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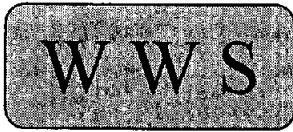
WEBSTER COUNTY, MISSISSIPPI
AUDITED FINANCIAL STATEMENTS AND SPECIAL REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

WEBSTER COUNTY
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WEBSTER COUNTY

FINANCIAL SECTION



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

Members of the Board of Supervisors
Webster County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Mississippi, as of and for the year ended September 30, 2006, 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 opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2007, on our consideration of Webster 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 considered in assessing the results of our audit.

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

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basis 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 Webster County, Mississippi's basic financial statements.

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
July 17, 2007

Watkins, Ward & Stafford, PLLC

WEBSTER COUNTY

FINANCIAL STATEMENTS

WEBSTER COUNTY
STATEMENT OF NET ASSETS
September 30, 2006

EXHIBIT 1

	Governmental Activities
ASSETS	
Cash	\$ 802,467
Property tax receivable	3,106,043
Fines receivable, (net of allowance for uncollectibles of \$905,929)	131,532
Solid waste receivables (net of allowance for uncollectibles of \$726,211)	154,983
Intergovernmental receivables	54,998
Other receivables	7,080
Capital assets, net	<u>4,222,817</u>
Total Assets	\$ <u>8,479,920</u>
LIABILITIES	
Claims payable	\$ 81,576
Intergovernmental payables	72,657
Accrued interest payable	15,268
Deferred revenue	3,106,043
Other payables	16,128
Long-term liabilities	
Due within one year:	
Capital related debt	188,218
Due in more than one year:	
Capital related debt	987,568
Non capital related debt	<u>58,438</u>
Total Liabilities	\$ <u>4,525,896</u>
NET ASSETS	
Invested in capital assets net of related debt	\$ 3,047,030
Restricted net assets:	
Expendable:	
Debt service (deficit)	\$ (22,812)
Public works	1,021,376
Unemployment compensation	10,512
Other purposes	150,780
Unrestricted (deficit)	<u>(252,862)</u>
Total Net Assets	\$ <u>3,954,024</u>

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

Webster County

Statement of Activities

For the Year Ended September 30, 2006

Exhibit 2

FUNCTIONS/PROGRAMS	Program Revenues			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Charges					
PRIMARY GOVERNMENT:							
GOVERNMENTAL ACTIVITIES:							
General Government	\$ 1,683,586	177,620		1,218	123,490	\$ (1,381,258)	
Public Safety	840,041	91,680		50,849	86,564	(610,948)	
Public Works	1,852,863	268,179		578,937	416,321	(589,426)	
Health and Welfare	114,217			25,317	20,494	(68,406)	
Culture and Recreation	41,834					(41,834)	
Conservation of Natural Resources	40,701			80,000		(40,701)	
Economic Development & Assistance	107,000					(27,000)	
Interest on Long-Term Debt	49,743					(49,743)	
Total Governmental Activities	\$ 4,729,985	537,479		736,321	646,869	\$ (2,809,316)	
General Revenues:							
Taxes:							
Property taxes						\$ 2,768,864	
Road and bridge privilege taxes						122,961	
Grants and contributions not restricted to specific programs						232,416	
Unrestricted investment income						89,224	
Miscellaneous						42,714	
Total General Revenues, Special Item, Extraordinary Item and Transfers						3,256,179	
Changes in Net Assets						446,863	
Net Assets - Beginning						3,093,420	
Prior Period Adjustment						413,741	
Net Assets - Beginning restated						3,507,161	
Net Assets - Ending						\$ 3,954,024	

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

Webster County
Balance Sheet - Governmental Funds
September 30, 2006

Exhibit 3

	Major Funds		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 292,198	510,269	\$ 802,467
Property tax receivable	1,890,536	1,215,507	3,106,043
Fines receivable (net of allowance for uncollectibles of \$905,929)	131,532		131,532
Solid waste receivables (net of allowance for uncollectibles of \$726,211)		154,983	154,983
Intergovernmental receivables	46,024	8,974	54,998
Other receivables	6,257	823	7,080
Due from other funds	1,652	29,802	31,454
Advances to other funds	10	551,229	551,239
Total Assets	\$ 2,368,209	2,471,587	\$ 4,839,796
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 15,015	66,561	\$ 81,576
Intergovernmental payables	50,704	1,346	52,050
Due to other funds	50,409	1,652	52,061
Advances from other funds	539,841	11,398	551,239
Deferred revenue	2,022,068	1,370,490	3,392,558
Other payables	16,128		16,128
Total Liabilities	2,694,165	1,451,447	4,145,612
Fund balances:			
Reserved for:			
Advances	10	551,229	551,239
Debt service		(7,545)	(7,545)
Unemployment compensation		10,512	10,512
Unreserved, reported in:			
General fund	(325,966)		(325,966)
Special revenue funds		465,944	465,944
Total Fund Balances	(325,956)	1,020,140	694,184
Total Liabilities and Fund Balances	\$ 2,368,209	2,471,587	\$ 4,839,796

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

Webster County
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2006

Exhibit 3-1

		<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$	694,184
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:		
Cumulative effect of recognizing net fines receivable as earned revenue		286,515
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds		4,222,817
Capital assets net of depreciation as of 10-1-05	3,462,877	
Plus capital outlay expenditures made during the year	657,299	
Less depreciation expense recorded during the year	(272,276)	
Less book value of capital assets sold during the year	(38,824)	
Plus prior period adjustments on net assets	<u>413,741</u>	
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds		(1,249,492)
Long-term liabilities	(1,234,224)	
Accrued interest on bonds	<u>(15,268)</u>	
Total net assets - governmental activities (Exhibit 1)	\$	<u><u>3,954,024</u></u>

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

Webster County**Exhibit 4****Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds****For the Year Ended September 30, 2006**

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 1,782,370	986,494	\$ 2,768,864
Road and bridge privilege taxes		122,961	122,961
Licenses, commissions and other revenue	74,772	9,316	84,088
Fines and forfeitures	115,786	563	116,349
Intergovernmental revenues	485,296	1,151,433	1,636,729
Charges for services	19,883	285,948	305,831
Interest income	50,686	38,538	89,224
Miscellaneous revenues	20,400	260	20,660
Total Revenues	<u>2,549,193</u>	<u>2,595,513</u>	<u>5,144,706</u>
EXPENDITURES			
Current:			
General government	1,561,939	182,662	1,744,601
Public safety	549,815	293,412	843,227
Public works		2,167,120	2,167,120
Health and welfare	106,217	8,000	114,217
Culture and recreation	41,834		41,834
Conservation of natural resources	40,701		40,701
Economic development and assistance	107,000		107,000
Debt service:			
Principal	9,616	179,306	188,922
Interest	1,312	49,733	51,045
Total Expenditures	<u>2,418,434</u>	<u>2,880,233</u>	<u>5,298,667</u>
Excess of Revenues over (under) Expenditures	<u>130,759</u>	<u>(284,720)</u>	<u>(153,961)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	23,503	199,468	222,971
Sale of property	1,150	49,897	51,047
Compensation for loss of capital assets	9,832		9,832
Transfers in			
Transfers out			
Total Other Financing Sources and Uses	<u>34,485</u>	<u>249,365</u>	<u>283,850</u>
Net Changes in Fund Balances	<u>165,244</u>	<u>(35,355)</u>	<u>129,889</u>
Fund Balance - Beginning	<u>(491,200)</u>	<u>1,185,879</u>	<u>694,679</u>
Prior Period Adjustment		<u>(130,384)</u>	<u>(130,384)</u>
Fund Balance - Beginning - Restated	<u>(491,200)</u>	<u>1,055,495</u>	<u>564,295</u>
Fund Balances - Ending	<u>\$ (325,956)</u>	<u>1,020,140</u>	<u>\$ 694,184</u>

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

**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006**

Net changes in fund balances - total governmental funds (Exhibit 4)	\$	129,899
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays \$ 657,299 exceeded depreciation \$272,276 in the current period.		385,023
In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the gain of \$22,055 and the proceeds from the sale and other compensation for loss of \$60,879 in the current period.		(38,824)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments \$188,922 exceeded debt proceeds \$222,971.		(34,049)
Fine revenue recognized on the modified accrual basis during the current fiscal year is reduced because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting.		10,088
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:		
Accrued interest payable		(6,566)
Compensated absences		1,302
Change in net assets of governmental activities (Exhibit 2)	\$	<u>446,863</u>

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

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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 97,107
Other receivables, net	611
Due from other funds	20,607
 Total Assets	 \$ <u>118,325</u>
 LIABILITIES	
Intergovernmental payables	42,324
Other payables	76,001
 Total Liabilities	 \$ <u>118,325</u>

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

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenue as soon as all eligibility requirements have been satisfied.

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 Fund:

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

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.

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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 fiscal year.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. 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

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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.

General infrastructure assets acquired prior to October 1, 2002, are not reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial statements:

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

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

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

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

Unrestricted net assets – All other assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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

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.

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

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 the proprietary fund financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

2. Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
Elevator project was erroneously left out of the GASB 34 conversion	\$ <u>413,741</u>
Adjustment for reclassing capital asset additions	\$ <u>413,741</u>

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

<u>Explanation</u>	<u>Amount</u>
Prior fiscal year ending balance in net garbage receivable - revenue was recognized in error corrected to deferred revenue	\$ <u>(130,384)</u>
Total prior period adjustment	\$ <u>(130,384)</u>

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

3. Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$899,574, and the bank balance was \$1,276,278. 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.

4. Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 1,652
Major Funds:		
Non-major Governmental Funds	General Fund	29,802
Agency Funds	General Fund	20,607
Total all Funds		\$ <u>52,061</u>

The amount of receivable in the general fund from the nonmajor governmental funds consist of funds loaned in error from the General County to the Hava Fund.

The amount of receivable in the nonmajor governmental funds from the general fund consists of September 2006 ad valorem taxes collected by the tax collector and not remitted until October 2006 in the amount of \$29,802. The amount of the receivable in the agency funds consist of funds loaned in error from MS Burn Center to General County.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major governmental funds	General funds	\$ 539,841
General fund	Non-major governmental funds	11,398
Total all Funds		\$ <u>551,239</u>

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

The payable to the non-major governmental funds from General Fund consist of \$98,054 of prior years E911 fund revenue deposited directly to the General Fund, \$233,000 from 99 Bridge Fund, \$15,000 from Law Library Fund, \$142,185 from Road Funds, \$46,000 from Blacktop Fund, and \$17,000 from State Aid Road Funds. The non-major interfund advances were a payable from the 1999 Bridge Construction Fund to the 1999 Equipment Fund, and a payable from the law Library Fund to the District 1 Fund.

5. Intergovernmental Receivables.

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit due tax collector	\$ 46,024
State Aid Road	<u>8,974</u>
Total Governmental Activities	\$ <u>54,998</u>

WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

6. Capital Assets.

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

Governmental Activities:

	Balance Oct. 1, 2005	Additions	Deletions	Reclassifications	Balance Sept. 30, 2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 67,200	19,000			\$ 86,200
Construction in progress	-	305,616	-	-	305,616
Total non-depreciable capital assets	67,200	324,616	-	-	391,816
<u>Depreciable capital assets:</u>					
Infrastructure	1,710,120				1,710,120
Buildings	949,845	61,000		413,741	1,424,586
Mobile equipment	2,667,837	36,212	(207,335)	32,448	2,529,162
Furniture and equipment	146,253	12,500			158,753
Leased property under capital leases	495,943	222,971	-	(32,448)	686,466
Total depreciable capital Assets	5,969,998	332,683	(207,335)	413,741	6,509,087
<u>Less accumulated depreciation for:</u>					
Infrastructure	65,459	34,177			49,636
Buildings	383,714	27,292			411,006
Mobile equipment	1,897,883	132,476	(163,139)	2,046	1,869,266
Furniture and equipment	146,444	3,041	(5,372)		144,113
Leased property under capital leases	80,821	75,290	-	(2,046)	154,065
Total accumulated depreciation	2,574,321	272,276	(168,511)	-	2,678,086
Total depreciable capital assets, net	3,395,677	60,407	(38,824)	413,741	3,831,001
Governmental activities capital assets, net	\$ 3,462,877	385,023	(38,824)	413,741	\$ 4,222,817

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities	
General government	\$ 29,521
Public safety	53,693
Public works	189,062
Total governmental activities depreciation expense	\$ 272,276

7. Claims and Judgments

Risk Financing.

Until September 1, 2004, the County financed its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims servicing organization with the County retaining the risk of loss on all claims to which the County was exposed. Premium payments to the pool were determined on an actuarial basis. The County purchased commercial insurance to cover all claims in excess of premium contributions. Claims expenses and liabilities were reported when it was probable that a loss had occurred and the amount of that loss could be reasonably estimated.

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

The County had no year end liability because the County terminated their participation in the risk pool on September 1, 2004, and a commercial insurance company began providing coverage.

8. Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ <u>686,466</u>
Total	686,466
Less: Accumulated depreciation	<u>154,065</u>
Leased Property Under Capital Leases	\$ <u>532,401</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	<u>Principal</u>	<u>Interest</u>
2007	\$	123,218	\$ 16,442
2008		120,825	13,150
2009		182,771	7,018
2010		95,946	2,420
2011		<u>3,026</u>	<u>52</u>
Total	\$	<u>525,786</u>	\$ <u>39,082</u>

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

9. Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
1999 bridge bonds	\$ 310,000	4.7	05-14
1999 road equipment bonds	<u>340,000</u>	5.2	11-14
Total General Obligation Bonds	\$ <u>650,000</u>		
B. Capital Leases:			
2003 Ford Crown Victoria – Sheriff	6,367	3.92	02-08
Case Motor grader	115,821	3.11	12-08
IBM Printer	4,264	4.50	08-08
(2) 2005 Trailers	17,316	3.19	06-09
(2) Mack Trucks	121,180	3.19	06-09
2004 GMC ½ ton	7,925	3.09	05-09
4 – 2004 GMC Pickup trucks	27,202	3.09	03-09
Blacktop Vibratory Roller	4,606	3.09	06-07
2005 Ford Crown Victoria – Sheriff	16,456	3.39	03-10
2006 Ford Crown Victoria – Sheriff	21,720	4.04	04-11
Motorgrader	133,281	4.05	05-10
Mowers	<u>49,648</u>	4.05	04-10
Total Capital Leases	\$ <u>525,786</u>		

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 65,000	\$ 31,470
2008	70,000	28,135
2009	70,000	24,670
2010	70,000	21,205
2011	75,000	17,740
2012-2015	<u>300,000</u>	<u>30,655</u>
Total	\$ <u>650,000</u>	\$ <u>153,875</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by the 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, 2006, the amount of outstanding debt was equal to 1.07 % of the latest property assessments.

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance <u>Oct. 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Sept. 30, 2006</u>	Amount due within one <u>Year</u>
Governmental Activities:					
Compensated absences	\$ 51,873	6,565		\$ 58,438	
General obligation bonds	710,000		(60,000)	650,000	65,000
Capital leases	<u>431,737</u>	<u>222,971</u>	<u>(128,779)</u>	<u>525,786</u>	<u>123,218</u>
Total	\$ <u>1,193,610</u>	<u>229,536</u>	<u>(188,922)</u>	\$ <u>1,234,224</u>	<u>188,218</u>

10. Deficit Fund Balance of Individual Funds

The following funds reported deficits in fund balances at September 30, 2006

<u>Fund</u>	<u>Deficit Amount</u>
General Fund:	
General County	\$ 336,288
Special Revenue Funds:	
Homeland Security	374
Reappraisal Maintenance	37,156
Solid Waste	112,633
Debt Service Funds:	
1999 Bridge Bond Issue	\$ 26,394

11. Contingencies.

Federal Grants – The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the county. Accordingly, 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 of liability, if any, of the county with respect to the various proceedings.

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

12. Joint Venture.

The county participates in the following joint venture:

Webster County is a participant with the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha and Winston and the Cities of Ackerman, Columbus, Eupora, Louisville, Macon, Starkville and West Point in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Golden Triangle Regional Solid Waste Management Authority. The joint venture was created for waste management purposes and is governed by 38 board members. No one primary government appoints a majority of the authority's board members. The county made no appropriation for the Golden Triangle Regional Solid Waste Management Authority. Complete financial statements for the Golden Triangle Regional Solid Waste Management Authority can be obtained from the Golden Triangle Planning and Development District, Post Office Box 828, Starkville, Mississippi 39760-0828.

13. Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Community Counseling Services operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The board of commissioners is comprised of one appointee from each county Board of Supervisors. The county appropriated \$15,167 for maintenance and support in fiscal year 2006.

Golden Triangle Planning and Development District operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Webster County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$12,000 for support of the district in fiscal year 2006.

Holmes Community College operates in a district composed of the Counties of Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Webster County Board of Supervisors appoints two of the 22 members of the college board of trustees. The county appropriated \$94,551 for maintenance and support of the college in fiscal year 2006.

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

Prairie Opportunity, Inc., operates in a district composed of the Counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. Each county Board of Supervisors appoints one of the 21 board members. The other 14 board members are not appointed by the county Boards of Supervisors. Most of the funding for the entity is derived from federal funds.

Tombigbee Regional Library System operates in a district composed of the Counties of Choctaw, Clay, Monroe and Webster. The Webster County Board of Supervisors appoints one of the five members of the board. Webster County appropriated \$34,000 for maintenance and support of the system in fiscal year 2006.

**WEBSTER COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

14. Defined Benefit Pension Plan.

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

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, 2006 was 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005 and 2004 were \$140,288, \$125,279, and \$114,640, respectively, equal to the required contributions for each year.

WEBSTER COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Webster County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,771,862	1,759,071	1,757,117	(1,954)
Licenses, commissions and other revenue	65,400	84,965	74,588	(10,377)
Fines and forfeitures	125,900	112,583	112,583	0
Intergovernmental revenues	381,058	400,920	286,485	(114,435)
Charges for services	55,000	41,006	19,883	(21,123)
Interest income	15,833	49,453	54,003	4,550
Miscellaneous revenues	51,000	71,800	34,152	(37,648)
Total Revenues	<u>2,466,053</u>	<u>2,519,798</u>	<u>2,338,811</u>	<u>(180,987)</u>
EXPENDITURES				
Current:				
General government	1,594,353	1,617,429	1,448,760	168,669
Public safety	533,588	542,149	540,761	1,388
Health and welfare	117,232	106,051	106,051	-
Culture and recreation	41,500	41,741	41,740	1
Conservation of natural resources	58,269	42,136	42,136	-
Economic development and assistance	27,000	27,000	27,000	-
Total Expenditures	<u>2,371,942</u>	<u>2,376,506</u>	<u>2,206,448</u>	<u>170,058</u>
Excess of Revenues over (under) Expenditures	<u>94,111</u>	<u>143,292</u>	<u>132,363</u>	<u>(10,929)</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	53,632	98,642	115,000	16,358
Other financing uses	(591,086)	(120,642)	(105,946)	14,696
Total Other Financing Sources and Uses	<u>(537,454)</u>	<u>(22,000)</u>	<u>9,054</u>	<u>31,054</u>
Net Change in Fund Balance	(443,343)	121,292	141,417	20,125
Fund Balances - Beginning	(491,200)	(491,200)	(491,200)	-
Fund Balances - Ending	<u>\$ (934,543)</u>	<u>(369,908)</u>	<u>(349,783)</u>	<u>20,125</u>

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

WEBSTER COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2006

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 the required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

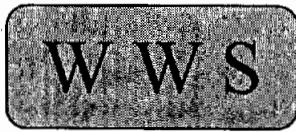
	<u>Governmental Fund Types</u>
	<u>General Fund</u>
Budget (Cash Basis)	\$ 141,417
Increase (Decrease)	
Net adjustments for revenue accruals	(221,362)
Net adjustments for expenditures	<u>245,189</u>
GAAP Basis	\$ <u>165,244</u>

WEBSTER COUNTY

SUPPLEMENTAL INFORMATION

WEBSTER COUNTY

SPECIAL REPORTS



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Certified Public Accountants

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Kenny R. Dickerson, CPA

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

Members of the Board of Supervisors
Webster County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Webster County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated July 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Webster County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Webster County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and responses as items 06-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

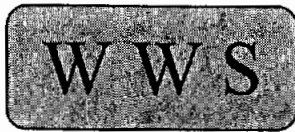
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Webster County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance which are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to the management of Webster County, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations and the Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated July 17, 2007, included within this document.

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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
July 17, 2007

Watkins, Ward & Stafford, PLLC



Watkins, Ward and Stafford
Professional Limited Liability Company
Certified Public Accountants

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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
Webster County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Webster County, Mississippi, as of and for the year ended September 30, 2006. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

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

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

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

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

Watkins, Ward and Stafford, PLLC
Philadelphia, Mississippi
July 17, 2007

Watkins, Ward & Stafford, PLLC

WEBSTER COUNTY

Schedule 1

**Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2006**

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

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

Schedule 2

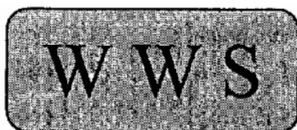
Our test results did not identify any emergency purchases.

WEBSTER COUNTY

Schedule 3

**Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2006**

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



Watkins, Ward and Stafford
Professional Limited Liability Company
Certified Public Accountants

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Kenny R. Dickerson, CPA

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

Members of the Board of Supervisors
Webster County, Mississippi

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

In addition, for areas not considered material to Webster County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 17, 2007, on the financial statements of Webster County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed belows:

Chancery Clerk

1. Finding

Section 19-13-43, Miss. Code Ann (1972), requires funds to have cash available before checks are written. As reported in previous ten years' audit reports, checks were written on county funds which did not have sufficient cash balances.

Recommendation

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

Chancery Clerk's Response

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

Chancery Clerk, continued

2. Finding

Section 25-11-127, Miss Code Ann. (1972) defines benefits upon reemployment of retired persons. The County paid as contract labor to PERS retiree without filing the prescribed PERS Form 4B in which Public Employee Retirement System (PERS) determines if the retiree is an employee or contractor.

Recommendation

The payroll clerk and the PERS retiree should each fill out their respective section of the PERS Form 4B and submit this form to PERS. The treatment of the retired employee as contractor vs. employee would then be based on the response from PERS.

Response

This has been done. The recommendation of the auditors has been followed.

3. Finding

Section 99-19-73, Miss Code Ann (1972), requires the chancery clerk to deposit state assessments collected in the circuit, county and justice courts of the county on a monthly basis with the State Treasurer. The county did not settle on a monthly basis.

Recommendation

The Chancery Clerk should settle each month to the State Treasurer.

Response

The court assessments are being settled monthly at this time.

Justice Court Clerk

1. Finding

There are numerous cases that do not appear on the aging of the fines receivable report. Based on testing of these cases, it appears that these cases are old and would be considered uncollectible. However, a judge has no authority to write off receivables and there is no statute of limitations on execution of criminal judgments. Therefore, all cases must be listed on the aging of fines receivable schedule whether considered collectible or not.

Recommendation

The Justice Court Clerk needs to assess the reason for the fines not meeting the criteria for the fines receivable report. The Justice Court Clerk will then need to correct the coding in the computer system so that these fines will be listed on the report.

Response

Instruct the clerk to follow the recommendations of the auditors concerning the fines receivable report.

Tax Assessor/Collector

1. Finding

The tax assessor incorrectly classified the funds settled to the chancery clerk due to a computer keying error. Funding should be correctly settled as to account and amount.

Recommendation

The tax assessor needs to insure that the tax levy settled to the chancery clerk is correct in classification and amount.

Response

The tax assessor will be instructed to follow the recommendations of the auditor.

2. Finding

Volunteer Fire Tax Levy was erroneously assessed to two beats in the county system.

Recommendation

Tax Assessor needs to insure that the tax levy is assessed properly to the various beats for the volunteer fire tax levy.

Response

The Tax Assessor has been made aware that there is a tax levy report; she will run one to assure that this will not happen in the future.

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
Philadelphia, Mississippi
July 17, 2007

Watkins, Ward & Stafford, PLLC

WEBSTER COUNTY

SCHEDULE OF FINDINGS

**WEBSTER COUNTY
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006**

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditor's report issued on the basic financial statements: | Unqualified |
| 2. Material noncompliance relating to the basic financial statement: | No |
| 3. Internal control over financial reporting: | |
| a. material weakness(es) identified? | No |
| b. Reportable condition(s) identified that are not considered to be material weaknesses? | Yes |

Section 2: Financial Statement Findings

JUSTICE COURT CLERK

06-1 Finding

Justice Court Clerk could not produce the report to substantiate the summary of fines receivable as of September 30, 2006.

Recommendation

The Justice Court Clerk should print a report of fines receivable at the close of the last day of the fiscal year (September 30). The clerk then needs to maintain this report for the auditors.