructure	38,251,700			1,182,208	39,433,908
Buildings	4,241,882				4,241,882
Improvements other than buildings	265,916				265,916
Mobile equipment	4,720,540	99,437	( 108,846 )	102,268	4,813,399
Furniture and equipment	335,596	40,880		15,470	391,946
Leased property under capital leases	<u>482,931</u>	—	—	( 102,268 )	<u>380,663</u>
Total depreciable capital assets	<u>48,298,565</u>	<u>140,317</u>	( 108,846 )	<u>1,197,678</u>	<u>49,527,714</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	22,353,608	225,522			22,579,130
Buildings	2,945,669	19,581			2,965,250
Improvements other than buildings	21,273	10,637			31,910
Mobile equipment	3,468,096	308,978	( 97,962 )	33,167	3,712,279
Furniture and equipment	231,358	62,752		13,923	308,033
Leased property under capital leases	<u>142,648</u>	<u>45,284</u>	—	( 33,167 )	<u>154,765</u>
Total accumulated depreciation	<u>29,162,652</u>	<u>672,754</u>	( 97,962 )	<u>13,923</u>	<u>29,751,367</u>
Total depreciable capital assets, net	<u>19,135,913</u>	( 532,437 )	( 10,884 )	<u>1,183,755</u>	<u>19,776,347</u>
Governmental activities capital assets, net	\$ <u>20,814,063</u>	( 136,398 )	( 10,884 )	<u>1,547</u>	<u>20,668,328</u>

**Business-type activities:**

<b>Non-depreciable capital assets:</b>					
Land	\$ 54,000				54,000
Total non-depreciable capital assets	<u>54,000</u>				<u>54,000</u>
<b>Depreciable capital assets:</b>					
Buildings	5,126,814				5,126,814
Mobile equipment	354,131		( 42,374 )		311,757
Furniture and equipment	175,070	38,393			213,463
Leased property under capital leases	<u>189,562</u>	—	—		<u>189,562</u>
Total depreciable capital assets	<u>5,845,577</u>	<u>38,393</u>	( 42,374 )		<u>5,841,596</u>
<b>Less accumulated depreciation for:</b>					
Buildings	820,290	102,536			922,826
Mobile equipment	303,412	5,104	( 38,138 )		270,378
Furniture and equipment	146,600	10,787			157,387
Leased property under capital leases	<u>17,060</u>	<u>17,061</u>	—		<u>34,121</u>
Total accumulated depreciation	<u>1,287,362</u>	<u>135,488</u>	( 38,138 )		<u>1,384,712</u>
Total depreciable capital assets, net	<u>4,558,215</u>	( 97,095 )	( 4,236 )		<u>4,456,884</u>
Business-type activities capital assets, net	\$ <u>4,612,215</u>	( 97,095 )	( 4,236 )		<u>4,510,884</u>

**WINSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

An explanation to the adjustments to capital assets is as follows:

<u>Governmental activities:</u>		
Prior period adjustments for assets left off in previous years	\$	<u>1,547</u>
		<u>1,547</u>
Depreciation expense was charged to the following functions:		
		<u>Amount</u>
Governmental Activities	\$	
General government		34,543
Public safety		213,327
Public works		411,100
Health and welfare		13,784
Total governmental activities depreciation expense		<u>672,754</u>
Business-type activities:		
Solid waste	\$	17,061
Correctional facility		118,427
Total business-type activities depreciation expense	\$	<u>135,488</u>

Commitments with respect to unfinished capital projects at September 30, 2007, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
State Aid Road Project BR 0080 21(B) Enon Road	\$ 257,697	9/30/09
State Aid Road Project BR 0080 22(B) E. Winston Road	40,105	9/30/08
State Aid Road Project LSBP 80(11) Poplar Flat Road	190,272	9/30/08
State Aid Road Project STP-0678(5)13 Loakfoma Road	843,272	9/30/11

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

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

9. Operating Leases.

As Lessor:

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$318,333 for the year ended September 30, 2007. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2008	\$ 325,000
2009	325,000
2010	325,000
2011	325,000
2012	345,833
2013-2017	1,770,834
2018-2022	<u>1,562,500</u>
 Total Minimum Payments Required	 <u>4,979,167</u>

10. Capital Leases

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 356,663	189,562
Furniture and equipment	24,000	-
Total	<u>380,663</u>	<u>189,562</u>
 Less: Accumulated depreciation	 <u>154,766</u>	 <u>34,121</u>
 Leased Property Under Capital Leases	 <u>\$ 225,897</u>	 <u>155,441</u>

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

10. Capital Leases, Continued

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 77,838	3,921	36,696	5,331
2009	53,376	1,600	38,240	3,786
2010	15,517	261	39,850	2,176
2011	-	-	30,984	536
2012	-	-	-	-
Total	\$ 146,731	5,782	145,770	11,829

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

11. Long-term Debt.

Debt outstanding as of September 30, 2007, consisted of the following:

**Governmental Activities:**

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>A. General Obligation Bonds:</b>			
Diamond Grove Refinancing bonds	3,820,000	4.1/4.6%	6/09
Spartus buyback payoff	<u>730,000</u>	7.75/8%	5/12
Total General Obligation Bonds	\$ <u>4,550,000</u>		
<b>B. Capital Leases:</b>			
District 5 – Motor Grader	\$ 53,375	3.15%	9/09
District 2 – Massey Ferguson tractor	7,620	3.25%	8/09
Districts 2, 3 & 5 – Steelwheel loader	17,852	3.25%	10/08
District 5 – Two John Deere 4106 Backhoes	54,676	4.03%	6/10
District 2 – 2003 John Deere backhoe	4,882	3.69%	1/08
Chancery Clerk – Computer Hardware	<u>8,326</u>	4.05%	9/08
Total Capital Leases	\$ <u>146,731</u>		
<b>C. Other Loans:</b>			
CAP loan for Taylor building	\$ 439,957	4.00%	5/13
Southern Products CDBG loan	178,547	6.25%	3/14
CAP loan for fire trucks	<u>229,524</u>	2.00%	10/15
Total Other Loans	\$ <u>848,028</u>		

**Business-type Activities:**

<b>A. Limited Obligation Bonds:</b>			
Correctional facility urban renewal revenue bonds	\$ <u>4,010,000</u>	4.50/5.15%	12/17
Total Limited Obligation Bonds	\$ <u>4,010,000</u>		
<b>B. Capital Leases:</b>			
Two 2006 International/Pac Mac Garbage trucks	\$ <u>145,770</u>	4.13%	6/11
Total Capital Leases	\$ <u>145,770</u>		

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	505,000	226,111	173,789	25,494
2009	3,575,000	200,308	117,436	22,976
2010	145,000	37,600	122,016	18,397
2011	155,000	26,000	126,793	13,619
2012	170,000	13,600	131,778	8,634
2013-2017	-	-	<u>176,216</u>	<u>5,206</u>
Total	\$ <u>4,550,000</u>	<u>503,619</u>	<u>848,028</u>	<u>94,326</u>

Business-type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2008	290,000	195,248
2009	305,000	181,188
2010	315,000	166,388
2011	330,000	150,740
2012	270,000	135,702
2032-2017	2,030,000	393,173
2018	<u>470,000</u>	<u>12,103</u>
Total	\$ <u>4,010,000</u>	<u>1,234,542</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, 2007, the amount of outstanding debt was equal to 4.48% of the latest property assessments.

Prior Year Defeasance of Debt – In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the county's financial statements. On September 30, 2007, \$3,690,000 of bonds outstanding were considered defeased.

**WINSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

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

	Balance Oct. 1, 2006	Additions	Reductions	Adjustments	Balance Sept. 30, 2007	Amount due within one Year
<b>Governmental Activities</b>						
Compensated absences	\$ 42,033	-	-	( 3,488 )	38,545	-
General obligations bonds	4,690,000	-	( 140,000 )	-	4,550,000	505,000
Capital leases	266,668	-	( 119,937 )	-	146,731	77,838
Other loans	<u>946,064</u>	-	( 98,036 )	-	<u>848,028</u>	<u>173,789</u>
<b>Total</b>	<b>\$ <u>5,944,765</u></b>	<b>-</b>	<b>( <u>357,973</u> )</b>	<b>( <u>3,488</u> )</b>	<b><u>5,583,304</u></b>	<b><u>756,627</u></b>
<b>Business-type Activities:</b>						
Compensated absences	\$ 25,106	-	-	455	25,561	-
Limited obligation bonds	4,285,000	-	( 275,000 )	-	4,010,000	290,000
Capital leases	<u>180,983</u>	-	( 35,213 )	-	<u>145,770</u>	<u>36,696</u>
<b>Total</b>	<b>\$ <u>4,491,089</u></b>	<b>-</b>	<b>( <u>310,213</u> )</b>	<b><u>455</u></b>	<b><u>4,181,331</u></b>	<b><u>326,696</u></b>

**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.

**13. No Commitment Debt (Not Included in Financial Statements).**

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

<u>Description</u>	<u>Balance at Sept. 30, 2007</u>
Louisville/Winston County Airport improvement note	\$ 10,003

**WINSTON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2007**

14. Segment Information for Enterprise Funds.

The county maintains two Enterprise Funds which provide correctional facility services and solid waste services. Summary financial information for each Enterprise Fund is presented for the year ended September 30, 2007:

Condensed Statement of Net Assets

	Correctional Facility Fund	Solid Waste Fund	Total Enterprise Funds
<b>Assets:</b>			
Current assets	\$ 3,020,076	242,694	3,262,770
Due from other funds	-	7,524	7,524
Capital assets	<u>4,332,544</u>	<u>178,340</u>	<u>4,510,884</u>
Total assets	<u>7,352,620</u>	<u>428,558</u>	<u>7,781,178</u>
<b>Liabilities:</b>			
Current liabilities	486,013	74,109	560,122
Due to other funds	278,303	26,239	304,542
Noncurrent liabilities	<u>3,737,787</u>	<u>116,848</u>	<u>3,854,635</u>
Total liabilities	<u>4,502,103</u>	<u>217,196</u>	<u>4,719,299</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	322,544	32,570	355,114
Restricted	<u>2,527,973</u>	<u>178,792</u>	<u>2,706,765</u>
Total net assets	<u>\$ 2,850,517</u>	<u>211,362</u>	<u>3,061,879</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues	\$ 3,117,933	379,620	3,497,553
Operating expenses	2,305,966	496,710	2,802,676
Depreciation expense	<u>118,427</u>	<u>17,061</u>	<u>135,488</u>
Operating income (loss)	693,540	(134,151 )	559,389
<b>Nonoperating revenues (expenses)</b>			
Investment income	103,930	5,962	109,892
Operating grants	5,113	-	5,113
Interest Expense	( 210,125 )	( 6,813 )	( 216,938 )
Other income (expense)	63,458	595	64,053
Transfers in (out)	( 437 )	100,000	99,563
Changes in net assets	655,479	( 34,407 )	621,072
Total net assets – beginning	2,141,950	245,769	2,387,719
Prior period adjustments	53,088	-	53,088
Total net assets – ending	<u>2,850,517</u>	<u>211,362</u>	<u>3,061,879</u>

Condensed Statement of Cash Flows

<b>Net cash provided (used) by:</b>			
Operating activities	\$ 1,057,405	( 90,606 )	966,799
Noncapital financing activities	72,370	102,636	175,006
Capital & related financing activities	( 527,735 )	( 42,026 )	( 569,761 )
Investing activities	<u>103,931</u>	<u>5,962</u>	<u>109,893</u>
Net increase (decrease)	705,971	( 24,034 )	681,937
Beginning cash & cash equivalents	<u>2,017,692</u>	<u>154,877</u>	<u>2,172,569</u>
Ending cash & cash equivalents	<u>\$ 2,723,663</u>	<u>130,843</u>	<u>2,854,506</u>

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

15. Joint Venture.

The county participates in the following joint ventures:

Winston County is a participant with the City of Louisville in a joint venture, authorized by Section 65-3-5, Miss. Code Ann. (1972), to operate the Louisville/Winston County Airport Authority. The joint venture was created to improve economic development and is governed by a five-member board of commissioners appointed as follows: Winston County, two; City of Louisville, two; jointly, one. By contractual agreement, the county's appropriation to the joint venture was \$7,750 in fiscal year 2007. Complete financial statements can be obtained from the Louisville/Winston County Airport Authority at P. O. Box 1022, Louisville, MS 39339.

Winston County is a participant with the City of Louisville, Louisville Chamber of Commerce and the Town of Noxapater in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Winston County Economic Development District. The joint venture was created to foster, encourage and facilitate economic development in the county and is governed by a seven member board of trustees appointed as follows: Winston County Board of Supervisors, two; City of Louisville, two; Louisville Chamber of Commerce, one; Town of Noxapater, one; jointly, one. By contractual agreement, the county's appropriation to the joint venture was \$70,875 in fiscal year 2007. Complete financial statements can be obtained from the Winston County Economic Development District at P.O. Box 551, Louisville, MS 39339.

Mid-Mississippi Regional Library System was organized under a contract between the counties of Attala, Holmes, Leake, Montgomery and Winston. The joint venture was created to provide free library service to the citizens for the member counties. The Winston County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$125,417 in the fiscal year 2007. Complete financial statements can be obtained from the library at Winston County Library, 301 Park Street, Louisville, MS 39339.

16. Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott, and Winston. The Winston County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$294,175 for the maintenance and support of the college in fiscal year 2007.

Golden Triangle Planning and Development District provides services for the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints four of the 28 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$20,000 for support of the district in fiscal year 2007.

Community Counseling Services operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$19,500 for support of the agency in fiscal year 2007.

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Prairie Opportunity, Inc., operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the 21 board members. One board member from each of the counties must come from the private sector (recipient of services), and one member from each county must come from the community. These 14 board members are not appointed by the county Board of Supervisors. The counties generally provide no financial support to the organization.

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 Winston County Board of Supervisors appoints one of the nine board members. The counties generally provide no financial support to the organization.

17. Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2007, is 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2007, 2006 and 2005 were \$339,056, \$309,590 and \$283,690, respectively, equal to the required contributions for each year.

18. Subsequent Events.

Subsequent to September 30, 2007, the county entered into the following purchase commitments:

On January 25, 2008 noted the county accepted the low bid of Joe McGee Construction in the amount of \$943,512 on State Aid Road Project SAP 80(79).

On April 21, 2008, noted the county accepted bid to purchase tractor from Windham Tractor in the amount of \$34,200.

On April 21, 2008, noted the county accepted bid to purchase a fire truck from Pierce in the amount of \$167,197.

On June 2, 2008, noted the county approved purchase of a prime mover and two trailers in the amount of \$35,000 with funds received through a Home Land Security Grant.

On June 2, 2008, noted the county accepted bid to purchase dump truck from Waters Truck and Tractor in the amount of \$71,031.

**WINSTON COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Subsequent to September 30, 2007, the county issued the following debt obligation(s):

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
6/16/2008	3.4%	71,031	Lease Purchase	Bancorpsouth
2/05/2008	3.0%	650,000	CAP Loan Program	MS Dev't Authority

On February 4, 2008, the county adopted a resolution to refinance limited obligation bonds incurred in relation to construction of the prison (Winston-Choctaw County Correctional Facility). The bonds were refinanced on April 1, 2008 in the amount of \$3,815,000.

**WINSTON COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,412,116	2,508,468	2,510,816	2,348
Licenses, commissions and other revenue	235,800	271,819	316,214	44,595
Fines and forfeitures	179,000	227,418	227,418	-
Intergovernmental revenues	771,150	847,411	847,411	-
Charges for services	3,000	955	955	-
Interest income	206,933	311,964	311,964	-
Miscellaneous revenues	40,000	77,784	77,784	-
Total Revenues	<u>3,847,999</u>	<u>4,245,619</u>	<u>4,292,562</u>	<u>46,943</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,415,031	2,036,796	2,036,701	95
Public safety	1,019,933	868,686	912,774	(44,088)
Public works	7,750	7,750	7,750	-
Health and welfare	112,800	109,087	109,087	-
Culture and recreation	153,000	373,253	373,253	-
Education	198,000	-	-	-
Conservation of natural resources	108,563	96,496	96,496	-
Economic development and assistance	90,875	90,875	90,875	-
Total Expenditures	<u>4,105,952</u>	<u>3,582,943</u>	<u>3,626,936</u>	<u>(43,993)</u>
Excess of Revenues over (under) Expenditures	<u>(257,953)</u>	<u>662,676</u>	<u>665,626</u>	<u>2,950</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	72,800	112,314	112,314	-
Other financing uses	(35,000)	(174,514)	(174,514)	-
Total Other Financing Sources and Uses	<u>37,800</u>	<u>(62,200)</u>	<u>(62,200)</u>	<u>-</u>
Net Change in Fund Balance	(220,153)	600,476	603,426	2,950
Fund Balances - Beginning	4,637,263	4,653,647	4,658,410	4,763
Fund Balances - Ending	<u>\$ 4,417,110</u>	<u>5,254,123</u>	<u>5,261,836</u>	<u>7,713</u>

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

**WINSTON COUNTY**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**Children's Treatment Center**  
**For the Year Ended September 30, 2007**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ -	171,243	-	(171,243)
Total Revenues	<u>-</u>	<u>171,243</u>	<u>-</u>	<u>(171,243)</u>
<b>EXPENDITURES</b>				
Current:				
Debt service:				
Principal	-	194,027	-	194,027
Total Expenditures	<u>-</u>	<u>194,027</u>	<u>-</u>	<u>194,027</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(22,784)</u>	<u>-</u>	<u>22,784</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(22,784)	-	22,784
Fund Balances - Beginning		3,839,025		(3,839,025)
Fund Balances - Ending	<u>\$ -</u>	<u>3,816,241</u>	<u>-</u>	<u>(3,816,241)</u>

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

## WINSTON COUNTY

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

#### Notes to the Required Supplementary Information

##### 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).

**WINSTON COUNTY**

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	General Fund	Children's Treatment Center
Budget (Cash Basis)	\$ 603,426	-
Increase (Decrease)		
Net adjustments for revenue accruals	( 112,921 )	171,243
Net adjustments for expenditure and accruals	<u>106,571</u>	<u>( 194,027 )</u>
GAAP Basis	\$ <u>597,076</u>	<u>( 22,784 )</u>

**D. Excess of Actual Expenditures Over Budget in Individual Funds.**

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2007:

Fund	Excess
General Fund	\$ 43,933

The fund listed above is in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with these violations.

**WINSTON COUNTY**

**SUPPLEMENTAL INFORMATION**

**WINSTON COUNTY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2007**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
<u>U.S. Department of Interior</u>			
Direct Program			
Fish and Wildlife Management Assistance	15.608		\$ 225,700
Total U.S. Department of Interior			225,700
<u>U.S. Department of Agriculture</u>			
Passed through the Mississippi State Treasurer's Office			
Schools and Roads - Grants to States	10.665		177,487
Total U.S. Department of Agriculture			177,487
Total Expenditures of Major Federal Awards			403,187
<b>OTHER FEDERAL AWARDS</b>			
<u>U.S. Department of Labor</u>			
Passed through the Mississippi Employment Security Commission			
WIA-Dislocated Workers	17.260		2,240
Total U.S. Department of Labor			2,240
<u>U.S. Department of Transportation</u>			
Passed through the Mississippi Office Of State Aid Road Construction			
Highway Planning and Construction	20.205		16,741
Total U.S. Department of Transportation			16,741
<u>U.S. Department of Homeland Security</u>			
Passed through the Mississippi Department of Public Safety-			
Office of Homeland Security			
State Domestic Preparedness Equipment Support Program	97.004	05HS080	53,622
State Domestic Preparedness Equipment Support Program	97.004	05LE080	30,827
Disaster Grants - Public Assistance(Presidentially Declared Disasters)	97.036	1604-DR-MS#159-99159-00	3,071
Total U.S. Department of Homeland Security			87,520
Total Expenditures of Other Federal Awards			106,501
Total Expenditures of Federal Awards			\$ 509,688

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Note A - Significant Accounting Policies

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

**WINSTON COUNTY**

**SPECIAL REPORTS**



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**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  
Winston County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Winston 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 Winston 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. However, of the deficiencies described in the accompanying schedule of findings and responses, we consider items 07-1, 07-2, 07-3, 07-4, 07-5, and 07-6 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 07-1, 07-2, 07-4, and 07-6 to be material weaknesses.

#### Compliance and Other Matters

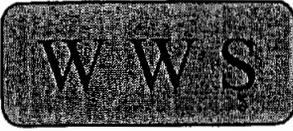
As part of obtaining reasonable assurance about whether Winston County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct 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 Winston 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 August 29, 2008, included within this document.

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

Watkins, Ward and Stafford, PLLC  
August 29, 2008

*Watkins, Ward and Stafford, PLLC*



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Winston County, Mississippi

Compliance

We have audited the compliance of Winston County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. Winston County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Winston County, Mississippi's management. Our responsibility is to express an opinion on Winston County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Winston County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Winston County, Mississippi's compliance with those requirements.

In our opinion, Winston County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07-7 and 07-8.

### Internal Control Over Compliance

The management of Winston County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Winston County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

A control deficiency in a county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-7 and 07-8 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned cost to be material weaknesses.

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

Watkins, Ward and Stafford, PLLC  
August 29, 2008

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

Members of the Board of Supervisors  
Winston County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Winston County, Mississippi, as of and for the year ended September 30, 2007. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Winston 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 Sections 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Winston County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

## **Board of Supervisors**

### Finding

Per examination of capital assets it was noted that the supervisors are preparing the Road/Bridge Improvement Reports to document road and bridge projects only in limited circumstances. This report should be prepared for any road or bridge project which should be added to the infrastructure of the county.

### Recommendation

We recommend the supervisors prepare the Road/Bridge Improvement Report to document road and bridge projects.

### Board of Supervisor's Response

Each supervisor will prepare a Road/Bridge Improvement Report for any road or bridge project which should be added to the infrastructure of the county.

## **Purchase Clerk**

### Finding

Section 31-7-13(c)(i) of Miss. Code Ann. (1972) states that "purchases involving an expenditure of more than \$25,000 may be made from the lowest and best bidder after advertising for competitive sealed bids once each week for two consecutive weeks in a regular newspaper published in the county in which the governing authority is located". We noted one instance on a term bid where the advertisement was only published once instead of the two consecutive weeks as required.

### Recommendation

We recommend the county comply with Section 31-7-13(c)(i) of Miss. Code Ann. (1972) and advertise for competitive sealed bids once each week for two consecutive weeks in a regular newspaper published in the county in which the governing authority is located.

### Purchase Clerk Response

We will comply with Section 31-7-13(c)(i) of Miss. Code Ann. (1972) and advertise for competitive sealed bids once each week for two consecutive weeks in a regular newspaper published in the county in which the governing authority is located.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Winston 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 Winston 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.

Watkins, Ward and Stafford, PLLC  
August 29, 2008

*Watkins, Ward and Stafford, PLLC*

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

**Schedule 1**

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

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

**Schedule 2**

Our test results did not identify any emergency purchases.

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

**Schedule 3**

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



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**LIMITED INTERNAL CONTROL AND COMPLIANCE  
REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Winston County, Mississippi

In planning and performing our audit of the financial statements of Winston County, Mississippi for the year ended September 30, 2007, we considered Winston 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 Winston 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 August 29, 2008, on the financial statements of Winston 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 and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

## **Chancery Clerk**

### Finding

Section 27-105-5(6)b of Miss. Code Ann. (1972) requires every public depositor to notify the State Treasurer's office no later than thirty days after fiscal year end of its name, address, tax identification number and listing of deposit accounts. Per review of the annual report filed we noted that one county deposit account was inadvertently left off the annual report.

### Recommendation

We recommend the county comply with Section 27-105-5(6)b of Miss. Code Ann. (1972) and notify the State Treasurer's office no later than thirty days after each fiscal year end of its name, address, tax identification number and listing of all deposit accounts.

### Chancery Clerk's Response

We will comply with Section 27-105-5(6)b of Miss. Code Ann. (1972) and notify the State Treasurer's office no later than thirty days after each fiscal year end of its name, address, tax identification number and listing of all deposit accounts.

## **Board of Supervisors**

### Finding

Section 19-11-17 of Miss. Code Ann. (1972) states that "no expenditures shall be made, or liabilities incurred, or warrants issued, in excess of the budget estimates as finally determined by the board of supervisors, or as thereafter revised." We noted per our review of the final amended budget that the actual expenditures in the general county fund exceeded the final amended budget by \$43,993.

### Recommendation

We recommend the county comply with Section 19-11-17 of Miss. Code Ann. (1972) and ensure that no expenditures are made in excess of the final amended budget. This condition occurred due to transactions being recorded to the client general ledger after the final amended budget was prepared and approved by the board of supervisors.

### Board of Supervisors' Response

We will comply with Section 19-11-17 of Miss. Code Ann. (1972) and ensure that no expenditures are made in excess of the final amended budget.

## **Board of Supervisors**

### Finding

As reported in the prior years' audit reports, we know of no authority to advance money from one fund to another. There are still advances from the common county fund to the correctional facility and solid waste funds for indirect costs that have not been repaid.

### Recommendation

The county should repay inter-fund advances and should refrain from such actions in the future.

### Board of Supervisor's Response

The county will begin to repay interfund advances and will refrain from such actions in the future.

## **Election Commissioners**

### Finding

Section 23-15-153 of Miss. Code Ann. (1972) limits the number of days election workers may be paid for up to 75 days for a county which a population greater than 15,000 but less than 30,000. We noted one employee in our test of statutory fees was paid for 80 days.

### Recommendation

We recommend the county comply with Section 23-15-153 of Miss. Code Ann. (1972) and not pay election workers in excess of 75 days.

### Election Commissioner's Response

We will comply with Section 23-15-153 of Miss. Code Ann. (1972) and not pay election workers in excess of 75 days.

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

Watkins, Ward and Stafford, PLLC  
August 29, 2008

*Watkins, Ward and Stafford, PLLC*

**WINSTON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

**Financial Statements:**

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

**Federal Awards:**

- |     |  |             |
|-----|--|-------------|
| 4.  | Internal control over major programs:  |             |
|     | a. Material weaknesses identified?   | No          |
|     | b. Significant deficiencies identified that are not considered to be a material weakness?  | Yes         |
| 5.  | Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 6.  | Any audit findings reported as required by Section __.510(a) of Circular A-133?  | Yes         |
| 7.  | Federal programs identified as major programs:   |             |
|     | a. Fish and Wildlife Management Assistance, CFDA# 15.608   |             |
|     | b. Schools and Roads – Grants to states, CFDA# 10.665  |             |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000   |
| 9.  | Auditee qualified as a low-risk auditee?   | No          |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? | No          |

WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2007

Section 2: Financial Statement Findings

Chancery Clerk  
Material Weakness

07-1 Finding

Per examination of county bank statements it was noted that the county did not reconcile the general county operating and payroll clearing bank account on a monthly basis during the fiscal year. The accounts were reconciled during the time period that we were completing the audit field work. Also the account held at Trustmark Bank for payment on the Diamond Grove Refunding Bonds was not reconciled during the year nor were any transactions posted to the general ledger. The transactions were recorded on the financial statements with an audit adjustment during audit field work.

Recommendation

We recommend that all county bank accounts be reconciled on a monthly basis with all related transactions posted to the general ledger. This is important to ensure that those responsible with managing the day to day operations of the county have adequate and accurate financial information to make informed decisions regarding the county's financial condition.

## WINSTON COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2007

#### Chancery Clerk Material Weakness

#### 07-2 Finding

As reported in the prior year audit report an effective system of internal control over the county payroll should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked. As reported in the prior year's audit report, inadequate controls exist in the payroll function. Per our review of the payroll function we noted the following errors:

- Board approval of one employee in the sheriff's office and one at the correctional facility could not be located
- The overtime rate of pay for one employee appeared to exceed the board approved rate.
- The gross pay for one employee tested could not be traced to their time keeping records.
- It was noted that insurance premiums withheld from employee checks do not agree with the premiums charged the county. Insurance was withheld on some employees that did not appear to have coverage and some employees did not have enough insurance withheld from their check to cover the cost of the premium charged the county.
- The former payroll clerk did not withhold insurance premiums from her check totaling \$813.50 that should have been paid by her instead of the county.
- The county was under investigation by the U.S. Dept. of Labor Wage and Hour Division for underpayment of salaries in the Sheriff's Department and at the Correctional Facility. The investigation was settled during the September 30, 2008 fiscal year with the county having to pay \$21,881 to settle the investigation. The county performed their own investigation when they learned of the potential underpayment by the former payroll clerk and paid the applicable employees \$18,015. It was determined that the time keeping policies and procedures were inadequate and there is not enough management oversight over this function.

## WINSTON COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2007

#### Recommendation

The Board of Supervisors should install an adequate system of internal control over the county payroll function. An adequate system should include the following control features:

- a. Responsibilities for the supervision and time-keeping function should be separate from personnel, payroll processing, disbursement and general ledger functions.
- b. Authorization for all payroll and employment status changes should be recorded in the Board of Supervisors minute books.
- c. Documentation for all payroll and employment status changes should be kept in each individual personnel file.
- d. Payroll records should be maintained for accumulated and used employee benefits (vacation, medical, etc.).
- e. Written personnel policies should be adopted and recorded in the Board of Supervisors minutes.
- f. Hours worked should be reviewed and approved by the employee's supervisor for each payroll period.
- g. Changes to the EDP master payroll file should be documented.
- h. The hiring and termination of all county employees should be documented in the Board of Supervisors' minute books.

#### **Chancery Clerk Significant Deficiency**

##### 07-3 Finding

As reported in the prior year's audit report we noted the following deficiencies per our review of internal controls in the chancery clerk's office:

- Bank deposits are not made on a timely basis.
- Bank reconciliations are not made on a timely basis and do not match the fee journal balance.

#### Recommendation

We recommend that bank deposits are made on a timely basis and that bank reconciliations be prepared on a monthly basis that agrees with the fee journal.

WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2007

**Tax Collector  
Material Weakness**

07-4 Finding

As reported in the prior years' audit reports we noted the following deficiencies for the first half of the fiscal year in our review of internal controls in the tax collector's office:

- It was noted that some bank deposits were not made on a timely basis.
- The bookkeeper/office manager completes the daily collection check up sheets, posts cash journal, completes the bank deposit, carries deposit to the bank and reconciles the bank statement. No one was reviewing her work which resulted in a misappropriation of cash.

Recommendation

We recommend that the duties listed in the above areas in the tax collector's office be separated as much as possible, particularly the bookkeeping function should be separate from cash reconciliation and preparation of the bank deposit with the daily collection check up sheets being signed by each applicable clerk responsible for collections. The tax collector should review all of these duties on a timely basis.

**Sheriff  
Significant Deficiency**

07-5 Finding

As reported in the prior years' audit reports we noted the following deficiencies in our review of internal controls in the sheriff's office:

- Bank deposits are not made on a timely basis.
- There is no documented review of the cash journal or bank reconciliation by the sheriff.

Recommendation

We recommend that bank deposits be made on a timely basis and that the cash journal and bank reconciliation be reviewed by the sheriff on a monthly basis.

WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2007

Board of Supervisors  
Material Weakness

07-6 Finding

Management is responsible for the preparation of financial statements prepared in accordance with generally accepted accounting principles. This would include the preparation of financial statements after conversion entries to convert the financial statements to the accrual basis of accounting (GASB 34 Conversion)

These financial statements were not prepared as of the beginning of audit field work. We assisted the client with conversion entries and prepared financial statements from the converted information.

Recommendation

We recommend that the county prepare year-end financial statements in accordance with generally accepted accounting principles and have them available prior to the commencement of audit field work

**Section 3: Federal Award Findings and Questioned Costs**

**Significant Deficiency**

07-7 Finding

Program: (Fish and wildlife management assistance CFDA# 15.608; Federal Award 401816G048 2006; Department of the Interior)

Compliance requirement: Cash management

Interest earned on advances by local government grantees and sub-grantees is required to be submitted promptly, but at least quarterly, to the applicable Federal agency. Large cash balances of grant funds were maintained on hand in an interest bearing account prior to expenditure of these grant funds without any remittance of interest earned on these grant funds to the granting agency.

Questioned Costs: The amount of interest earned on these grant funds was calculated to be \$887 with the county being able to keep \$100 of these funds for administrative expenses. The total amount due to the granting agency is \$787.

Recommendation

We recommend the county in the future contract with an outside entity to administer grants such as this that is aware of various regulations regarding the proper procedures for drawing and expending federal funds.

WINSTON COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2007

Significant Deficiency

07-8 Finding

Program: (Fish and wildlife management assistance CFDA# 15.608, Federal Award 401816G048 2006; Department of the Interior)

Compliance requirement: Reporting

Recipients of federal funds are to prepare a Financial Status Report (SF-269) to report the status of funds received. No such report was prepared for the grant funds received and expended for the grant referenced above.

Recommendation

We recommend the county in the future contract with an outside entity to administer grants such as this that is aware of various regulations regarding the proper procedures to report on the status of grant funds received and expended.

**WINSTON COUNTY**

**AUDITEE'S CORRECTIVE ACTION PLAN**

## FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by OMB Circular A-133 the Winston County Board of Supervisors has prepared and hereby submits the following corrective action plan for the findings included in the schedule of findings and questioned costs for the year ended September 30, 2007.

### CORRECTIVE ACTION PLAN DETAILS

Finding  
07-1

- A. Chancery Clerk—Pam Reel  
Winston County Board of Supervisors—Jerry Estes  
Comptroller—Carol Ann Whitehead  
Phone 662-773-3631
  
- B. We will reconcile all county bank accounts on a monthly basis with all related transactions posted to the general ledger so that those responsible with managing the day to day operations of the county have adequate and accurate financial information to make informed decisions regarding the county's financial condition.

## FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by OMB Circular A-133 the Winston County Board of Supervisors has prepared and hereby submits the following corrective action plan for the findings included in the schedule of findings and questioned costs for the year ended September 30, 2007.

### CORRECTIVE ACTION PLAN DETAILS

Finding

07-2

- A. Pam Reel—Chancery Clerk  
Winston County Board of Supervisor---Jerry Estes  
Phone 662-773-3631
- B. The Board of Supervisors will install an adequate system of internal control over the county payroll function. Our System will include the following control features:
  - a. Responsibilities for the supervision and time-keeping function will be separate from personnel, payroll processing, disbursement and general ledger functions.
  - b. The Board of Supervisors has purchased a time keeping system and it is in the installation process.
  - c. Documentation for all payroll and employment status changes will be kept in each individual personnel file.
  - d. Payroll records should be maintained for accumulated and used employee benefits (vacation, medical, etc).
  - e. Written County Employee Handbook with written personnel policies is recorded in the Board of Supervisors Minutes Book 88, Page 19A.
  - f. Hours worked will be reviewed and approved by the employee's supervisor for each payroll period.
  - g. Changes to the EDP master payroll file will be documented.
  - h. The hiring and termination of all county employees will be documented in the Board of Supervisors minute book.

## FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by OMB Circular A-133 the Winston County Board of Supervisors has prepared and hereby submits the following corrective action plan for the findings included in the schedule of findings and questioned costs for the year ended September 30, 2007.

### CORRECTIVE ACTION PLAN DETAILS

Finding  
07-3

- A. Chancery Clerk—Pam Reel  
Winston County Board of Supervisor---Jerry Estes  
Phone 662-773-3631
  
- B. We will make all bank deposits on a timely basis and bank reconciliations will be prepared on a monthly basis that agrees with the fee journal.

## FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by OMB Circular A-133 the Winston County Board of Supervisors has prepared and hereby submits the following corrective action plan for the findings included in the schedule of findings and questioned costs for the year ended September 30, 2007.

### CORRECTIVE ACTION PLAN DETAILS

Finding  
07-4

- A. Tax Assessor/Collector---Brenda Miles  
Winston County Board of Supervisor---Jerry Estes  
Phone 662-773-3631
  
- B. Duties in the Tax Assessor/Collector's office have been separated as much as possible. One employee is handling the bookkeeping and another employee is handling the cash reconciliation and preparation of the bank deposit with the daily collection check sheet being signed by each applicable clerk responsible for cash collections. The tax collector will make timely reviews of all these duties.

## FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by OMB Circular A-133 the Winston County Board of Supervisors has prepared and hereby submits the following corrective action plan for the findings included in the schedule of findings and questioned costs for the year ended September 30, 2007.

### CORRECTIVE ACTION PLAN DETAILS

Finding  
7-5

A. Sheriff—Randy Thomas  
Phone 662-773-3631

B. Bank deposits will be made on a timely basis and the cash journal and bank reconciliation will be reviewed by the sheriff on a monthly basis.

## FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by OMB Circular A-133 the Winston County Board of Supervisors has prepared and hereby submits the following corrective action plan for the findings included in the schedule of findings and questioned costs for the year ended September 30, 2007.

### CORRECTIVE ACTION PLAN DETAILS

Finding  
7-6

- A. Board of Supervisors—Jerry Estes  
Phone 662-773-3631
  
- B. The county will prepare year-end financial statements in accordance with generally accepted accounting principles and have them available prior to the commencement of audit field work.

## FINANCIAL COMPLIANCE AND AUDIT DIVISION

As required by OMB Circular A-133 the Winston County Board of Supervisors has prepared and hereby submits the following corrective action plan for the findings included in the schedule of findings and questioned costs for the year ended September 30, 2007.

### CORRECTIVE ACTION PLAN DETAILS

Finding  
7-7

- A. Board of Supervisors—Jerry Estes  
Phone 662-773-3631
- B. In the future the county will place these monies in a separate bank account that is non interest bearing. The county will also contract with an outside entity to administer grants such as this that is aware of various regulations regarding the proper procedures for drawing and expending federal funds.

Finding  
7-8

- A. Board of supervisors—Jerry Estes  
Phone: 662-773-3631
- B. In the future the county will contract with an outside entity to Administer grants such as this that is aware of various regulations regarding the proper procedures to report on the status of grant funds received and expended.