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**WINSTON COUNTY, MISSISSIPPI**  
**AUDITED PRIMARY GOVERNMENT FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2006**

**WINSTON COUNTY**  
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**WINSTON COUNTY**

**FINANCIAL SECTION**



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

Members of the Board of Supervisors  
Winston County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Winston County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the county's primary government 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.

The financial statements referred to above include only the primary government of Winston 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 unit, 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 Winston County, Mississippi, as of September 30, 2006, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2007, on our consideration of Winston 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.

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

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
July 18, 2007

*Watkins, Ward and Stafford, PLLC*

**WINSTON COUNTY**

**PRIMARY GOVERNMENT FINANCIAL STATEMENTS**



Winston County  
Statement of Net Assets  
September 30, 2006

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 12,184,880	2,172,569	14,357,449
Property tax receivable	3,359,951		3,359,951
Accounts receivable (net of allowance for uncollectibles of \$ 591,259)		116,467	116,467
Fines receivable (net of allowance for uncollectibles of \$ 895,840)	184,792		184,792
Loans receivable	705,294		705,294
Intergovernmental receivables	183,291	477,728	661,019
Other receivables	52,818	8,901	61,719
Internal balances	331,328	(283,721)	47,607
Capital assets:			
Land and construction in progress	1,678,150	54,000	1,732,150
Other capital assets, net	19,135,913	4,558,215	23,694,128
<b>Total Assets</b>	<b>37,816,417</b>	<b>7,104,159</b>	<b>44,920,576</b>
<b>LIABILITIES</b>			
Claims payable	379,074	153,780	532,854
Intergovernmental payables	134,475		134,475
Accrued interest payable	84,292	71,571	155,863
Deferred revenue	3,359,951		3,359,951
Unearned revenue	112,924		112,924
Other payables	61,951		61,951
Long-term liabilities			
Due within one year:			
Capital debt	260,505	310,213	570,718
Non-capital debt	159,786		159,786
Due in more than one year:			
Capital debt	1,106,883	4,155,770	5,262,653
Non-capital debt	4,417,591	25,106	4,442,697
<b>Total Liabilities</b>	<b>10,077,432</b>	<b>4,716,440</b>	<b>14,793,872</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	19,446,675	146,232	19,592,907
Restricted:			
Expendable:			
General government	356,788		356,788
Debt service	4,464,915	261,633	4,726,548
Public safety	393,819	1,748,503	2,142,322
Public works	2,001,312	231,351	2,232,663
Economic development	466,897		466,897
Unemployment compensation	29,039		29,039
Unrestricted	579,540		579,540
<b>Total Net Assets</b>	<b>\$ 27,738,985</b>	<b>2,387,719</b>	<b>30,126,704</b>

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

Winston County  
Statement of Activities  
For the Year Ended September 30, 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 Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 2,355,769	520,506	190,168		(1,645,095)		(1,645,095)
Public safety	1,429,074	465,925	847,442	170,000	54,293		54,293
Public works	2,103,415		179,578	1,032,774	(891,063)		(891,063)
Health and welfare	122,306		29,600		(92,706)		(92,706)
Culture and recreation	144,636				(144,636)		(144,636)
Education	35,000				(35,000)		(35,000)
Conservation of natural resources	97,364				(97,364)		(97,364)
Economic development and assistance	371,699		183,052		(188,647)		(188,647)
Interest on long-term debt	309,232				(309,232)		(309,232)
Total Governmental Activities	6,968,495	986,431	1,429,840	1,202,774	(3,349,450)		(3,349,450)
Business-type activities:							
Correctional facility	2,507,029	3,095,695				588,666	588,666
Solid waste	419,556	420,544	1,792			2,780	2,780
Total Business-type Activities	2,926,585	3,516,239	1,792	0		591,446	591,446
Total Primary Government	\$ 9,895,080	4,502,670	1,431,632	1,202,774	(3,349,450)	591,446	(2,758,004)
General revenues:							
Property taxes					\$ 3,423,368		3,423,368
Road & bridge privilege taxes					218,359		218,359
Grants and contributions not restricted to specific programs					556,507		556,507
Unrestricted interest income					597,839	73,089	670,928
Miscellaneous					299,540	20,440	319,980
Other financing sources-lease principal payments					4,435,000		4,435,000
Special item (Gain on sale of capital lease receivable)					59,178		59,178
Total General Revenues, Special Item, Extraordinary Item and Transfers					9,589,791	93,529	9,683,320
Changes in Net Assets					6,240,341	684,975	6,925,316
Net Assets - Beginning					19,941,168	1,726,040	21,667,208
Prior period adjustment(s)					1,557,476	(23,296)	1,534,180
Net Assets - Beginning, as restated					21,498,644	1,702,744	23,201,388
Net Assets - Ending					\$ 27,738,985	2,387,719	30,126,704

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

Winston County  
Balance Sheet - Governmental Funds  
September 30, 2006

Exhibit 3

	Major Funds				
	General Fund	Childrens Treatment Center Fund	State Aid Road Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 4,879,725	3,839,025	54,154	3,411,976	12,184,880
Property tax receivable	2,408,316			951,635	3,359,951
Fines receivable (net of allowance for uncollectibles of \$ 895,840)	184,792				184,792
Loans receivable				705,294	705,294
Intergovernmental receivables	126,178			57,113	183,291
Other receivables	7,324			45,494	52,818
Due from other funds	101,868			40,824	142,692
Advances to other funds	250,800				250,800
Total Assets	\$ 7,959,003	3,839,025	54,154	5,212,336	17,064,518
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Claims payable	\$ 198,065			181,009	379,074
Intergovernmental payables	134,475				134,475
Due to other funds	50,389				50,389
Advances from other funds				11,775	11,775
Deferred revenue	2,593,108			951,635	3,544,743
Unearned revenue				112,924	112,924
Other payables	52,873			9,078	61,951
Total Liabilities	3,028,910	0	0	1,266,421	4,295,331
Fund balances:					
Reserved for:					
Debt service		3,839,025		710,182	4,549,207
Loans receivable				705,294	705,294
Advances	250,800				250,800
Unemployment compensation				29,039	29,039
Unreserved - undesignated, reported in:					
General Fund	4,679,293				4,679,293
Special Revenue Funds			54,154	2,501,400	2,555,554
Total Fund Balances	4,930,093	3,839,025	54,154	3,945,915	12,769,187
Total Liabilities and Fund Balances	\$ 7,959,003	3,839,025	54,154	5,212,336	17,064,518

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

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,769,187
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$29,162,652.	20,814,063
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	184,792
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	
Long-term liabilities	(5,944,765)
Accrued interest on bonds	(84,292)
Total Net Assets - Governmental Activities	\$ <u>27,738,985</u>

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

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

**Exhibit 4**

	Major Funds			Other	Total
	General	Childrens	State Aid	Governmental	Governmental
	Fund	Treatment	Road	Funds	Funds
		Center Fund	Fund		
<b>REVENUES</b>					
Property taxes	\$ 2,472,366			951,002	3,423,368
Road and bridge privilege taxes				218,359	218,359
Licenses, commissions and other revenue	303,664			17,553	321,217
Fines and forfeitures	191,499			1,184,371	1,375,870
Intergovernmental revenues	923,124		1,081,625		2,004,749
Charges for services	4,086			444,891	448,977
Interest income	241,213	231,875		124,751	597,839
Miscellaneous revenues	8,849			290,691	299,540
Total Revenues	4,144,801	231,875	1,081,625	3,231,618	8,689,919
<b>EXPENDITURES</b>					
Current:					
General government	2,092,735			239,585	2,332,320
Public safety	845,466			385,944	1,231,410
Public works	7,750		1,068,444	1,869,152	2,945,346
Health and welfare	108,522				108,522
Culture and recreation	144,636				144,636
Education	35,000				35,000
Conservation of natural resources	97,364				97,364
Economic development and assistance	90,875			280,824	371,699
Debt service:					
Principal	33,357	770,000		291,701	1,095,058
Interest	6,224	210,982		108,267	325,473
Total Expenditures	3,461,929	980,982	1,068,444	3,175,473	8,686,828
Excess of Revenues over (under) Expenditures	682,872	(749,107)	13,181	56,145	3,091
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued				77,599	77,599
Proceeds from sale of capital assets	752			11,792	12,544
Compensation for loss of capital assets	14,605				14,605
Transfers in	8,000			187,958	195,958
Transfers out	(179,809)		(8,149)	(8,000)	(195,958)
Lease principal payments		4,435,000		0	4,435,000
Total Other Financing Sources and Uses	(156,452)	4,435,000	(8,149)	269,349	4,539,748
<b>SPECIAL ITEM (Gain on sale of capital lease receivable)</b>		59,178			59,178
Net Changes in Fund Balances	526,420	3,745,071	5,032	325,494	4,602,017
Fund Balances - Beginning	4,420,071	93,954	49,122	3,641,526	8,204,673
Prior period adjustment(s)	(16,398)			(21,105)	(37,503)
Fund Balances - Beginning, as restated	4,403,673	93,954	49,122	3,620,421	8,167,170
Fund Balances - Ending	\$ 4,930,093	3,839,025	54,154	3,945,915	12,769,187

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

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 4,602,017
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 \$ 1,292,858 exceeded depreciation of \$ 664,988 in the current period.	627,870
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net (gain/ loss) of \$ 6,593 and the proceeds from the sale of \$ 12,544 in the current period.	(5,951)
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.	24,738
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$ 1,095,058 exceeded debt proceeds of \$ 77,599.	1,017,459
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Compensated absences payable	(42,033)
Interest payable on long-term debt	16,241
Change in Net Assets of Governmental Activities	\$ <u>6,240,341</u>

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

Winston County  
Statement of Net Assets - Proprietary Funds  
September 30, 2006

Exhibit 5

	Business-type Activities - Enterprise Funds		
	Correctional Facility Fund	Solid Waste Fund	Total
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 2,017,692	154,877	2,172,569
Accounts receivable (net of allowance for uncollectibles of \$ 591,259 )		116,467	116,467
Intergovernmental receivables	477,728		477,728
Other receivables	8,901		8,901
Due from other funds		9,565	9,565
Total Current Assets	<u>2,504,321</u>	<u>280,909</u>	<u>2,785,230</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	54,000		54,000
Other capital assets, net	4,362,814	195,401	4,558,215
Total Noncurrent Assets	<u>4,416,814</u>	<u>195,401</u>	<u>4,612,215</u>
Total Assets	<u>6,921,135</u>	<u>476,310</u>	<u>7,397,445</u>
<b>LIABILITIES</b>			
Current liabilities:			
Claims payable	124,953	28,827	153,780
Due to other funds	46,488	7,773	54,261
Advances from other funds	231,289	7,736	239,025
Accrued interest payable	71,571		71,571
Capital debt:			
Capital leases payable		35,213	35,213
Other long-term liabilities	275,000		275,000
Total Current Liabilities	<u>749,301</u>	<u>79,549</u>	<u>828,850</u>
Noncurrent liabilities:			
Capital debt:			
Capital leases payable		145,770	145,770
Other long-term liabilities	4,010,000		4,010,000
Non-capital debt:			
Compensated absences payable	19,884	5,222	25,106
Total Noncurrent Liabilities	<u>4,029,884</u>	<u>150,992</u>	<u>4,180,876</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	131,814	14,418	146,232
Restricted for:			
Debt service	261,633		261,633
Public safety	1,748,503		1,748,503
Public works		231,351	231,351
Total Net Assets	<u>\$ 2,141,950</u>	<u>245,769</u>	<u>2,387,719</u>

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

## Winston County

Exhibit 6

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

	Business-type Activities - Enterprise Funds		
	Correctional Facility Fund	Solid Waste Fund	Totals
Operating Revenues			
Charges for services	\$ 3,095,695	420,544	3,516,239
Total Operating Revenues	<u>3,095,695</u>	<u>420,544</u>	<u>3,516,239</u>
Operating Expenses			
Personal services	1,377,882	236,771	1,614,653
Contractual services	398,012	84,794	482,806
Materials and supplies	351,030	71,230	422,260
Depreciation expense	111,295	17,060	128,355
Administrative	46,488	7,773	54,261
Total Operating Expenses	<u>2,284,707</u>	<u>417,628</u>	<u>2,702,335</u>
Operating Income (Loss)	<u>810,988</u>	<u>2,916</u>	<u>813,904</u>
Nonoperating Revenues (Expenses)			
Interest income	67,674	5,415	73,089
Operating grants		1,792	1,792
Interest expense	(222,322)	(1,928)	(224,250)
Other income (expenses)	19,764	676	20,440
Net Nonoperating Revenue (Expenses)	<u>(134,884)</u>	<u>5,955</u>	<u>(128,929)</u>
Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers	<u>676,104</u>	<u>8,871</u>	<u>684,975</u>
Changes in Net Assets	<u>676,104</u>	<u>8,871</u>	<u>684,975</u>
Net Assets - Beginning	1,484,129	241,911	1,726,040
Prior period adjustment(s)	(18,283)	(5,013)	(23,296)
Net Assets - Beginning, as restated	<u>1,465,846</u>	<u>236,898</u>	<u>1,702,744</u>
Net Assets - Ending	<u>\$ 2,141,950</u>	<u>245,769</u>	<u>2,387,719</u>

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



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

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Correctional Facilities Fund	Solid Waste Fund	Totals
Cash Flows From Operating Activities			
Receipts from customers	\$ 3,072,225	420,593	3,492,818
Payments to suppliers	(764,438)	(167,019)	(931,457)
Payments to employees	(1,364,225)	(229,153)	(1,593,378)
Net Cash Provided (Used) by Operating Activities	943,562	24,421	967,983
Cash Flows From Noncapital Financing Activities			
Operating grants received		1,792	1,792
Cash received from other funds:			
Interfund loan repayments		29,754	29,754
Cash paid to other funds:			
Interfund loan repayments		(9,565)	(9,565)
Other receipts		676	676
Net Cash Provided (Used) by Noncapital Financing Activities	0	22,657	22,657
Cash Flows From Capital and Related Financing Activities			
Principal paid on long-term debt	(265,000)	(8,579)	(273,579)
Interest paid on debt	(226,297)	(1,928)	(228,225)
Other receipts (payments)	19,764		19,764
Net Cash Provided (Used) by Capital and Related Financing Activities	(471,533)	(10,507)	(482,040)
Cash Flows From Investing Activities			
Interest and dividends on investments	67,674	5,415	73,089
Net Cash Provided (Used) by Investing Activities	67,674	5,415	73,089
Net Increase (Decrease) in Cash and Cash Equivalents	539,703	41,986	581,689
Cash and Cash Equivalents at Beginning of Year	1,477,989	112,891	1,590,880
Cash and Cash Equivalents at End of Year	\$ 2,017,692	154,877	2,172,569
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 810,988	2,916	813,904
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	111,295	17,060	128,355
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(18,882)	50	(18,832)
(Increase) decrease in other receivables	(4,588)		(4,588)
Increase (decrease) in claims payable	(21,623)	(8,600)	(30,223)
Increase (decrease) in compensated absences liability	19,884	5,222	25,106
Increase (decrease) in interfund payables	46,488	7,773	54,261
Total Adjustments	132,574	21,505	154,079
Net Cash Provided (Used) by Operating Activities	\$ 943,562	24,421	967,983

Noncash Capital Financing Activity:

Winston County lease purchased mobile equipment for \$ 189,562 for 5 years at 4.13 % interest.

Principal payments of \$ 8,579 were made on the lease during the year.

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

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

Exhibit 8

	Agency Funds
ASSETS	
Cash and investments	\$ 141,653
Total Assets	\$ 141,653
LIABILITIES	
Amounts held in custody for others	\$ 8,240
Other liabilities	4,796
Intergovernmental payables	81,010
Due to other funds	47,607
Total Liabilities	\$ 141,653

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

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

1. Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Winston County 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 primary government financial statements.

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

B. Basis of Presentation

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

**Fund Financial Statements:**

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

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

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

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

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

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

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

The county reports the following major governmental funds.

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

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

State Aid Road Funds – This fund is used to account for proceeds of State Aid Road funds expended for State Aid Road projects.

The county reports the following major proprietary funds:

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

Solid Waste Fund – The solid waste fund accounts for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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

**PROPRIETARY FUND TYPES**

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

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

**FIDUCIARY FUND TYPES**

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

**D. Account Classifications.**

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

**E. Deposits and Investments.**

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

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

**F. Receivables.**

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

**G. Interfund Transactions and Balances.**

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

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

**H. Capital Assets.**

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

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

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

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

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

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

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

**I. Long-term liabilities.**

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

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

**J. Equity Classifications.**

Government-wide Financial statements:

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

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

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

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

Fund Financial Statements:

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



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

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

**K. Property Tax Revenues.**

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

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

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

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

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

**M. Compensated Absences.**

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

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

2. Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities

<u>Explanation</u>	Amount
Prior period adjustments for roads and bridges added to infrastructure	\$ 1,600,583
Prior period adjustment for correction to accumulated depreciation	( 5,606 )
Adjustment for payables not recorded at September 30, 2005	( 60,797 )
Total prior period adjustments	\$ <u>1,534,180</u>

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

<u>Explanation</u>	
Adjustment for payables not recorded at September 30, 2005	\$ ( <u>37,503</u> )
Total prior period adjustments	\$ ( <u>37,503</u> )

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

<u>Explanation</u>	
Adjustment for payables not recorded at September 30, 2005	\$ ( <u>23,296</u> )
Total prior period adjustments	\$ ( <u>23,296</u> )

3. Deposits and Investments

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$10,660,077, and the bank balance was \$10,705,974. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

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

3. Deposits and Investments (Continued)

Investments:

Investments balances at September 30, 2006, are as follows:

<u>Investment Type</u>	<u>Maturities (in Years)</u>	<u>Fair Value</u>	<u>Rating</u>
U.S. State Local Gov't Issue Slug DTD 5/11/06 0% 6/1/07	Less than 1	\$ 22,785	Not rated
U.S. State Local Gov't Issue Slug DTD 5/11/06 0% 12/1/07	1 to 5	3,050	Not rated
U.S. State Local Gov't Issue Slug DTD 5/11/06 0% 6/1/08	1 to 5	383,050	Not rated
U.S. State Local Gov't Issue Slug DTD 5/11/06 4.72% 6/1/09	1 to 5	<u>3,430,140</u>	Not rated
Total		\$ <u>3,839,025</u>	

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

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

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

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

4. Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Correctional Facility Fund	\$ 46,488
General Fund	Solid Waste Fund	7,773
General Fund	Agency Fund (Payroll Clearing)	30,924
General Fund	Agency Fund (State Assessment Clearing)	16,683
Solid Waste Fund	General Fund	9,565
Nonmajor governmental funds	General Fund	40,824
Total		\$ <u>152,257</u>

The amount due to the general fund from the correctional facility and solid waste funds represents indirect administrative costs incurred during the September 30, 2006 fiscal year. The amount due to the general fund from the payroll clearing fund and state assessment clearing fund is due to posting errors which has caused excess cash to accumulate in the applicable bank accounts that should be transferred to the general fund. The amount payable to the solid waste and nonmajor governmental funds from the general fund represents ad valorem taxes collected by the tax collector in September 2006, but not remitted to the county until October 2006. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Solid Waste Fund	\$ 7,736
General Fund	Correctional Facility Fund	231,289
General Fund	Nonmajor Governmental Funds	<u>11,775</u>
Total		\$ <u>250,800</u>

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

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

C. Transfers In/Out:

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Funds:			
General fund		Nonmajor governmental funds	\$ 8,000
Nonmajor governmental funds		State Aid Road Funds	8,149
Nonmajor governmental funds		General Fund	<u>179,809</u>
Total			\$ <u>195,958</u>

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

5. Intergovernmental Receivables.

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit due tax collector	\$ 102,530
Motor vehicle fuel payments due from state	21,638
Dept. of Health & Human Services Reimbursement	4,401
Overweight fines and harvest permits due from state	2,446
EMS grant funds	6,762
CDBG grant funds due from Dept. of Housing & Urban Development	8,500
Motor vehicle license payments due from state	4,216
Monthly forestry reserve	22,842
Other	<u>9,956</u>
Total Governmental Activities	\$ <u>183,291</u>

Business-type Activities:

MDOC payments for housing prisoners	\$ 458,098
Amounts due from other state entities for reimbursements	<u>19,630</u>
Total Business-type Activities	\$ <u>477,728</u>

6. Loans Receivable.

Loans receivable balances at September 30, 2006, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Taylor CAP loan	6/98	4.00%	5/13	\$ 520,943
Southern Products loan	9/98	6.25%	3/14	<u>184,351</u>
Total				\$ <u>705,294</u>

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

**7. Capital Assets.**

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

**Governmental activities:**

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
<b>Non-depreciable capital assets:</b>					
Land	\$ 658,664				658,664
Construction in progress	58,619	1,113,931	-	( 153,064 )	1,019,486
Total non-depreciable capital assets	717,283	1,113,931	-	( 153,064 )	1,678,150
<b>Depreciable capital assets:</b>					
Infrastructure	36,498,053			1,753,647	38,251,700
Buildings	4,241,882				4,241,882
Improvements other than buildings	265,916				265,916
Mobile equipment	4,434,267	56,660	( 49,127 )	278,740	4,720,540
Furniture and equipment	310,324	44,668	( 19,396 )		335,596
Leased property under capital leases	684,072	77,599	-	( 278,740 )	482,931
Total depreciable capital assets	46,434,514	178,927	( 68,523 )	1,753,647	48,298,565
<b>Less accumulated depreciation for:</b>					
Infrastructure	22,163,856	184,146		5,606	22,353,608
Buildings	2,926,088	19,581			2,945,669
Improvements other than buildings	10,637	10,636			21,273
Mobile equipment	3,049,232	337,645	( 44,215 )	125,434	3,468,096
Furniture and equipment	193,075	56,640	( 18,357 )		231,358
Leased property under capital leases	211,742	56,340	-	( 125,434 )	142,648
Total accumulated depreciation	28,554,630	664,988	( 62,572 )	5,606	29,162,652
Total depreciable capital assets, net	17,879,884	( 486,061 )	( 5,951 )	1,748,041	19,135,913
Governmental activities capital assets, net	\$ 18,597,167	627,870	( 5,951 )	1,594,977	20,814,063

**Business-type activities:**

<b>Non-depreciable capital assets:</b>					
Land	\$ 54,000	-	-	-	54,000
Total non-depreciable capital assets	54,000	-	-	-	54,000
<b>Depreciable capital assets:</b>					
Buildings	5,126,814				5,126,814
Mobile equipment	354,131				354,131
Furniture and equipment	175,070				175,070
Leased property under capital leases	-	189,562	-	-	189,562
Total depreciable capital assets	5,656,015	189,562	-	-	5,845,577
<b>Less accumulated depreciation for:</b>					
Buildings	717,754	102,536			820,290
Mobile equipment	298,308	5,104			303,412
Furniture and equipment	142,945	3,655			146,600
Leased property under capital leases	-	17,060	-	-	17,060
Total accumulated depreciation	1,159,007	128,355	-	-	1,287,362
Total depreciable capital assets, net	4,497,008	61,207	-	-	4,558,215
Business-type activities capital assets, net	\$ 4,551,008	61,207	-	-	4,612,215

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

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

Governmental activities:

Prior period adjustments for roads added to infrastructure	\$	1,600,583
Prior period adjustment for correction to accumulated depreciation through September 30, 2005	\$	( 5,606 )
		<u>1,594,977</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities	\$
General government	31,303
Public safety	237,638
Public works	382,263
Health and welfare	13,784
Total governmental activities depreciation expense	<u>664,988</u>

Business-type activities:

Solid waste	\$	17,060
Correctional facility		111,295
Total business-type activities depreciation expense	\$	<u>128,355</u>

Commitments with respect to unfinished capital projects at September 30, 2006, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
State Aid Road Project SAP 8076 Jones Road	\$ 61,811	9/30/07
State Aid Road Project SAP 8078 Lipcomb Road	101,811	9/30/07

8. **Claims and Judgments**

**Risk Financing.**

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

9. Operating Leases.

As Lessor:

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$285,000 for the year ended September 30, 2006. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30,</u>	<u>Amount</u>
2007	\$ 318,333
2008	325,000
2009	325,000
2010	325,000
2011	325,000
2012-2016	1,745,834
2017-2021	1,870,833
2022-2026	<u>62,500</u>
Total Minimum Payments Required	<u>5,297,500</u>

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>	<u>Business-type Activities</u>
Mobile equipment	\$ 458,931	189,562
Furniture and equipment	<u>24,000</u>	-
Total	482,931	189,562
Less: Accumulated depreciation	<u>142,648</u>	<u>17,060</u>
Leased Property Under Capital Leases	<u>\$ 340,283</u>	<u>172,502</u>



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

10. Capital Leases, Continued

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2007	\$ 121,512	7,555	35,213	6,813
2008	77,890	3,869	36,696	5,331
2009	51,750	1,582	38,240	3,786
2010	15,516	262	39,850	2,177
2011	-	-	30,984	535
Total	\$ 266,668	13,268	180,983	18,642

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

11. Long-term Debt.

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

**Governmental Activities:**

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
Diamond Grove Refinancing bonds	3,845,000	4.1/4.6%	6/09
Spartus buyback payoff	<u>845,000</u>	7.75/8%	5/12
Total General Obligation Bonds	\$ <u>4,690,000</u>		
B. Capital Leases:			
District 5 – Motor Grader	\$ 78,829	3.15%	9/09
District 2 – Massey Ferguson tractor	11,411	3.25%	8/09
Districts 2, 3 & 5 – Steelwheel loader	32,624	3.25%	10/08
District 5 – Two John Deere 4106 Backhoes	73,106	4.03%	6/10
District 3 – 2005 International tractor	28,121	3.25%	9/07
District 2 – 2003 John Deere backhoe	19,175	3.69%	1/08
Chancery Clerk – Computer Hardware	16,321	4.05%	9/08
District 3 – 2004 Palmer trailer	<u>7,081</u>	3.25%	9/07
Total Capital Leases	\$ <u>266,668</u>		
C. Other Loans:			
CAP loan for Taylor building	\$ 509,603	4.00%	5/13
Southern Products CDBG loan	180,741	6.25%	3/14
CAP loan for fire trucks	<u>255,720</u>	2.00%	10/15
Total Other Loans	\$ <u>946,064</u>		

**Business-type Activities:**

A. Limited Obligation Bonds:			
Correctional facility urban renewal revenue bonds	\$ <u>4,285,000</u>	4.50/5.15%	12/17
Total Limited Obligation Bonds	\$ <u>4,285,000</u>		
B. Capital Leases:			
Two 2006 International/Pac Mac Garbage trucks	\$ <u>180,983</u>	4.13%	6/11
Total Capital Leases	\$ <u>180,983</u>		

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

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

**Governmental Activities:**

<u>Year Ending September 30</u>	<u>General Obligation bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	140,000	236,106	158,779	79,682
2008	505,000	226,111	113,046	27,366
2009	3,575,000	200,308	117,436	22,976
2010	145,000	37,600	122,016	18,397
2011	155,000	26,000	126,793	13,619
2012-2016	<u>170,000</u>	<u>13,600</u>	<u>307,994</u>	<u>13,842</u>
Total	\$ <u>4,690,000</u>	<u>739,725</u>	<u>946,064</u>	<u>175,882</u>

**Business-type Activities:**

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2007	275,000	208,387
2008	290,000	195,247
2009	305,000	181,188
2010	315,000	166,387
2011	330,000	150,740
2012-2016	1,850,000	493,084
2017-2018	<u>920,000</u>	<u>47,896</u>
Total	\$ <u>4,285,000</u>	<u>1,442,929</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 4.8% of the latest property assessments.

**Prior Year Defeasance of Debt** – In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the county's financial statements. On September 30, 2006, \$3,690,000 of bonds outstanding were considered defeased.

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

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

	Balance Oct. 1, 2005	Additions	Reductions	Adjustments	Balance Sept. 30, 2006	Amount due within one Year
<b>Governmental Activities</b>						
Compensated absences	\$ -	-	-	42,033	42,033	-
General obligations bonds	5,565,000	-	875,000	-	4,690,000	140,000
Capital leases	316,528	77,599	127,459	-	266,668	121,512
Other loans	<u>1,038,663</u>	-	<u>92,599</u>	-	<u>946,064</u>	<u>158,779</u>
<b>Total</b>	<b>\$ <u>6,920,191</u></b>	<b><u>77,599</u></b>	<b><u>1,095,058</u></b>	<b><u>42,033</u></b>	<b><u>5,944,765</u></b>	<b><u>420,291</u></b>
<b>Business-type Activities:</b>						
Compensated absences	\$ -	-	-	25,106	25,106	-
Limited obligation bonds	4,550,000	-	265,000	-	4,285,000	275,000
Capital leases	-	<u>189,562</u>	<u>8,579</u>	-	<u>180,983</u>	<u>35,213</u>
<b>Total</b>	<b>\$ <u>4,550,000</u></b>	<b><u>189,562</u></b>	<b><u>273,579</u></b>	<b><u>25,106</u></b>	<b><u>4,491,089</u></b>	<b><u>310,213</u></b>

**12. Contingencies.**

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

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

**General Obligation Debt Contingencies** – The county issues general obligation bonds to provide funds for constructing and improving capital facilities of the Winston County Hospital. Such debt is being retired from pledged resources of these entities and, therefore, is reported as a liability of those entities. However, because general obligation bonds are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2006</u>
General obligation hospital bonds	\$ <u>125,000</u>
<b>Total</b>	<b>\$ <u>125,000</u></b>

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

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

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

<u>Description</u>		<u>Balance at Sept. 30, 2006</u>
Louisville/Winston County Airport improvement note	\$	13,543

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

14. Segment Information for Enterprise Funds.

The county maintains two Enterprise Funds which provide correctional facility services and solid waste services. Summary financial information for each Enterprise Fund is presented for the year ended September 30, 2006:

Condensed Statement of Net Assets

	Correctional Facility Fund	Solid Waste Fund	Total Enterprise Funds
Assets:			
Current assets	\$ 2,504,321	271,344	2,775,665
Due from other funds	-	9,565	9,565
Capital assets	4,416,814	195,401	4,612,215
Total assets	6,921,135	476,310	7,397,445
Liabilities:			
Current liabilities	471,524	64,040	535,564
Due to other funds	277,777	15,509	293,286
Noncurrent liabilities	4,029,884	150,992	4,180,876
Total liabilities	4,779,185	230,541	5,009,726
Net assets:			
Invested in capital assets, net of related debt	131,814	14,418	146,232
Restricted	2,010,136	231,351	2,241,487
Total net assets	\$ 2,141,950	245,769	2,387,719

Condensed Statement of Revenues, Expenses and Changes in Net Assets

Operating revenues	\$ 3,095,695	420,544	3,516,239
Operating expenses	2,173,412	400,568	2,573,980
Depreciation expense	111,295	17,060	128,355
Operating income (loss)	810,988	2,916	813,904
Nonoperating revenues (expenses)			
Investment income	67,674	5,415	73,089
Operating grants	-	1,792	1,792
Interest Expense	( 222,322 )	( 1,928 )	( 224,250 )
Other income (expense)	19,764	676	20,440
Changes in net assets	676,104	8,871	684,975
Total net assets – beginning	1,484,129	241,911	1,726,040
Prior period adjustments	( 18,283 )	( 5,013 )	( 23,296 )
Total net assets – ending	2,141,950	245,769	2,387,719

Condensed Statement of Cash Flows

Net cash provided (used) by:			
Operating activities	\$ 943,562	24,421	967,983
Noncapital financing activities	-	22,657	22,657
Capital & related financing activities	( 471,533 )	( 10,507 )	( 482,040 )
Investing activities	67,674	5,415	73,089
Net increase (decrease)	539,703	41,986	581,689
Beginning cash & cash equivalents	1,477,989	112,891	1,590,880
Ending cash & cash equivalents	\$ 2,017,692	154,877	2,172,569

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

15. Joint Venture.

The county participates in the following joint ventures:

Winston County is a participant with the City of Louisville in a joint venture, authorized by Section 65-3-5, Miss. Code Ann. (1972), to operate the Louisville/Winston County Airport Authority. The joint venture was created to improve economic development and is governed by a five-member board of commissioners appointed as follows: Winston County, two; City of Louisville, two; jointly, one. By contractual agreement, the county's appropriation to the joint venture was \$7,750 in fiscal year 2006. Complete financial statements can be obtained from the Louisville/Winston County Airport Authority at P. O. Box 1022, Louisville, MS 39339.

Winston County is a participant with the City of Louisville, Louisville Chamber of Commerce and the Town of Noxapater in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Winston County Economic Development District. The joint venture was created to foster, encourage and facilitate economic development in the county and is governed by a seven member board of trustees appointed as follows: Winston County Board of Supervisors, two; City of Louisville, two; Louisville Chamber of Commerce, one; Town of Noxapater, one; jointly, one. By contractual agreement, the county's appropriation to the joint venture was \$70,875 in fiscal year 2006. Complete financial statements can be obtained from the Winston County Economic Development District at P.O. Box 551, Louisville, MS 39339.

Mid-Mississippi Regional Library System was organized under a contract between the counties of Attala, Holmes, Leake, Montgomery and Winston. The joint venture was created to provide free library service to the citizens for the member counties. The Winston County Board of Supervisors appoints one of the five members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$117,833 in the fiscal year 2006. Complete financial statements can be obtained from the library at Winston County Library, 301 Park Street, Louisville, MS 39339.

16. Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott, and Winston. The Winston County Board of Supervisors appoints six of the 30 members of the college board of trustees. The county appropriated \$293,020 for the maintenance and support of the college in fiscal year 2006.

Golden Triangle Planning and Development District provides services for the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints four of the 28 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$20,000 for support of the district in fiscal year 2006.

Community Counseling Services operates in a district composed of the counties of Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster and Winston. The Winston County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$19,500 for support of the agency in fiscal year 2006.

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

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

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

17. Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006, is 11.3% 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 \$309,590, \$283,690, and \$255,514, respectively, equal to the required contributions for each year.

18. Subsequent Events.

Subsequent to September 30, 2006, the county entered into the following purchase commitments:

Accepted bid of J.J. Ferguson for \$173,034 for State Aid Road Project BR-0080(22)B.

19. Special Items.

During the year the Diamond Grove Children's Psychiatric Hospital was sold. This facility had previously been sold to Community Counseling and the County had a capital lease receivable due from Community Counseling. The principal balance due on the capital lease on the date of the sale was \$4,255,000. The net proceeds from the sale (less legal and actuary fees incurred) was \$4,314,178, resulting in a net gain on the sale of \$59,178.



**WINSTON COUNTY**

**REQUIRED SUPPLEMENTARY INFORMATION**

Winston 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)
<b>REVENUES</b>				
Property taxes	\$ 2,305,589	2,472,999	2,472,999	0
Licenses, commissions and other revenue	210,000	250,374	250,374	0
Fines and forfeitures	150,000	190,252	190,252	0
Intergovernmental revenues	1,153,144	992,472	992,472	0
Charges for services	6,000	4,086	4,086	0
Interest income	135,707	230,300	230,300	0
Miscellaneous revenues	105,000	60,329	60,329	0
Total Revenues	<u>4,065,440</u>	<u>4,200,812</u>	<u>4,200,812</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,307,094	2,019,183	2,019,183	0
Public safety	1,343,303	904,379	904,379	0
Public works	7,750	7,750	7,750	0
Health and welfare	112,800	108,729	108,729	0
Culture and recreation	131,000	144,739	144,739	0
Education	188,476	202,358	202,358	0
Conservation of natural resources	110,471	96,360	96,360	0
Economic development and assistance	90,875	90,875	90,875	0
Total Expenditures	<u>4,291,769</u>	<u>3,574,373</u>	<u>3,574,373</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(226,329)</u>	<u>626,439</u>	<u>626,439</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	72,800	226,380	226,380	0
Other financing uses	(35,000)	(345,335)	(345,335)	0
Total Other Financing Sources and Uses	<u>37,800</u>	<u>(118,955)</u>	<u>(118,955)</u>	<u>0</u>
Net Change in Fund Balance	(188,529)	507,484	507,484	0
Fund Balances - Beginning	4,209,429	4,146,163	4,146,163	0
Fund Balances - Ending	<u>\$ 4,020,900</u>	<u>4,653,647</u>	<u>4,653,647</u>	<u>0</u>

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

Winston County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Childrens Treatment Center Fund  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 3,500	2,963	2,963	0
Miscellaneous revenues	567,583	462,335	462,335	0
Total Revenues	<u>571,083</u>	<u>465,298</u>	<u>465,298</u>	<u>0</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	569,833	159,525	159,525	0
Total Expenditures	<u>569,833</u>	<u>159,525</u>	<u>159,525</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,250</u>	<u>305,773</u>	<u>305,773</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing uses		(399,512)	(399,512)	0
Total Other Financing Sources and Uses	<u>0</u>	<u>(399,512)</u>	<u>(399,512)</u>	<u>0</u>
Net Change in Fund Balance	1,250	(93,739)	(93,739)	0
Fund Balances - Beginning	104,884	93,739	93,739	0
Fund Balances - Ending	<u>\$ 106,134</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

Winston County  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 State Aid Road Fund  
 For the Year Ended September 30, 2006

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 79,396	171,112	171,112	0
Total Revenues	<u>79,396</u>	<u>171,112</u>	<u>171,112</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	126,289	157,931	157,931	0
Total Expenditures	<u>126,289</u>	<u>157,931</u>	<u>157,931</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(46,893)</u>	<u>13,181</u>	<u>13,181</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing uses		(8,149)	(8,149)	0
Total Other Financing Sources and Uses	<u>0</u>	<u>(8,149)</u>	<u>(8,149)</u>	<u>0</u>
Net Change in Fund Balance	(46,893)	5,032	5,032	0
Fund Balances - Beginning	46,893	49,122	49,122	0
Fund Balances - Ending	<u>\$ 0</u>	<u>54,154</u>	<u>54,154</u>	<u>0</u>

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

## WINSTON COUNTY

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

# WINSTON COUNTY

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

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

		<u>Government Fund Types</u>		
		<u>General Fund</u>	<u>Children's Treatment Center</u>	<u>State Aid Road Fund</u>
Budget (Cash Basis)	\$	507,484	( 93,739 )	5,032
Increase (Decrease)				
Net adjustments for revenue accruals	( 259,034 )	( 233,423 )	-	
Net adjustments for expenditure and accruals	277,970	( 421,945 )	-	
Other reconciling items:				
Lease principal payments			4,435,000	
Special item (gain on sale of capital lease receivable)			59,178	
GAAP Basis	\$	<u>526,420</u>	<u>3,745,071</u>	<u>5,032</u>

**WINSTON COUNTY**

**SPECIAL REPORTS**



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

James L. Stafford, CPA  
Harry W. Stevens, CPA  
Paul A. Ray, CPA  
S. Keith Winfield, CPA  
William B. Stagg, CPA  
Aubrey R. Holder, CPA  
David M. Howell, CPA  
Michael W. McCully, CPA  
Mort Stroud, CPA  
Gary C. Hamilton, CPA  
R. Steve Sinclair, CPA

Michael L. Pierce, CPA  
Marsha L. McDonald, CPA  
Wanda S. Holley, CPA  
Robin Y. McCormick, CPA/PFS  
J. Randy Scrivner, CPA  
Kimberly S. Caskey, CPA  
Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Kenny R. Dickerson, CPA

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

Members of the Board of Supervisors  
Winston 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 Winston 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 July 18, 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 unit. 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.

In planning and performing our audit, we considered Winston County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Winston County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 06-1, 06-2, 06-3, 06-4, and 06-5.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06-4 to be a material weakness.



### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Winston County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance (or other matters) which we have reported to the management of Winston County, Mississippi in the Limited Internal Control and Compliance Review Management Report dated July 18, 2007.

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.

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
July 18, 2007

*Watkins, Ward and Stafford, PLLC*



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

James L. Stafford, CPA  
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Paul A. Ray, CPA  
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William B. Staggers, CPA  
Aubrey R. Holder, CPA  
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Michael L. Pierce, CPA  
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J. Randy Scrivner, CPA  
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Susan M. Lummus, CPA  
Thomas J. Browder, CPA  
Stephen D. Flake, CPA  
John N. Russell, CPA  
Kenny R. Dickerson, CPA

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

Members of the Board of Supervisors  
Winston County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Winston County, Mississippi, as of and for the year ended September 30, 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 Winston County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Winston County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

The results of our audit procedures disclosed a certain instance of noncompliance with aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

## Board of Supervisors

### Finding

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

### Recommendation

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

### Board of Supervisor's Response

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

In our opinion, except for the noncompliance referred to in the preceding paragraph, Winston County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
July 18, 2007

*Watkins, Ward and Stafford, PLLC*

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

**Schedule 1**

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

Winston County  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2006

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
2/22/06	Nursing Home Sprinkler System	\$ 246,219	P & M Automatic Fire Protection	Existing conditions pose a serious and immediate threat to the health and welfare of the residents of the Winston County Medical Center Nursing Home.

Winston County  
Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2005

Schedule 3

<u>Date</u>	<u>Item</u> <u>Purchased</u>	<u>Amount</u> <u>Paid</u>	<u>Vendor</u>
8/19/06	Marriage License Software	\$ 5,000	Heritage Solutions



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

Members of the Board of Supervisors  
Winston County, Mississippi

In planning and performing our audit of the financial statements of Winston County, Mississippi for the year ended September 30, 2006, we considered Winston 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 Winston County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 18, 2007 on the financial statements of Winston County, Mississippi.

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

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

Board of Supervisors.

Finding

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

Recommendation

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

Board of Supervisor's Response

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

## Chancery Clerk

### Finding

Per examination of land redemption collection we noted the following errors:

- The chancery clerk did not settle land redemption collections in a timely manner for 6 months of the fiscal year (settled after the 20<sup>th</sup> of the month).
- There was an \$839.86 unsettled cash balance at September 30, 2006.

### Recommendation

We recommend the chancery clerk settle land redemption collections within 20 days after month end.

### Chancery Clerk's Response

The Chancery Clerk will examine records and settle \$839.86 to the county, clerk or purchaser. The land redemption monthly settlement reports are computer generated. There were several months where we had computer problems and it was after the 20<sup>th</sup> of the month before the error in the program was corrected. However, the Chancery Clerk will settle land redemption collections within 20 days after the month ends from this point on.

### Finding

It was noted per examination of chancery clerk fee journal that the clerk did not timely settle reimbursements to the county for the correct amount for the deputy clerk's payroll. This would be considered an interest free loan from the county to the clerk. There is no statutory authority we are aware of that would allow this type of transaction.

### Recommendation

We recommend the chancery clerk settle the reimbursement to the county for the correct amount for the deputy clerk's payroll on a timely basis.

### Chancery Clerk's Response

The Chancery Clerk will settle the reimbursement to the county for the correct amount for the deputy clerk's payroll on a timely basis.

### Finding

Section 25-11-127 Miss Code Ann. (1972) addresses reemployment of PERS retirees by an entity covered under the PERS system. PERS should be notified by completion of PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within five days of employment when any current retiree of the PERS receiving retirement benefits is hired by the county. Per review of payroll we did not note that this form is being prepared.

### Recommendation

We recommend the county complete PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within five days of employment when any current retiree of the PERS receiving retirement benefits is hired by the county.



Chancery Clerk's Response

The county will complete PERS Form 4B "Certification/Acknowledgement of Reemployment of Retiree" within five days of employment when any current retiree of PERS receiving benefits is hired by the county.

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

Watkins, Ward and Stafford, PLLC  
Louisville, Mississippi  
July 18, 2007

*Watkins, Ward and Stafford, PLLC*

**WINSTON COUNTY**

**SCHEDULE OF FINDINGS**

**WINSTON COUNTY  
SCHEDULE OF FINDINGS  
SEPTEMBER 30, 2006**

Section 1: Summary of Auditors Results

**Financial Statements:**

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

Section 2: Financial Statement Findings

**Chancery Clerk**

06-1 Finding

Per examination of county bank statements it was noted that the county did not reconcile the payroll clearing bank account on a monthly basis from February 2006 through September 2006.

Recommendation

We recommend the payroll clearing bank account be reconciled on a monthly basis.

Chancery Clerk's Response

We will reconcile the payroll clearing bank account on a monthly basis.

06-2 Finding

Per examination of the county's payroll we noted the following errors:

- Employees at the prison are not being approved by the board of supervisors prior to their employment.
- 4 out of 10 employees tested did not have a signed W-4 or state withholding form in their personnel file to authorize the correct withholding amount.
- It was noted that some employees who had child support withheld from their check had these wages excluded from FICA and Medicare wages and were not taxed for FICA and Medicare on these particular wages.

Recommendation

We recommend the board of supervisors approve all personnel prior to their employment and that all employees have a signed W-4, state withholding form, and I-9 in their personnel file. Also the payroll clerk should examine FICA and Medicare calculation for each payroll to ensure that the appropriate amount of FICA and Medicare tax is withheld from employees' checks and the proper amount is matched by the county.

Chancery Clerk's Response

The Board of Supervisors will approve all personnel prior to their employment and there will be no changes in withholdings without a signed W-4, state withholding form and I-9 in their personnel file. The payroll clerk will examine the FICA and Medicare calculation for each payroll and ensure that the appropriate amount is withheld from employees' checks and matched by the county.

06-3 Finding

Per review of internal controls in the chancery clerk's office we noted the following deficiencies:

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

### Recommendation

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

### Chancery Clerk's Response

The Chancery Clerk's bank deposits will be made on a timely basis and reconciliations prepared on a monthly basis which will agree with the fee journal.

### **Tax Collector**

#### 06-4 Finding

Per review of internal controls in the tax collector's office we noted the following deficiencies:

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

### Recommendation

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

### Tax Collector's Response

The duties in the tax collector's office have been separated. One employee is handling the bookkeeping and another employee is handling the cash reconciliation and preparation of the bank deposit with the daily collection check sheet being signed by each applicable clerk responsible for cash collections. The tax collector will make timely reviews of all these duties.

### **Sheriff**

#### 06-5 Finding

Per review of internal controls in the sheriff's office we noted the following deficiencies:

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

### Recommendation

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

#### Sheriff's Response

The Sheriff will ensure that bank deposits are made on a timely basis and the cash journal and bank reconciliation will be reviewed on a monthly basis.