



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

WILKINSON COUNTY, MISSISSIPPI

**Audited Financial Statements and Special Reports
For the Year Ended September 30, 2006**

WILKINSON COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	5
INDEPENDENT AUDITOR'S REPORT	7
FINANCIAL STATEMENTS	9
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Net Assets - Proprietary Funds	17
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	18
Statement of Cash Flows - Proprietary Funds	19
Statement of Fiduciary Assets and Liabilities	20
Notes to Financial Statements	21
REQUIRED SUPPLEMENTARY INFORMATION	39
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	41
Bridge Fund	42
Notes to the Required Supplementary Information	43
SPECIAL REPORTS	45
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	47
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))	49
SCHEDULE OF FINDINGS	55

WILKINSON COUNTY

(This page left blank intentionally.)

WILKINSON COUNTY

FINANCIAL SECTION

WILKINSON COUNTY

(This page left blank intentionally.)

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

October 3, 2007

Members of the Board of Supervisors
Wilkinson 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 Wilkinson County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's 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.

As discussed in Note 7 to the financial statements, the county has not recorded certain general infrastructure assets in governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amounts recorded in Note 7 and in the Statement of Net Assets were estimates provided by the county, and we were not able to determine the accuracy of these estimates.

The financial statements referred to above do not include all revenues and claims payments of the health insurance internal service fund. Accounting principles generally accepted in the United States of America require that an adequate record of revenues and expenditures be maintained the absence of which would cause the assets, net assets, and revenues and expenditures in the health insurance internal service fund to be misstated. The amount by which this departure would affect the assets and expenses of the health insurance internal service fund is not reasonable determinable.

The financial statements referred to above include only the primary government of Wilkinson County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Wilkinson County, Mississippi, as of September 30, 2006, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of the matters discussed in the third and fourth paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the aggregate remaining fund information for the primary government of Wilkinson 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.

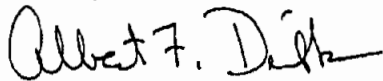
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Bridges Fund, and the Solid Waste Fund for the primary government of Wilkinson County, Mississippi, as of September 30, 2006, and 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 October 3, 2007, on our consideration of Wilkinson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd
McComb, MS

WILKINSON COUNTY

FINANCIAL STATEMENTS

WILKINSON COUNTY

(This page left blank intentionally.)

WILKINSON COUNTY

Statement of Net Assets

September 30, 2006

Exhibit 1

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Cash	\$ 442,436	27,030	469,466
Property tax receivable	3,157,560	-	3,157,560
Accounts receivable, net	-	108,608	108,608
Fines receivable, net	146,812	-	146,812
Loans receivable	410,000	-	410,000
Intergovernmental receivables	39,428	-	39,428
Other receivables	38,743	-	38,743
Internal balances	50,518	(50,518)	-
Capital assets, net	10,319,330	146,003	10,465,333
Total Assets	<u>14,604,827</u>	<u>231,123</u>	<u>14,835,950</u>
LIABILITIES			
Claims payable	162,820	9,729	172,549
Intergovernmental payables	73,074	-	73,074
Accrued interest payable	13,404	-	13,404
Deferred revenue	3,157,560	80,386	3,237,946
Other accrued liabilities	511,508	-	511,508
Long-term liabilities			
Due within one year:			
Capital debt	207,058	21,711	228,769
Non-capital debt	189,902	4,739	194,641
Due beyond one year:			
Capital debt	439,592	113,938	553,530
Total Liabilities	<u>4,754,918</u>	<u>230,503</u>	<u>4,985,421</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,672,680	10,354	9,683,034
Restricted:			
Expendable:			
Debt service	470,581	-	470,581
Public safety	155,290	-	155,290
Public works	428,003	(9,734)	418,269
Conservation of natural resources	(48,427)	-	(48,427)
Economic development	(10,882)	-	(10,882)
Other purposes	(1,114)	-	(1,114)
Unrestricted	(816,222)	-	(816,222)
Total Net Assets	<u>\$ 9,849,909</u>	<u>620</u>	<u>9,850,529</u>

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

WILKINSON COUNTY

Statement of Activities

For the Year Ended September 30, 2006

Exhibit 2

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 Government	
					Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 1,883,226	550,177	5,000	16,683	(1,311,366)	(1,311,366)
Public safety	929,631	123,662	245,144	-	(560,825)	(560,825)
Public works	1,330,709	-	883,787	189,095	(257,827)	(257,827)
Health and welfare	177,837	-	43,895	-	(133,942)	(133,942)
Culture and recreation	80,028	-	-	-	(80,028)	(80,028)
Conservation of natural resources	72,604	-	-	-	(72,604)	(72,604)
Economic development and assistance	102,716	-	-	-	(102,716)	(102,716)
Interest on long-term debt	65,152	-	-	-	(65,152)	(65,152)
Total Governmental Activities	4,641,903	673,839	1,177,826	205,778	(2,584,460)	(2,584,460)
Business-type activities:						
Solid Waste Services	363,018	261,827	-	-	-	(101,191)
Total Primary Government	\$ 5,004,921	935,666	1,177,826	205,778	(2,584,460)	(2,685,651)
General revenues:						
Property taxes					\$ 3,253,026	3,253,026
Road & bridge privilege taxes					100,893	100,893
Grants and contributions not restricted to specific programs					579,402	583,956
Unrestricted investment income					31,769	31,769
Miscellaneous					497,160	531,096
Total General Revenues and Transfers					4,462,250	4,500,740
Changes in Net Assets					1,877,790	1,815,089
Net Assets - Beginning					7,970,793	8,047,269
Prior period adjustment					1,326	(11,829)
Net Assets - Beginning, as restated					7,972,119	8,035,440
Net Assets - Ending					\$ 9,849,909	9,850,529

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

WILKINSON COUNTY

Balance Sheet - Governmental Funds
September 30, 2006

Exhibit 3

Major Funds

	General Fund	County-Wide Bridge Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 299,086	60,446	74,397	433,929
Property tax receivable	2,458,700	300,000	398,860	3,157,560
Fines receivable, net	146,812	-	-	146,812
Intergovernmental receivables	39,428	-	-	39,428
Due from other funds	188,128	5,050	18,025	211,203
Advances to other funds	2,125	173,965	797,671	973,761
Loans receivable, net	-	-	410,000	410,000
Other assets	10,466	-	-	10,466
Total Assets	3,144,745	539,461	1,698,953	5,383,159
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	56,508	3,250	37,472	97,230
Intergovernmental payables	73,074	-	-	73,074
Due to other funds	25,813	-	-	25,813
Advances from other funds	1,249,837	110,649	269,170	1,629,656
Deferred revenue	2,605,512	300,000	398,860	3,304,372
Other accrued liabilities	23,669	-	-	23,669
Total Liabilities	4,034,413	413,899	705,502	5,153,814
Fund balances:				
Reserved for:				
Advances	-	125,562	797,671	923,233
Loans receivable	-	-	410,000	410,000
Unreserved:				
Undesignated, reported in:				
General funds	(889,668)	-	-	(889,668)
Special revenue funds	-	-	(182,833)	(182,833)
Debt service funds	-	-	(31,387)	(31,387)
Total Fund Balances	(889,668)	125,562	993,451	229,345
Total Liabilities and Fund Balances	\$ 3,144,745	539,461	1,698,953	5,383,159

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

WILKINSON COUNTYExhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2006

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 229,345

Amounts reported for net assets in the Statement of Net Assets are different because:

Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation:

Governmental capital assets	24,595,202
Less accumulated depreciation	<u>(14,275,872)</u>
	10,319,330

Fines receivable are not available to pay for current period expenditures and therefore are deferred in the general funds.

146,812

Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.

(13,404)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(836,552)

Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Assets.

4,378

Total Net Assets

\$ 9,849,909

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

WILKINSON COUNTY

Exhibit 4

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

	Major Funds			
	General Fund	County-Wide Bridge Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 2,530,126	312,517	410,383	3,253,026
Road and bridge privilege taxes	-	-	100,893	100,893
Licenses, commissions and other revenue	92,429	-	2,288	94,717
Fines and forfeitures	87,105	-	-	87,105
Intergovernmental revenues	636,198	228,833	1,097,976	1,963,007
Charges for services	20,186	-	108,546	128,732
Interest income	45,790	-	6,065	51,855
Miscellaneous revenues	33,414	5,333	4,175	42,922
Total Revenues	<u>3,445,248</u>	<u>546,683</u>	<u>1,730,326</u>	<u>5,722,257</u>
EXPENDITURES				
Current:				
General government	1,882,463	-	18,147	1,900,610
Public safety	800,774	-	367,030	1,167,804
Public works	-	527,918	1,097,165	1,625,083
Health and welfare	171,773	-	4,997	176,770
Culture and recreation	80,028	-	-	80,028
Conservation of natural resources	72,604	-	-	72,604
Economic development and assistance	91,261	-	11,455	102,716
Debt service:				
Principal	560,485	-	301,196	861,681
Interest	11,891	-	47,839	59,730
Total Expenditures	<u>3,671,279</u>	<u>527,918</u>	<u>1,847,829</u>	<u>6,047,026</u>
Excess of Revenues over (under) Expenditures	<u>(226,031)</u>	<u>18,765</u>	<u>(117,503)</u>	<u>(324,769)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	1,860	90,045	91,905
Proceeds of loans	-	-	143,000	143,000
Insurance recoveries	6,495	-	-	6,495
Compensation for loss or damage to capital assets	-	-	26,705	26,705
Transfers in	-	-	843,675	843,675
Transfers out	-	-	(843,675)	(843,675)
Total Other Financing Sources and Uses	<u>6,495</u>	<u>1,860</u>	<u>259,750</u>	<u>268,105</u>
Net Changes in Fund Balances	<u>(219,536)</u>	<u>20,625</u>	<u>142,247</u>	<u>(56,664)</u>
Fund Balances - Beginning	(755,133)	104,637	816,022	165,526
Prior period adjustments	85,001	300	35,182	120,483
Fund balance - beginning of year, as restated	<u>(670,132)</u>	<u>104,937</u>	<u>851,204</u>	<u>286,009</u>
Fund Balances - Ending	<u>\$ (889,668)</u>	<u>125,562</u>	<u>993,451</u>	<u>229,345</u>

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

WILKINSON COUNTYExhibit 4-1**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2006**

	<u>Amounts</u>
Net Changes in Fund Balance - Governmental Funds	\$ (56,664)
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 of \$2,057,392 exceeded depreciation of \$857,216 in the current period.	1,200,176
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in 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 loss of \$409,976 and the proceeds from the sale of \$116,750 in the current period.	293,226
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.	(55,045)
Accrued interest expense reported in the Statement of Net Assets does not require the use of current financial resources and is therefore not reported as expenditures in the governmental funds.	(5,422)
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 but the amount that debt proceeds of \$143,000, was exceeded by debt payments of \$861,142.	718,681
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 the following item:	
The amount of increase in compensated absences	16,187
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.	(233,349)
Change in Net Assets of Governmental Activities	<u>\$ 1,877,790</u>

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

WILKINSON COUNTY

Statement of Net Assets - Proprietary Funds
September 30, 2006

Exhibit 5

	Business-type Activities- Enterprise Fund	Governmental Activities
	Solid Waste Services Fund	Internal Service Fund
ASSETS		
Current assets:		
Cash	\$ 27,030	8,507
Accounts receivable, net	108,608	
Total Current Assets	135,638	8,507
Noncurrent assets:		
Advances to other funds	3,038	218,574
Capital assets, net	146,003	
Total Noncurrent Assets	149,041	218,574
Total Assets	284,679	227,081
LIABILITIES		
Current liabilities:		
Claims payable	9,729	65,590
Due to other funds	31,015	157,113
Refundable deposits	80,386	
Capital related debt - current	21,711	
Non-capital debt - current	4,739	
Total Current Liabilities	147,580	222,703
Noncurrent liabilities:		
Advances from other funds	22,541	
Capital related debt - noncurrent	113,938	
Total Noncurrent Liabilities	136,479	-
Total Liabilities	284,059	222,703
NET ASSETS		
Invested in capital assets, net of related debt	10,354	-
Restricted for public works	(9,734)	-
Unrestricted		4,378
Total Net Assets	\$ 620	4,378

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

WILKINSON COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2006

	Business-type Activities- Enterprise Fund	Governmental Activities
	Solid Waste Services Fund	Internal Service Fund
Operating Revenues		
Charges for services	\$ 261,827	
Intergovernmental revenues	4,554	
Miscellaneous revenues	33,936	6,254
Premiums		426,722
Total Operating Revenues	300,317	432,976
Operating Expenses		
Personal Services	164,091	
Contractual services	85,661	
Material and supplies	55,727	
Depreciation expense	47,933	
Indirect administrative costs	6,557	
Claims payments		480,987
Insurance premiums		186,512
Total Operating Expenses	359,969	667,499
Operating Income (Loss)	(59,652)	(234,523)
Nonoperating Revenues (Expenses)		
Interest income		1,174
Interest expense	(3,049)	
Net Nonoperating Revenue (Expenses)	(3,049)	1,174
Changes in Net Assets	(62,701)	(233,349)
Net Assets - Beginning	76,476	184,168
Prior period adjustments	(13,155)	53,559
Net Assets - Beginning, as restated	63,321	237,727
Net Assets Ending	\$ 620	4,378

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

WILKINSON COUNTY

Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2006

Exhibit 7

	Business-type Activities- Enterprise Fund	Governmental Activities
	Solid Waste Services Fund	Internal Service Fund
Cash Flows From Operating Activities		
Receipts from customers	\$ 286,003	
Receipts for premiums		426,722
Payments to suppliers	(238,464)	
Payments to employees	(163,682)	
Payments for claims		(404,036)
Payments for insurance premiums		(186,512)
Net Cash Provided (Used) by Operating Activities	<u>(116,143)</u>	<u>(163,826)</u>
Cash Flows From Noncapital Financing Activities:		
Cash received from intergovernmental revenues	4,554	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>4,554</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities		
Proceeds from sale of assets	48,360	
Refunds		6,254
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>48,360</u>	<u>6,254</u>
Cash Flows From Investing Activities		
Interest on investments		1,174
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>1,174</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(63,229)	(156,398)
Cash and Cash Equivalents at Beginning of Year, as previously reported	24,821	20,392
Prior period adjustments to cash	65,438	144,513
Cash and Cash Equivalents at Beginning of Year, as restated	90,259	164,905
Cash and Cash Equivalents at End of Year	<u>\$ 27,030</u>	<u>8,507</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (59,652)	(234,523)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	47,933	
Provision for uncollectible accounts	6,951	
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	(10,030)	
Increase (decrease) in other receivables		
Increase (decrease) in claims payable	83	(86,416)
Increase (decrease) in compensated absences payables	409	
Increase (decrease) in refundable deposits	27,255	
(Increase) decrease in capital lease payable	(135,649)	
Increase (decrease) in interfund payables	6,557	157,113
Total Adjustments	<u>(56,491)</u>	<u>70,697</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (116,143)</u>	<u>(163,826)</u>

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

WILKINSON COUNTY

Statement of Fiduciary Assets and Liabilities

September 30, 2006

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 112,449
Intergovernmental receivables	26,360
Due from other funds	2,736
Advances to other funds	481,886
Total Assets	<u>623,431</u>
LIABILITIES	
Advances from other funds	25,062
Intergovernmental payables	598,369
Total Liabilities	<u>\$ 623,431</u>

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

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Wilkinson 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 Wilkinson 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.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Wilkinson County Economic Development District
- Field Memorial Community Hospital

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 financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Collector/Assessor
- 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 government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

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. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each business segment 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 financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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.

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

The county reports the following major Governmental Funds:

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

County-Wide Bridge Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance in the county.

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

The county reports the following major Proprietary Funds:

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

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The county's internal service fund reports on self-insurance programs for employee medical benefits.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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.

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.

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

F. Receivables.

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

G. Interfund Transactions and Balances.

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

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 statements. However, the capital assets amount reported on the accompanying Statement of Net Assets is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets. 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 deflator for the year of acquisition. The extent to which capital assets' costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported 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 are used to report capital assets in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds.

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

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

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

I. Long-term Liabilities.

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

In the government-wide financial statements 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 Fund-Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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.

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

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 retires.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2006, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 42 requires governments to report the effects of capital asset impairment in their financial statements when impairment occurs. The provisions of this new statement have been incorporated into the financial statements and accompanying notes.

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(3) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 Statement of Activities

Explanation	Amount
Governmental Activities	
An adjustment to correct an error in recording a prior year revenue or expenditure	\$ 120,483
An adjustment to correct an error in recording a prior year liability in the internal service fund	53,559
An adjustment to correct an error in recording a prior year revenue or expenditure	(19,085)
An adjustment to correct an error in recording a fixed asset	(153,631)
Total	<u>\$ 1,326</u>
Business-type Activities	
An adjustment to correct an error in recording a prior year revenue or expenditure	(13,155)
Total	<u>\$ (13,155)</u>

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

Explanation	Amount
An adjustment to correct an error in recording a prior year revenue or expenditure	\$ 85,001
An adjustment to correct an error in recording a prior year revenue or expenditure	300
An adjustment to correct an error in recording a prior year revenue or expenditure	35,182
Total	<u>\$ 120,483</u>

Exhibit 6 Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds

Explanation	Amount
Business Type Activities - Solid Waste Service Fund	
An adjustment to correct an error in recording a prior year revenue or expenditure	\$ (13,155)
Total	<u>\$ (13,155)</u>

Governmental Activities - Internal Service Fund

An adjustment to correct an error in recording a prior year liability in the internal service fund	\$ 53,559
Total	<u>\$ 53,559</u>

Exhibit 7 Statement of Cash Flows - Proprietary Funds

Explanation	Amount
Business Type Activities - Solid Waste Service Fund	
An adjustment to correct an error in recording and reconciling cash	\$ 65,438
Total	<u>\$ 65,438</u>

Governmental Activities - Internal Service Fund

An adjustment to correct an error in recording and reconciling cash	\$ 144,513
Total	<u>\$ 144,513</u>

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$581,915., and the bank balance was \$737,131. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal 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.

(5) 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	Solid Waste	\$ 31,015
General fund	Self Insurance Fund	157,113
Bridges Fund	General fund	5,050
Other governmental funds	General fund	18,025
Agency funds	General fund	<u>2,736</u>
Total		<u>\$ 213,939</u>

The Solid Waste Services Fund payable is the indirect administrative costs incurred during the year. All other amounts represent the tax revenue collected but not settled until October, 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Agency fund	\$ 2,125
Non-major special revenue fund	Bridges fund	4,500
Bridges fund	General fund	111,885
Other governmental funds	General fund	291,204
Non-major debt service funds	General fund	332,219
Non-major debt service funds	Bridges fund	80,643
Non-major debt service funds	Other special revenue funds	151,185
Agency funds	General fund	401,822
Agency funds	Other special revenue funds	57,127
Agency funds	Agency fund	22,937
Enterprise fund	General fund	3,038
Internal service fund	Enterprise fund	22,541
Internal service fund	Other governmental funds	60,858
Internal service fund	Bridges fund	25,506
Internal service fund	General fund	109,669
Total		<u>\$ 1,677,259</u>

Advances to other funds have generally been made to provide cash to funds to help fund operations.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Fund	Other Governmental Fund	\$ 843,675
Total		<u>\$ 843,675</u>

The purpose of the interfund transfers was to transfer revenues from county-wide road and highways funds to individual district road funds.

(6) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative Tag Credit	\$ 39,428
Total	<u>\$ 39,428</u>

WILKINSON COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2006

(7) 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	Adjustments*	Balance Sept 30, 2006
<u>Non-depreciable capital assets:</u>					
Land	\$ 131,435	-	-	-	131,435
Construction in progress	-	1,068,195	-	-	1,068,195
Total non-depreciable capital assets	131,435	1,068,195	-	-	1,199,630
<u>Depreciable capital assets:</u>					
Infrastructure	16,365,082	686,526	-	-	17,051,608
Buildings	2,676,541	-	-	-	2,676,541
Improvements other than buildings	70,615	-	-	(6,024)	64,591
Mobile equipment	2,682,861	182,854	-	38,369	2,904,084
Furniture and equipment	192,976	14,316	-	(41,425)	165,867
Leased property under capital leases	522,388	105,501	(100,568)	5,560	532,881
Total depreciable capital assets	22,510,463	989,197	(100,568)	(3,520)	23,395,572
<u>Less accumulated depreciation for:</u>					
Infrastructure	(9,588,506)	(642,292)			(10,230,798)
Buildings	(1,858,743)	(7,957)		(3,978)	(1,870,678)
Improvements other than buildings	(1,412)	(2,584)		(3,756)	(7,752)
Mobile equipment	(1,991,505)	(139,446)	356,701	(114,525)	(1,888,775)
Furniture and equipment	(113,216)	(13,418)		3,649	(122,985)
Leased property under capital leases	(108,957)	(51,519)	37,093	(31,501)	(154,884)
Total accumulated depreciation	(13,662,339)	(857,216)	393,794	(150,111)	(14,275,872)
Total depreciable capital assets, net	8,848,124	131,981	293,226	(153,631)	9,119,700
Governmental activities capital assets, net	\$ 8,979,559	1,200,176	293,226	(153,631)	10,319,330

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

Business-type activities:

	Balance Oct 1, 2005	Additions	Deletions	Adjustments*	Balance Sept 30, 2006
<u>Depreciable capital assets:</u>					
Mobile equipment	286,744	-	(144,246)	-	142,498
Leased property under capital leases	-	160,673	-	-	160,673
Total depreciable capital assets	286,744	160,673	(144,246)	-	303,171
<u>Less accumulated depreciation for:</u>					
Mobile equipment	(229,551)	(19,012)	129,822	(9,506)	(128,247)
Leased property under capital leases		(28,921)			(28,921)
Total accumulated depreciation	(229,551)	(47,933)	129,822	(9,506)	(157,168)
Enterprise activities capital assets, net	\$ 57,193	112,740	(14,424)	(9,506)	146,003

*Adjustments were made to the following:

- (a) paid out leased property moved from leased property to mobile equipment,
- (b) adjusted radio tower cost to correct cost, less tower building,
- (c) assets not listed by county, and
- (d) assets below threshold.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 17,830
Public safety	64,498
Public works	773,821
Health and welfare	1,067
Total governmental activities depreciation expense	\$ 857,216
<u>Business-type Activities:</u>	
Solid Waste	\$ 47,933

The county has not recorded certain infrastructure and related depreciation expense in the capital assets of the county. The amounts recorded in the above schedules were from estimates provided by county personnel, prior auditor's estimates and the data from the county's engineering contractors. We were not able to verify the accuracy of these amounts or trace these amounts to the county's asset records.

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(8) Loans Receivable

Loans receivable at September 30, 2006, consist of the following:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Low income housing loan	12/1/2000	1%	12/1/2050	<u>\$ 410,000</u>

(9) 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 \$750,000 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, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in October 2003 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. The county pays the premium on a single coverage policy for its employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plan to minimize this potential loss:

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. This coverage was purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$20,000, and the aggregate policy covers all submitted claims in excess of \$55,000. The reinsurance coverage limit is \$1,000,000. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2005 and 2006:

	2005	2006
Unpaid claims, beginning of year	\$ 555,669	152,006
Adjustments*	(344,462)	37,463
Plus incurred claims (including IBNR's)	437,602	357,108
Less claims payments	(496,803)	(480,987)
Unpaid claims, end of year	<u>\$ 152,006</u>	<u>65,590</u>

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

*The adjustment is to adjust the liability to the third party confirmation amounts. As the county does not maintain appropriate self-insurance records, we are unable to determine the difference through reasonable auditing procedures, and therefore there is no explanation for the difference.

(10) 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	\$ 532,881
Less: Accumulated depreciation	(154,884)
Leased property under capital leases	<u>\$ 377,997</u>

<u>Classes of Property</u>	<u>Business-type Activities</u>
Mobile Equipment	\$ 160,672
Less: Accumulated depreciation	(28,922)
Leased property under capital leases	<u>\$ 131,750</u>

Governmental activities repayment schedule by Year Ended September 30

	<u>Principal</u>	<u>Interest</u>
2007	\$ 92,058	8,764
2008	129,652	3,529
2009	61,515	770
2010	3,425	35
Total	<u>\$ 286,650</u>	<u>13,098</u>

Business-type activities repayment schedule by Year Ended September 30

	<u>Principal</u>	<u>Interest</u>
2007	\$ 52,620	4,524
2008	54,791	2,353
2009	28,238	334
Total	<u>\$ 135,649</u>	<u>7,211</u>

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(11) Short-term debt

The following is a summary of short-term debt activity for the year ended September 30, 2005:

	Balance Oct. 1, 2005	Additions	Reductions	Balance Sept. 30, 2006
Tax anticipation	\$ 552,600		552,600	-
Loan for purchase of ROW		48,000	27,770	20,230
Loan for road improvement	-	95,000	15,491	79,509
Liability insurance note	-	154,011	154,011	-
Total	<u>\$ 552,600</u>	<u>297,011</u>	<u>749,872</u>	<u>99,739</u>

(12) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds			
Field Memorial Community Hospital	\$ 195,000	6.5-7.0%	06/01/11
Industrial Development	165,000	6.3-6.8%	08/01/08
Total General Obligation Bonds	<u>\$ 360,000</u>		
B. Capital Leases:			
District 2 wheel loader	35,466	3.19%	01/25/08
District 3 motor grader	99,131	3.92%	11/04/07
District 3 wheel loader	78,644	3.15%	12/08/08
District 4 2006 Ford F250 pickup	16,294	4.15%	03/25/10
District 4 wheel loader	10,990	3.69%	03/25/03
District 4 dump truck	24,923	3.99%	09/25/08
District 5 2006 Ford F350 pickup	17,001	4.15%	11/25/09
District 5 backhoe	4,201	4.12%	07/25/07
Total Governmental activities Capital Leases	<u>\$ 286,650</u>		
Business-type activities			
Solid Waste garbage trucks (2)	\$ 79,680	4.05%	03/25/09
Solid Waste Pac-Mac base units (2)	55,969	4.05%	03/25/09
Total Business-type activities Capital Leases	<u>\$ 135,649</u>		

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2007	115,000	24,830
2008	120,000	16,980
2009	40,000	8,750
2010	40,000	5,950
2011	45,000	3,150
Total	<u>\$ 360,000</u>	<u>59,660</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, 2006, the amount of outstanding debt was equal to .51% of the latest property assessments.

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

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30, 2006	Amount Due Within One Year
Governmental Activities:						
Compensated absences	\$ 40,760		(16,187)		24,573	24,573
Claims and judgments	152,006	357,108	(480,987)	37,463	65,590	65,590
General obligation bonds	460,000		(100,000)		360,000	115,000
Capital leases	346,969	105,501	(165,820)		286,650	92,058
Total	<u>\$ 999,735</u>	<u>462,609</u>	<u>(762,994)</u>	<u>37,463</u>	<u>736,813</u>	<u>297,221</u>
Business-type Activities						
Capital leases	\$ -	161,172	(25,523)		135,649	21,711
Compensated absences	4,330	409	-	-	4,739	4,739
Total	<u>\$ 4,330</u>	<u>161,581</u>	<u>(25,523)</u>	<u>-</u>	<u>140,388</u>	<u>26,450</u>

Adjustments were made to correct prior period balance to actual. See note 9 for detail of the adjustment to claims and judgments.

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

(13) Deficit Fund Balances of Individual Funds

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

Fund	Deficit Amount
General Funds	\$ (889,668)
Special Revenue Funds:	
Fire Grant Fund	(8,094)
Homeland Security Fund	(24,531)
Tire Waste Disposal	(33,482)
Law Library Fund	(1,114)
Courthouse Restoration Fund	(48,427)
Industrial Development Fund	(10,882)
District 1 Road	(30,801)
District 2 Road	(112,021)
District 3 Road	(20,876)
District 4 Road	(77,385)
Reappraisal Fund	(33,000)

(14) 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.

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Wilkinson, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Wilkinson County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$20,081 for support of the district in fiscal year 2006.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Wilkinson, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Wilkinson County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$16,875 for its support in fiscal year 2006.

Southwest Mississippi Community College operates in a district composed of the Counties of Wilkinson, Pike, Walthall and Wilkinson. The Wilkinson County Board of Supervisors appoints two of the 14 members of the college board of trustees. The county appropriated \$156,646 for the operation and maintenance of the college in fiscal year 2006.

WILKINSON COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2006

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

(16) Defined Benefit Pension Plan.

Plan Description. Wilkinson 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 current rate is 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 \$196,351, \$171,902, and \$170,508, respectively, equal to the required contributions for each year.

WILKINSON COUNTY

(This page left blank intentionally.)

WILKINSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

WILKINSON COUNTY

(This page left blank intentionally.)

WILKINSON 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	\$ 1,719,000	2,532,736	2,532,736	-
Licenses, commissions and other revenue	75,000	79,135	90,952	11,817
Fines and forfeitures	173,090	85,355	85,355	-
Intergovernmental revenues	545,500	637,031	637,032	1
Charges for services	8,000	20,186	20,186	-
Interest income	20,000	30,589	45,783	15,194
Miscellaneous revenues	10,600	48,608	33,414	(15,194)
Total Revenues	<u>2,551,190</u>	<u>3,433,640</u>	<u>3,445,458</u>	<u>11,818</u>
EXPENDITURES				
Current:				
General government	2,028,750	1,883,661	1,883,661	-
Public safety	822,000	832,513	832,513	-
Health and welfare	156,607	172,129	172,129	-
Culture and recreation	77,000	79,630	79,630	-
Conservation of natural resources	70,200	71,638	71,638	-
Economic development and assistance	43,230	88,681	88,681	-
Debt service:				
Principal	356,450	559,946	560,651	(705)
Interest		12,430	11,725	705
Total Expenditures	<u>3,554,237</u>	<u>3,700,628</u>	<u>3,700,628</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(1,003,047)</u>	<u>(266,988)</u>	<u>(255,170)</u>	<u>11,818</u>
OTHER FINANCING SOURCES (USES)				
Insurance recoveries	21,000	6,495	6,495	-
Total Other Financing Sources and Uses	<u>21,000</u>	<u>6,495</u>	<u>6,495</u>	<u>-</u>
Net Change in Fund Balance	<u>(982,047)</u>	<u>(260,493)</u>	<u>(248,675)</u>	<u>11,818</u>
October 1, 2005	<u>873,890</u>	<u>(255,899)</u>	<u>(938,216)</u>	<u>(682,317)</u>
September 30, 2006	<u>\$ (108,157)</u>	<u>(516,392)</u>	<u>(1,186,891)</u>	<u>(670,499)</u>

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

WILKINSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Bridge Fund
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 265,000	313,276	313,276	-
Intergovernmental revenues	85,000	228,833	80,602	(148,231)
Total Revenues	<u>350,000</u>	<u>542,109</u>	<u>393,878</u>	<u>(148,231)</u>
EXPENDITURES				
Current:				
Public works	335,000	527,918	380,958	146,960
Total Expenditures	<u>335,000</u>	<u>527,918</u>	<u>380,958</u>	<u>146,960</u>
Excess of Revenues over (under) Expenditures	<u>15,000</u>	<u>14,191</u>	<u>12,920</u>	<u>(1,271)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	-	1,860	1,860	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,860</u>	<u>1,860</u>	<u>-</u>
Net Change in Fund Balance	15,000	16,051	14,780	(1,271)
October 1, 2005	<u>-</u>	<u>20,113</u>	<u>107,738</u>	<u>87,625</u>
September 30, 2006	<u>\$ 15,000</u>	<u>36,164</u>	<u>122,518</u>	<u>86,354</u>

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

WILKINSON 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 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:

	Governmental Fund Type	
	General Fund	Bridge Fund
Budget (Cash Basis)	\$ (248,674)	14,780
Increase(Decrease)		
Net adjustments for revenue accruals	(209)	152,805
Net adjustments for expenditure accruals	29,347	(146,960)
GAAP Basis	<u>\$ (219,536)</u>	<u>20,625</u>

WILKINSON COUNTY

(This page left blank intentionally.)

WILKINSON COUNTY

SPECIAL REPORTS

WILKINSON COUNTY

(This page left blank intentionally.)

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*

October 3, 2007

Members of the Board of Supervisors
Wilkinson County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wilkinson County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated October 3, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units, and the report is qualified on the governmental activities and the health insurance internal service fund because the county did not report certain general infrastructure assets and related depreciation in the governmental activities and did not record all revenues and expenditures in the health insurance internal service fund as required by accounting principles generally accepted in the United States of America. 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 Wilkinson 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 the 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 Wilkinson 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 Schedules of Findings as items 06-1, 06-2, 06-3, 06-4, 06-5, 06-6, 06-7, 06-8 and 06-9.

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 of fraud in amounts that would be material in relation to the 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, of the reportable conditions described above we consider items 06-4, 06-6 and 06-7 to be material weaknesses.

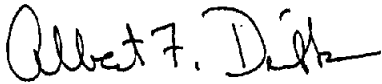
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wilkinson 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 instances of noncompliance which we have reported to the management of Wilkinson County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated October 3, 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 these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

A handwritten signature in black ink, appearing to read "Albert F. Dribben". The signature is fluid and cursive, with a prominent initial "A" and a long, sweeping underline.

Albert F. Dribben, CPA
Dribben & Associates, Ltd
McComb, MS

**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))**

October 3, 2007

Members of the Board of Supervisors
Wilkinson County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Wilkinson 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 Wilkinson 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 Wilkinson 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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. Those instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

1. Finding – Inventory Control Clerk:

- A. As reported in prior years' audit reports and per Section 31-7-107 of the Miss. Code Ann. (1972), the county's asset inventory did not include acquisition date or acquisition costs for many assets. These exceptions relate primarily to infrastructure.
- B. Per Section 31-7-107 of the Miss. Code Ann. (1972), the county's asset inventory clerk is to keep a record of additions to the fixed asset inventory. Two items purchased during the year were found in the capital expenditures of the general ledger history but were not added as an addition to the fixed assets. Assets not added to the asset listing but purchased during the year were: Radio Equipment \$8,388 and a ten ton air conditioner \$5,928. Two items from a prior year had not been added: Radio Tower \$64,591 and Motorola radio equipment \$24,714.
- C. The inventory control clerk did not file an annual report with the state of the general fixed assets, their accumulated depreciation and net value.

- D. Donated assets should be listed on the county's inventory at fair market value. In our review of the county's inventory, we noted several donated items listed at a value of \$1.

Recommendation:

- A. The county should seek the help of the county engineer to add all of its infrastructure to its books with the acquisition dates and costs.
- B. The county should conduct a complete inventory of all its assets. This inventory should include locating all assets included in inventory and also identifying all assets owned by the county not included in inventory as well as ensuring all assets are properly tagged. It should also include identifying assets that no longer have any use for removal from inventory. The county should also research its true acquisition date and cost for assets for which data is not included in the inventory list.
- C. The county's inventory clerk should compile the data required and submit an annual report of its general fixed assets to the state.
- D. The board should set that value of donated items at the time it accepts the donation and place that value in the board minutes. The county may use whatever method it deems best to estimate the fair market value—consulting an appraiser or person knowledgeable in the area, using computer-generated data such as Blue Book or other accepted methods.

Inventory Control Clerk's Response

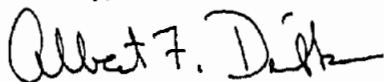
As discussed with the auditor, and in explanation thereof, these items have been corrected and added to the inventory control records. Values have been determined and placed into the inventory.

In our opinion, except as explained in the third paragraph, Wilkinson 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 Wilkinson 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.

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd
McComb, MS

WILKINSON 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 from other than the lowest bidder.

WILKINSON County

Schedule 2

Schedule of Emergency Purchases

For the Year Ended September 30, 2006

<u>Date</u>	<u>Item</u> <u>Purchased</u>	<u>Amount</u> <u>Paid</u>	<u>Vendor</u>	<u>Reason for</u> <u>Emergency Purchase</u>
-------------	---------------------------------	------------------------------	---------------	--

Our test results did not identify any emergency purchases.

WILKINSON County

Schedule 3

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

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
-------------	---------------------------	------------------------	---------------

Our test results did not identify any sole source purchases.

WILKINSON COUNTY

(This page left blank intentionally.)

WILKINSON COUNTY

SCHEDULE OF FINDINGS

WILKINSON COUNTY

(This page left blank intentionally.)

WILKINSON 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 financial statements: | |
| | Governmental Activities | Qualified |
| | General Fund | Unqualified |
| | Bridges Fund | Unqualified |
| | Solid Waste Fund | Unqualified |
| | Aggregate remaining fund information | Qualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

06-1 Finding-Board of Supervisors:

As reported in prior years' audit reports, the County has, in the past, made interfund loans. These loans were made when the County experienced negative cash flows in various funds. However, after many years, these loans have not been repaid. As a result, the County has outstanding interfund loans which are many years old.

Recommendation:

Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally-restricted funds. For any interfund loan made, the Board of Supervisors should approve and record in the board minutes the reason for the loan, when the loan will be repaid and the source of the funds for the repayment. The Board of Supervisors should ensure that these old loans are repaid by approving and recording in the board minutes a repayment schedule and complying with the repayment schedule.

Response:

The Board of Supervisors will comply.

06-2 Finding-Board of Supervisors:

Section 19-13-43, Miss. Code Ann. (1972), requires that, before a warrant is issued, there must be sufficient money available in the fund upon which it is drawn to pay the same and all prior unpaid checks drawn on that fund. As reported in the six prior years' audit reports, warrants were written on county funds which did not have sufficient cash balances. The following funds had a deficit cash balance at September 30, 2006: Fire Grant Fund, Homeland Security, Tire Waste Disposal, Law Library, Courthouse Renovation Grant, Industrial Development, District Two Road, District Four Road, Court Assessments, School Special, and Extension Service Employee Retirement Fund.

WILKINSON COUNTY

Schedule of Findings
For the Year Ended September 30, 2006

Recommendation:

The county should ensure that no warrants are written on funds when cash is not available.

Response:

Several funds are reimbursable from various sources. The money has to be spent on that basis. Others will follow the recommendation.

06-3 Finding – Chancery Clerk:

As reported in the prior five years' audit reports, the land redemption bank account is not being reconciled in a timely manner. In our testing, we found that the last bank reconciliation occurred 7 months previously; therefore, outstanding checks could not be determined..

Recommendation:

The Chancery Clerk should ensure the land redemption account is reconciled on a monthly basis. All unsettled funds should be identified and properly settled to the correct parties. Any parties who received over-settlements should be notified and the over-settlements withheld from future settlements. Receipts and deposits should be deposited and reconciled daily. Additionally, the Chancery Clerk should maintain an accurate and up-to-date outstanding check listing.

Response:

Bank reconciliations are done monthly.

06-4 Finding – Chancery Clerk:

During the review of the Chancery Clerk's office operations, we found that the fee income received could not be verified through revenue testing due to the fact that the Chancery Clerk's office did not use a receipt book in any revenue transactions. There is no way to provide audit assurance through testing of the amounts reported as revenue on the Chancery Clerk's Annual Financial Statement and verify income received to the amounts deposited in the bank accounts.

Recommendation:

All revenues received in the Chancery Clerks Office should be recorded in a receipt book, or accounting software and a receipt should be given to each person or agency presenting the money for services. Daily deposits should always tie to the day's sum of receipts in the computerized cash receipts journal or manually in a receipt book.

Response:

Deposits are tied to receipts and are placed into a manual receipt book and identified as to where from and what for. I am unsure of what you are talking about. This procedure has been in place for 28 years.

WILKINSON COUNTY

Schedule of Findings
For the Year Ended September 30, 2006

06-5 Finding – Tax Assessor/Collector:

As reported in the prior years' audit reports, the Tax Assessor/Collector's bank statements are not reconciled to the cash balance in the cash journal.

Recommendation:

Each month, the Tax Assessor/Collector's office should reconcile their bank statements and ensure the ending cash balance per the accounting systems ties to the reconciled cash balance on the bank statements.

Response:

No response has been submitted.

06-6 Finding – Inventory Control:

Capital asset internal control procedures are inadequate for maintaining an accurate inventory or adequate subsidiary records of the county's assets. During our testing we found several material current year purchases not added to the asset listing, capital assets not properly tagged with an identifying asset number, and assets on the books without complete data to document historical cost, purchase date and associated accumulated depreciation. Additionally, the county has no subsidiary records for infrastructure assets.

Recommendation:

The county should implement procedures to provide accurate reporting of their capital asset balances and develop capital asset accounting requirements to insure that all capital assets are properly tagged with an identifying asset number, and properly recorded on the books.

Response:

Two items left off an inventory is not enough to make the accusation that they are inadequate. Infrastructure is another part of the inventory per GASB 34 requirements. The county will employ technical assistance from professionals to determine these requirements.

06-7 Finding—Board of Supervisors:

As reported in prior years' audit reports, many transactions throughout the year were not posted to the County's general ledger, including virtually all health insurance claim checks, which totaled \$480,987 and insurance premiums paid of \$186,512. As a result of the health insurance claim checks not being posted to the county's general ledger or claims docket, there was no formal Board of Supervisors' approval for the issuance of the checks.

Recommendation:

The county should implement procedures to ensure that all transactions that occur in the county's bank statements should be posted in the county's general ledger. No warrants should be issued without proper approval from the Board of Supervisors.

WILKINSON COUNTY

Schedule of Findings
For the Year Ended September 30, 2006

Response:

Health insurance claims will be placed on the Board of Supervisor's claims docket. The county is self-insured.

06-8 Finding – Justice Court

As reported in prior years' audit reports, the bank statements were not reconciled in the Justice Court Clerk's office. Also during our testing, we noted the Justice Court Clerk's office does not accurately maintain subsidiary ledgers of a) individual accounts receivable accounts, b) the bond listing, and c) partial pay control account. We also noted that there is not adequate segregation of duties: the justice court clerk receipts money, makes out deposits, and carries the deposits to the bank.

Recommendation:

The Justice Clerk's office should reconcile the bank account and trace the reconciled bank balance to the cash balance per the books. Additionally, the Justice Court Clerk's office should maintain current bookkeeping of accounts receivable balances, a current bond listing, and partial pay control accounts. The duties of receiving money, making out deposits and carrying deposits to the bank should be segregated.

Justice Court Clerk's Response:

Immediately, Justice Court Clerk reconciliations will be done. Additional help will be provided.

06-9 Finding – Chancery Clerk

In our tests of the annual report of the Chancery Clerk, we requested verification of the expenses claimed on the annual report. No proof of expenses were submitted, other than wages paid through the county, therefore, we were unable to audit the remaining expenses.

Recommendation:

We recommend that the Chancery Clerk keep all invoices, proofs of payment, and cancelled checks to document payment of allowable expenses against the fee income.

Chancery Clerk's Response:

I have corrected this.

Auditor's Note: In our test of the expenses reported on the annual report, we did not receive needed documents to verify expenses deducted on the annual report of the Chancery Clerk. Documentation was received on the due date of the responses and will have to be examined during the next audit cycle.

WILKINSON COUNTY, MISSISSIPPI

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

SEPTEMBER 30, 2006

WILKINSON COUNTY

(This page left blank intentionally.)

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

**Members of the Board of Supervisors:
Wilkinson County, Mississippi**

In planning and performing our audit of the financial statements of Wilkinson County, Mississippi for the year ended September 30, 2006, we considered Wilkinson 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 Wilkinson 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 October 3, 2007, on the financial statements of Wilkinson 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 the internal control would not necessarily disclose 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 of 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:

1. **Finding – Board of Supervisors**

Section 27-39-329(2)b, Miss. Code Ann. (1972), requires the Board of Supervisors to levy each year an ad valorem tax of one (1) mill to be used for any purpose allowed by law, but the avails of such levy shall not be expended until certification by the State Tax Commission. As reported in prior years' audit reports, the levy proceeds were expended prior to receipt of the State Tax Commission certification

Recommendation

The Board of Supervisors should comply with the certification requirements of this section before expenditures are made.

Board of Supervisors' Response

Certifications were received late due to contract negotiations.

2. Finding—Board of Supervisors

In our test of travel vouchers paid by the county, we noted the following:

- a. Per the county's Personnel Policies and Procedures adopted April 18, 2005, "department heads will review and approve travel vouchers and forward all approved vouchers to the accounts payable department, where they will be processed for payment." None of the vouchers we examined in our tests of county travel were approved by a department head.
- b. Per Section 25-3-41(2) Miss. Code Ann. (1972), the county may authorize an increase in the mileage reimbursement for county employees. In our test of travel expenses, the county paid for mileage in a private vehicle during the year at various rates; however, we did not note in the Board Minutes that the Board had authorized the mileage rates.
- c. Fifteen people traveling to the same Homeland Security seminar were all paid for mileage in their separate private vehicles. For another Homeland Security seminar, sixteen people traveling to the same seminar were all paid for mileage in their separate private vehicles.

Recommendation

We recommend the following:

- a. The county's employees should forward all travel vouchers to the department head or supervising person over them for review prior to payment.
- b. The Board must approve the mileage rate to be used by the county (which must not exceed the rate allowed by the State of Mississippi) and must have a board order for each time that it is changed.
- c. Prudent use of the county's funds requires that people traveling to the same seminar be requested to travel together as much as possible. We believe that if department heads were signing off on these vouchers, this would be eliminated.

Board of Supervisors' Response

Those fifteen individuals were emergency response personnel who are volunteers. Within the personnel policy approved by the Board of Supervisors stating that rates are adjustable according to DFA mandates.

3. Finding – Board of Supervisors

Per Section 19-3-27 of the Miss. Code Annotated (1972), the board must review the minutes and the president must sign them within one month of the meeting. In our review of the minutes, we noted that the minutes had not been signed for several months and in occasional places at earlier times.

Recommendations

The Board of Supervisors should review the minutes of prior meetings monthly and the president should sign after the minutes are approved.

Members of the Board of Supervisors
Wilkinson County, Mississippi
Page 4

Board of Supervisors' Response

This has been corrected.

4. Finding - Board of Supervisors

The County has, for many years, operated several of its funds at substantial cash deficits and has not raised sufficient revenues or other sources of cash to fund its expenditures in some funds, particularly the general fund. This situation has caused an illegal diversion of money from some special revenue funds into the general fund and into some other special revenue funds.

Recommendation

We recommend the board of supervisors should take the necessary action to comply with laws regarding diversion of money and fund deficits.

Board of Supervisors' Response

The Board will honor this requirement.

5. Finding – Chancery Clerk

Wages for Chancery Clerk's employees are paid by the county through county's payroll. The Chancery Clerk paid his employees salaries and bonuses of \$10,403 that were in addition to the salaries paid by the county. There was no record of withholdings, employer matching or retirement payments being made on the \$10,403 in wages to the IRS, Mississippi State Tax Commission or PERS.

Recommendation

All payrolls paid to employees for wages or for bonuses are taxable earnings and should have withholdings and the required employer matching made on those wages and settlements are required to be made to the United States Treasury and the State of Mississippi.

Chancery Clerk - Response

These were for specific projects done as laborers. We have started to pay these stated requirements.

6. Finding – Board of Supervisors

Wages for special election workers and Hurricane Katrina workers were not processed through the county's payroll. Therefore, no withholdings for state or federal income taxes, social security and Medicare, or retirements payments to PERS were made. Also, we noted in our test of payroll that Form 4B "Certification/Acknowledgment of Reemployment of Retiree" was not filed for one of the supervisors.

Recommendation

All payrolls paid to employees for wages are taxable earnings and should have withholdings and the required employer matching made on those wages and settlements are required to be made to the United States Treasury and the State of Mississippi.

Board of Supervisors Response

Social security and Medicare were paid on these workers. Form 4B has been filed.

**Members of the Board of Supervisors
Wilkinson County, Mississippi
Page 4**

7. Finding – Sheriff

In our tests of revenues, we noted that deposits were not being made daily. We also noted that although the daily meal log is given to the accounts payable department and is filed with the claim for payment, there is no presentation of the daily meal log to be filed with the board of supervisors. Per Section 19-25-74 of the Miss. Code Ann. (1972), the prisoner meal log shall be filed monthly with the board of supervisors and such log shall remain on file with the board. No claims for the cost or expenses of feeding prisoners shall be approved by the board of supervisors for any month unless and until such log for that month is filed.

Recommendation

As an internal control procedure, we recommend that the Sheriff make sure that all funds are deposited daily. We also recommend that the daily meal log of prisoner meals be filed not only with accounts payable for payment but with the Board of Supervisors for spreading in the minutes.

Sheriff's Response

We will comply.

8. Finding-Election Commissioners

Per Section 23-15-153 of the Miss. Code Ann. (1972), the county's election commissioners shall be compensated for their duties for up to a maximum (according to the latest census) of 50 days for 1 election and an additional 10 days (after 6/29/06) for a special election. They may also be compensated (after 6/29/06) for up to 12 training days. The following election commissioners exceeded the maximum allowed:

- a. Jerri Love, District Three Election Commissioner—25 days above maximum of 60 election days or \$2,100.
- b. Francis Felter, District Five Election Commissioner—7 days above maximum of 60 election days or \$588.
- c. Chantell McMorris, District One Election Commissioner—23 days above maximum of 60 election days or \$2,002.
- d. Laverne Poole—District Three Election Commissioner—27 days above maximum of 60 election days and 3 days above maximum of 12 training days or \$2,660.

Recommendation:

We recommend that the election commissioners comply with Section 23-15-153 of the Miss. Code Ann. (1972), and only file for compensation for those duties performed within the maximum amount allowed.

Election Commissioners' Response

No response has been submitted.

9. Finding-Circuit Clerk

Per Section 25-15-153(3) of the Miss. Code Ann. (1972), the Circuit Clerk is allowed the same election expenses as the election commissioners. However, in our test of election expenses, we noted that the Circuit Clerk is also allowed a maximum (according to the latest census) of 50 days for 1 election and an additional 10 days (after 6/29/06) for a special election. Per our calculation of allowable election expenses, the clerk exceeded the maximum by 9 days or \$630.

**Members of the Board of Supervisors
Wilkinson County, Mississippi
Page 5**

Recommendation

We recommend that the Circuit Clerk comply with Section 23-15-153(3) of the Miss. Code Ann. (1972), and only file for compensation for those duties performed within the maximum amount allowed.

Circuit Clerk's Response

No response has been submitted.

Prior year auditors (Breazeale, Saunders, & O'Neal, CPA's) have taken exception to certain costs. The details of the exception and its disposition is as follows:

Exception Issued On: Wevelyn James, Tax Assessor-Collector
Nature of Exception: See Finding #3 described in 2004 audit report.
Amount of Exception: \$13,080
Disposition of Exception: This matter has been turned over to the Investigative Division of the Office of the State Auditor.

Our firm (Dribben & Associates, Ltd) has taken exception to the following costs. The following matters have been referred to the Office of the State Auditor for further investigation:

Exception Issued On: Mon Cree Allen, Circuit Clerk
Nature of Exception: See Finding #9 above
Amount of Exception: \$630
Disposition of Exception: This has not been repaid.

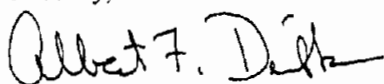
Exception Issued On: Jerri Love, District Three Election Commissioner
Nature of Exception: See Finding #8 above.
Amount of Exception: \$2,100
Disposition of Exception: This has not been repaid.

Exception Issued On: Francis Felter, District Five Election Commissioner
Nature of Exception: See Finding #8 above.
Amount of Exception: \$588
Disposition of Exception: This has not been repaid.

Exception Issued On: Chantell McMorris, District One Election Commissioner
Nature of Exception: See Finding #8 above.
Amount of Exception: \$2,002
Disposition of Exception: This has not been repaid.

Exception Issued On: Laverne Poole—District Three Election Commissioner
Nature of Exception: See Finding #8 above.
Amount of Exception: \$2,660
Disposition of Exception: This has not been repaid.

Sincerely,



Albert F. Dribben, CPA
Dribben & Associates, Ltd.
McComb, MS 39648

