

LAWRENCE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2008

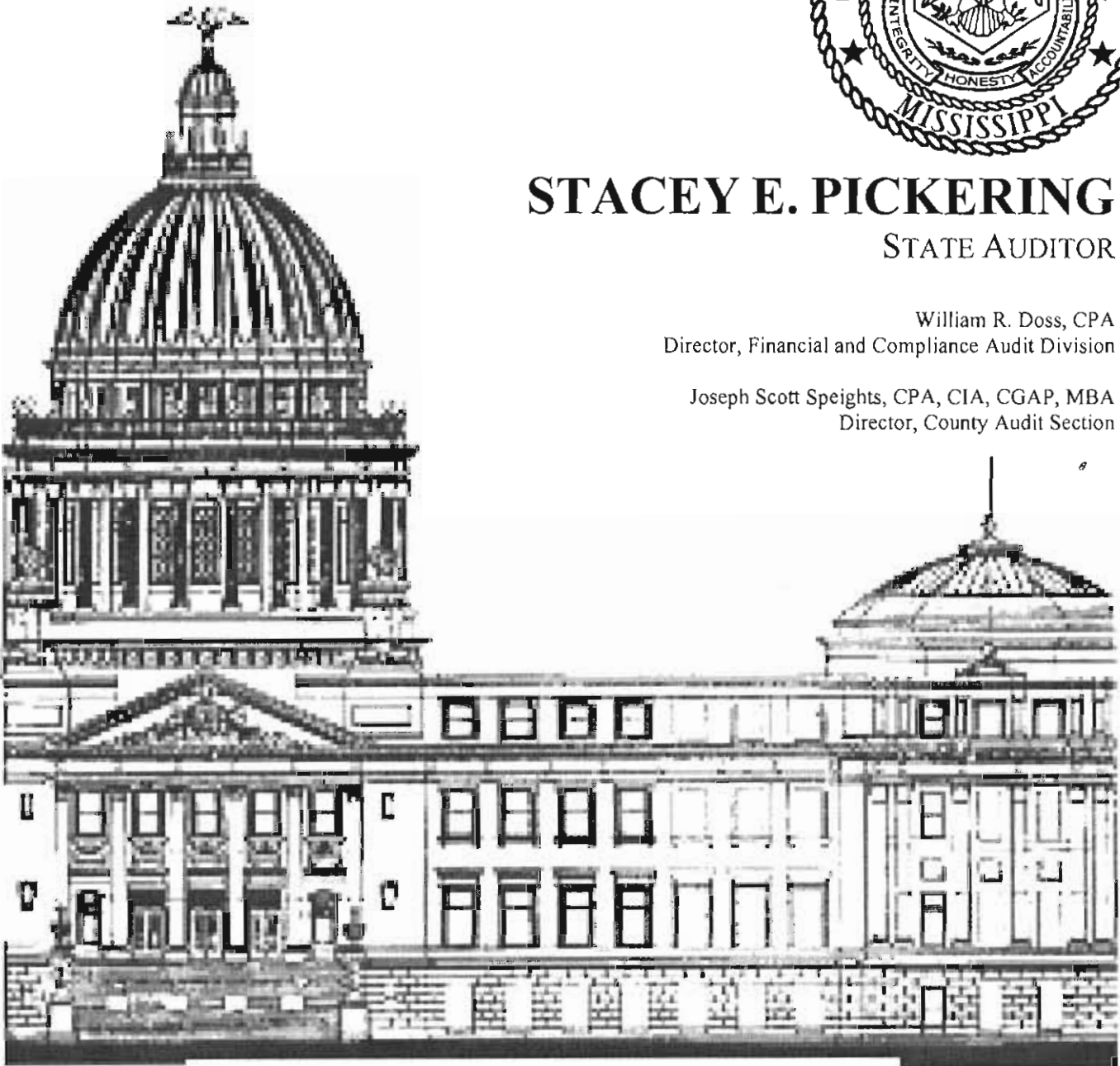


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
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A Report from the County Audit Section

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LAWRENCE COUNTY
TABLE OF CONTENTS

FINANCIAL SECTION.....	1
INDEPENDENT AUDITOR’S REPORT.....	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
FINANCIAL STATEMENTS.....	21
Statement of Net Assets	23
Statement of Activities	24
Balance Sheet - Governmental Funds	25
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	26
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28
Statement of Fiduciary Assets and Liabilities	29
Notes to Financial Statements	30
REQUIRED SUPPLEMENTARY INFORMATION	43
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund.....	45
Notes to the Required Supplementary Information	46
SUPPLEMENTAL INFORMATION	47
Schedule of Expenditures of Federal Awards	49
Reconciliation of Operating Costs of Solid Waste	51
SPECIAL REPORTS	53
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	57
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)).....	59
Limited Internal Control and Compliance Review Management Report	65
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	67

LAWRENCE COUNTY

FINANCIAL SECTION

LAWRENCE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Lawrence County, Mississippi, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

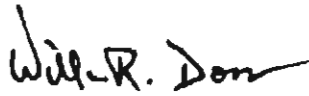
In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009, on our consideration of Lawrence County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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.

The Management's Discussion and Analysis and 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.

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



STACEY E. PICKERING
State Auditor



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

November 13, 2009

LAWRENCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAWRENCE COUNTY

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LAWRENCE COUNTY, MISSISSIPPI

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The discussion and analysis of Lawrence County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2008. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Accounting principles generally accepted in the United States of America do not require comparative data in the financial statements but certain comparative information between the current year and the prior year is required to be presented in Management's Discussion and Analysis and is provided herein.

Lawrence County is located on U. S. Highway 84, which is 20 miles east of Interstate 55. The population, according to the 2000 census, is 13,258. The timber industry, other agricultural activities and a thriving medical community drive the local economic base.

FINANCIAL HIGHLIGHTS

Lawrence County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Lawrence County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. Due to the growth each year the County government tax rate increased by only .75 of a mill over the past five years. This does not include the school taxes.

Total net assets decreased \$1,450,938, which represents a 3% decrease from the prior fiscal year. If an analysis is made without the Capital Assets and Long-Term debt there was an increase of \$497,595, which represents a 6.9% increase from the prior fiscal year. The County's ending cash balance increased by \$470,605, which represents a 6.9% increase from the prior fiscal year.

LAWRENCE COUNTY, MISSISSIPPI

The County had \$9,123,183 in total revenues. Tax revenues account for \$5,231,766 or 57% of total revenues. Operating grants, capital grants, and contributions account for \$1,602,258 or 17% of total revenues.

The County had \$10,574,121 in total expenditures, which represents an increase of \$290,595 or 2.8% increase from the prior fiscal year. Expenses in the amount of \$2,235,255 were offset by grants, outside contributions, or charges for services. The remainder of expenditures of \$8,338,866 was offset by general revenues and accumulated cash.

Among major funds, the General Fund had \$4,601,079 in revenues and other financing sources and \$4,351,279 in expenditures and other financing uses. The General Fund's fund balance increased \$249,800 over the prior year.

Capital assets, net of accumulated depreciation, decreased by \$2,256,564.

Long-term debt decreased by \$410,967. The decrease in long-term debt is due to additions of \$423,457 and repayments in the amount of \$834,424 made by the county.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

LAWRENCE COUNTY, MISSISSIPPI

Figure 1 – Required Components of the County's Annual Report

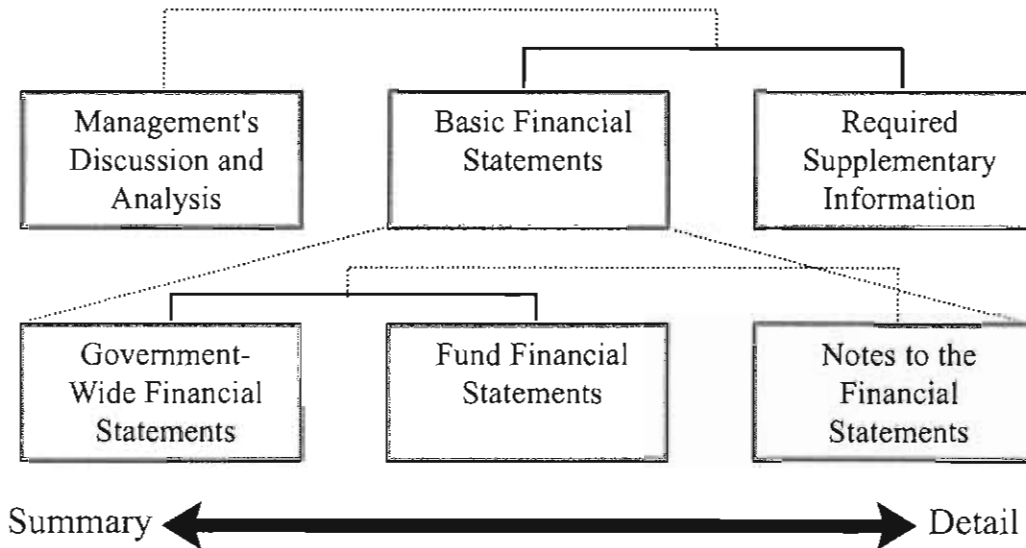


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

LAWRENCE COUNTY, MISSISSIPPI

Figure 2 – Major Features of a County’s Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

LAWRENCE COUNTY, MISSISSIPPI

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; and interest on long-term debt. Lawrence County does not have any business-type activities.

Component units are not included in our basic financial statements, they consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The component units that are not included are as follows:

- Lawrence County Economic Development District
- Lawrence County Human Resource Agency

The government-wide financial statements can be found on pages 23 and 24 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

LAWRENCE COUNTY, MISSISSIPPI

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 26 and 28 respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 25 and 27 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 29 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 30 - 41 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

LAWRENCE COUNTY, MISSISSIPPI

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information could be found on pages 43 - 46 of this report.

Lawrence County is subject to a Single Audit, due to the amount of Federal Grants it receives. Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 49 of this report.

GOVERNMENT-WIDE FINANCIAL

Net Assets – Net assets may serve over time as a useful indicator of government’s financial position. In the case of Lawrence County, assets exceeded liabilities by \$47,090,178 as of September 30, 2008.

By far, the largest portion of the County’s net assets (83.6%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, and leased property under capital lease) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County’s financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County’s net assets for the fiscal year ended September 30, 2008, as compared to fiscal year ended September 30, 2007.

	09/30/08 Governmental Activities	09/30/07 Governmental Activities
Assets:		
Current Assets	\$ 13,561,424	\$ 13,116,102
Capital Assets, Net	42,068,495	44,325,059
Total Assets	\$ 55,629,919	\$ 57,441,161
Liabilities:		
Current Liabilities	\$ 5,711,546	\$ 5,660,879
Long-Term Debt Outstanding	2,828,195	3,239,162
Total Liabilities	\$ 8,539,741	\$ 8,900,041
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 39,369,864	\$ 41,318,397
Restricted	4,188,921	4,033,946
Unrestricted	3,531,393	3,188,777
Total Net Assets	\$ 47,090,178	\$ 48,541,120

LAWRENCE COUNTY, MISSISSIPPI

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

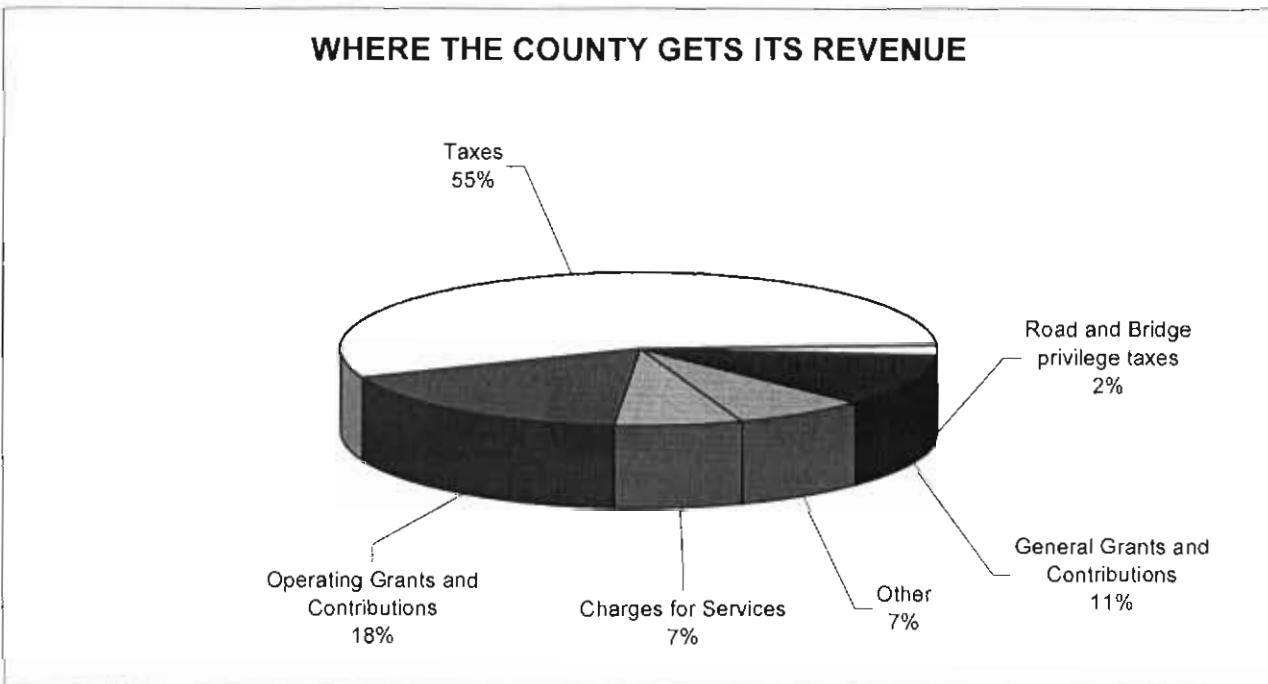
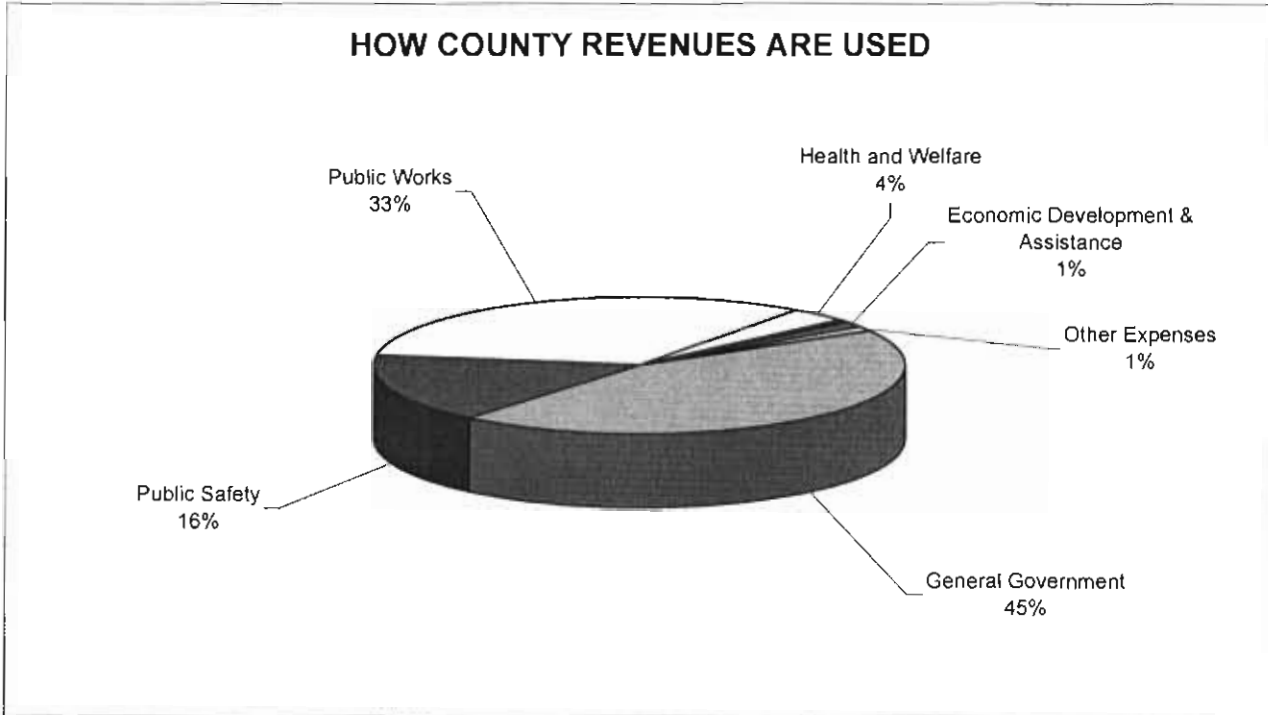
- The Board of Supervisors used accumulated cash balances to avoid tax increases.
- \$834,424 of long-term debt principal was retired.
- \$423,457 in long-term debt was issued.
- Capital assets increased by \$394,365 from increases in land, mobile equipment, and leased property under capital leases

Changes in Net Assets—Lawrence County’s total revenues for the fiscal year ended September 30, 2008 was \$9,123,183. The total cost for all services provided was \$10,574,121 the decrease in net assets was \$1,450,938. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2008, as compared to fiscal year ended September 30, 2007.

	09/30/08	09/30/07
Revenues:		
Program Revenues:		
Charges for Services	\$ 632,997	\$ 683,663
Operating Grants and Contributions	1,602,258	1,739,332
Taxes	5,047,427	4,934,770
Road and Bridge privilege taxes	184,339	184,218
General Grants and Contributions	1,006,085	330,718
Other	650,077	571,192
Total Revenues	\$ 9,123,183	\$ 8,443,893
Expenses:		
General Government	\$ 4,685,392	\$ 4,642,230
Public Safety	1,709,130	1,781,240
Public Works	3,464,194	2,958,036
Health and Welfare	405,023	417,747
Culture and Recreation	10,663	14,169
Conservation of Natural Resources	45,983	37,843
Economic Development & Assistance	145,610	298,851
Other Expenses	108,126	133,410
Total Expenses	\$ 10,574,121	\$ 10,283,526
Decrease in Net Assets	\$ (1,450,938)	\$ (1,839,633)

LAWRENCE COUNTY, MISSISSIPPI

The following charts present a summary of the sources and uses of the County's revenues for the fiscal year ended September 30, 2008.



LAWRENCE COUNTY, MISSISSIPPI

Governmental Activities – The following table presents the cost of major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance, and Interest on Long-term Debt.

The table also shows each function’s net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Lawrence County’s taxpayers by each of these functions.

	Total Costs	Net Costs
General Government	\$ 4,685,392	\$ 4,342,886
Public Safety	1,709,130	1,298,609
Public Works	3,464,194	1,996,807
Health and Welfare	405,023	390,182
Culture and Recreation	10,663	10,663
Conservation of Natural Resources	45,983	45,983
Economic Development and Assistance	145,610	145,610
Interest on Long-Term Debt	108,126	108,126
	\$ 10,574,121	\$ 8,338,866

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

Governmental funds – At the close of the fiscal year, Lawrence County’s governmental funds reported a combined fund balance of \$6,771,830, an increase of \$392,888. The increase is 5.8% of the total fund balance.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$249,800. This increase is mainly due to a large increase in revenues and only a small increase in expenditures.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Lawrence County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made to correct the estimated beginning cash balances made in the original budget to actual beginning cash balances on October 1.
- Budgeted revenues were increased as better estimates became available.
- The largest increase in amendments was to the public safety department. Budgeted expenditures were increased (decreased) as better estimates became available.

LAWRENCE COUNTY, MISSISSIPPI

Even with these adjustments, actual disbursements were below final budget amounts by \$80,478.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2008, Lawrence County’s total capital assets were \$112,297,514. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents an increase from the previous year of \$394,365.

Total accumulated depreciation as of September 30, 2008 was \$70,229,019, including \$2,906,154 of depreciation expense for the year. The balance in total net capital assets was \$42,068,495 at year-end.

See the schedules below for additional information on Lawrence County’s capital assets:

Capital Asset Values

Asset Classification	Balance 10/1/2007	Additions	Deletions	Adjustments	Balance 9/30/2008
Land	\$ 419,066	\$ 10,100			\$ 429,166
Infrastructure	97,485,070				97,485,070
Buildings	7,990,212				7,990,212
Mobile Equipment	3,947,576	230,705	222,328	17,109	3,973,062
Furniture and Equipment	394,855		17,164		377,691
Leased Property under Capital Leases	1,666,370	533,271	140,219	(17,109)	2,042,313
TOTALS	\$ 111,903,149	\$ 774,076	\$ 379,711	\$ -	\$ 112,297,514

Capital Asset Accumulated Depreciation

Asset Classification	Balance 10/1/2007	Additions	Deletions	Adjustments	Balance 9/30/2008
Infrastructure	\$ 61,646,231	\$ 2,265,981			\$ 63,912,212
Buildings	2,294,050	155,826			2,449,876
Mobile Equipment	2,749,325	278,553	175,286	12,324	2,864,916
Furniture and Equipment	290,686	20,013	16,452		294,247
Leased Property under Capital Leases	597,798	185,781	63,487	(12,324)	707,768
TOTALS	\$ 67,578,090	\$ 2,906,154	\$ 255,225	\$ -	\$ 70,229,019

LAWRENCE COUNTY, MISSISSIPPI

Debt Administration – At September 30, 2008, Lawrence County had \$2,828,195 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, capital leases and other loans. Of this debt, \$811,271 was due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. As of September 30, 2008, Lawrence County’s outstanding debt was equal to .73% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ending September 30, 2008:

	Balance 10/1/2007	Additions	Reductions	Balance 9/30/2008	Due Within One Year
General Obligation Bonds	1,207,828		216,370	991,458	221,458
Limited Obligation Bonds	25,000		10,000	15,000	15,000
Capital Leases	806,390	423,457	349,697	880,150	360,705
Other Loans	1,199,944		258,357	941,587	214,108
Total	\$ 3,239,162	\$ 423,457	\$ 834,424	\$ 2,828,195	\$ 811,271

Additional information on Lawrence County’s long-term debt can be found in Note 8 on pages 38 - 40 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Lawrence County has two projects going during the fiscal year 2008-2009. The first project involves the continuation of construction on U. S. Highway 44. The county is also in the process of negotiating with an industrial prospect to locate in the Town of Monticello. At this time this is all of the projects that Lawrence County will be involved in during the next fiscal year.

The budget for the next fiscal year reflected a decrease of \$1,180,069 or 11.5% in revenues and a decrease of \$677,253 or 6.4% in expenses. This is expected to decrease net assets of the County.

Lawrence County has an unemployment rate of 8.1% versus 7.8% a year ago. This compares unfavorably with the state average rate of 6.9%.

LAWRENCE COUNTY, MISSISSIPPI

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Lawrence County Comptroller's/Chancery Clerk's office at 517 East Broad Street, Monticello, Mississippi 39654.

LAWRENCE COUNTY

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LAWRENCE COUNTY

FINANCIAL STATEMENTS

LAWRENCE COUNTY

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LAWRENCE COUNTY
Statement of Net Assets
September 30, 2008

Exhibit 1

	Primary Government
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 7,270,494
Property tax receivable	5,089,000
Fines receivable (net of allowance for uncollectibles of \$655,533)	720,733
Capital lease receivable	403,389
Intergovernmental receivables	77,225
Other receivables	583
Capital assets:	
Land	429,166
Other capital assets, net	<u>41,639,329</u>
Total Assets	<u>55,629,919</u>
LIABILITIES	
Claims payable	464,807
Intergovernmental payables	101,989
Accrued interest payable	4,915
Deferred revenue	5,130,159
Other payables	9,676
Long-term liabilities	
Due within one year:	
Capital debt	749,771
Non-capital debt	61,500
Due in more than one year:	
Capital debt	1,948,860
Non-capital debt	<u>68,064</u>
Total Liabilities	<u>8,539,741</u>
NET ASSETS	
Invested in capital assets, net of related debt	39,369,864
Restricted:	
Expendable:	
General government	308,435
Debt service	916,621
Public safety	738,686
Public works	1,958,775
Health and welfare	224,673
Culture and recreation	5,065
Unemployment compensation	12,138
Capital projects	24,528
Unrestricted	<u>3,531,393</u>
Total Net Assets	<u>\$ 47,090,178</u>

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

LAWRENCE COUNTY
Statement of Activities
For the Year Ended September 30, 2008

Exhibit 2

Functions/Programs	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions		
Primary government:					
Governmental activities:					
General government	\$ 4,685,392	342,506			(4,342,886)
Public safety	1,709,130	249,872	160,649		(1,298,609)
Public works	3,464,194	40,619	552,619	874,149	(1,996,807)
Health and welfare	405,023		14,841		(390,182)
Culture and recreation	10,663				(10,663)
Conservation of natural resources	45,983				(45,983)
Economic development and assistance	145,610				(145,610)
Interest on long-term debt	108,126				(108,126)
Total Governmental Activities	\$ 10,574,121	632,997	728,109	874,149	(8,338,866)
General revenues:					
Property taxes					\$ 5,047,427
Road & bridge privilege taxes					184,339
Grants and contributions not restricted to specific programs					1,006,085
Unrestricted interest income					186,320
Miscellaneous					463,757
Total General Revenues					6,887,928
Changes in Net Assets					(1,450,938)
Net Assets - Beginning					48,541,116
Net Assets - Ending					\$ 47,090,178

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

LAWRENCE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2008

Exhibit 3

	Major Fund		Total Governmental Funds
	General Fund	Other Governmental Funds	
ASSETS			
Cash	\$ 2,834,509	4,435,985	7,270,494
Property tax receivable	3,222,000	1,867,000	5,089,000
Fines receivable (net of allowance for uncollectibles of \$655,533)	720,733		720,733
Capital lease receivable		403,389	403,389
Intergovernmental receivables	77,225		77,225
Other receivables	583		583
Due from other funds	1,000	35,130	36,130
Advances to other funds	9,500		9,500
Total Assets	\$ 6,865,550	6,741,504	13,607,054
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 201,657	263,150	464,807
Intergovernmental payables	95,255		95,255
Due to other funds	41,864	1,000	42,864
Advances from other funds		9,500	9,500
Deferred revenue	3,942,733	2,270,389	6,213,122
Other payables	9,676		9,676
Total Liabilities	4,291,185	2,544,039	6,835,224
Fund balances:			
Reserved for:			
Debt service		921,536	921,536
Advances	9,500		9,500
Unemployment compensation		12,138	12,138
Unreserved - undesignated, reported in:			
General Fund	2,564,865		2,564,865
Special Revenue Funds		3,239,263	3,239,263
Capital Project Funds		24,528	24,528
Total Fund Balances	2,574,365	4,197,465	6,771,830
Total Liabilities and Fund Balances	\$ 6,865,550	6,741,504	13,607,054

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

LAWRENCE COUNTY

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,771,830
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$70,229,019.	42,068,495
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	720,733
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,828,195)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	362,230
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(4,915)</u>
Total Net Assets - Governmental Activities	\$ <u><u>47,090,178</u></u>

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

LAWRENCE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2008

	Major Fund		Total Governmental Funds
	General Fund	Other Governmental Funds	
REVENUES			
Property taxes	\$ 3,210,786	1,836,641	5,047,427
Road and bridge privilege taxes		184,339	184,339
Licenses, commissions and other revenue	95,420	5,528	100,948
Fines and forfeitures	189,984	7,598	197,582
Intergovernmental revenues	618,601	1,989,742	2,608,343
Charges for services	99,607	174,334	273,941
Interest income	104,797	81,523	186,320
Miscellaneous revenues	137,814	325,942	463,756
Total Revenues	<u>4,457,009</u>	<u>4,605,647</u>	<u>9,062,656</u>
EXPENDITURES			
Current:			
General government	2,221,017	131,612	2,352,629
Public safety	1,354,744	262,942	1,617,686
Public works		3,757,443	3,757,443
Health and welfare	101,521	251,183	352,704
Culture and recreation	10	8,210	8,220
Conservation of natural resources	45,983		45,983
Economic development and assistance	27,360	118,250	145,610
Debt service:			
Principal	124,517	709,907	834,424
Interest	13,877	112,951	126,828
Total Expenditures	<u>3,889,029</u>	<u>5,352,498</u>	<u>9,241,527</u>
Excess of Revenues over (under) Expenditures	<u>567,980</u>	<u>(746,851)</u>	<u>(178,871)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	47,322	376,135	423,457
Proceeds from sale of capital assets		70,844	70,844
Transfers in	96,748	577,034	673,782
Transfers out	(462,250)	(211,532)	(673,782)
Lease principal payments		77,458	77,458
Total Other Financing Sources and Uses	<u>(318,180)</u>	<u>889,939</u>	<u>571,759</u>
Net Changes in Fund Balances	249,800	143,088	392,888
Fund Balances - Beginning	<u>2,324,565</u>	<u>4,054,377</u>	<u>6,378,942</u>
Fund Balances - Ending	\$ <u>2,574,365</u>	<u>4,197,465</u>	<u>6,771,830</u>

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

LAWRENCE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2008

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 392,888
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$2,906,154 exceeded capital outlays of \$774,076 in the current period.	(2,132,078)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$53,642 and the proceeds from the sale of \$70,844 in the current period.	(124,486)
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.	60,527
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 \$834,424 exceeded debt proceeds of \$423,457.	410,967
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of decrease in accrued interest payable.	18,702
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	<u>(77,458)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(1,450,938)</u></u>

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

LAWRENCE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2008

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 249,045
Due from other funds	<u>6,734</u>
Total Assets	<u>\$ 255,779</u>
LIABILITIES	
Amounts held in custody for others	\$ 206,085
Intergovernmental payables	<u>49,694</u>
Total Liabilities	<u>\$ 255,779</u>

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

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

- Lawrence County Economic Development District
- Lawrence County Human Resource Agency

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental Fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Lawrence County elected to report major general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

LAWRENCE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2008

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$7,519,539, and the bank balance was \$7,554,959. 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.

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,000
Other Governmental Funds	General Fund	35,130
Agency Funds	General Fund	<u>6,734</u>
Total		<u>\$ 42,864</u>

The receivables represent the tax revenue collected but not settled until October, 2008, and short-term loans. 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>
General Fund	Other Governmental Funds	<u>\$ 9,500</u>

The receivables represent a cash shortage in the Special Revenue Funds.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 96,748
Other Governmental Funds	Other Governmental Funds	114,784
Other Governmental Funds	General Fund	<u>462,250</u>
Total		<u>\$ 673,782</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for capital outlay. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 70,705
Housing prisoners reimbursement	<u>6,520</u>
Total	<u>\$ 77,225</u>

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

Governmental activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 419,066	10,100			429,166
Total non-depreciable capital assets	<u>419,066</u>	<u>10,100</u>	<u>0</u>	<u>0</u>	<u>429,166</u>
<u>Depreciable capital assets:</u>					
Infrastructure	97,485,070				97,485,070
Buildings	7,990,212				7,990,212
Mobile equipment	3,947,576	230,705	222,328	17,109	3,973,062
Furniture and equipment	394,855		17,164		377,691
Leased property under capital leases	1,666,370	533,271	140,219	(17,109)	2,042,313
Total depreciable capital assets	<u>111,484,083</u>	<u>763,976</u>	<u>379,711</u>	<u>0</u>	<u>111,868,348</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	61,646,231	2,265,981			63,912,212
Buildings	2,294,050	155,826			2,449,876
Mobile equipment	2,749,325	278,553	175,286	12,324	2,864,916
Furniture and equipment	290,686	20,013	16,452		294,247
Leased property under capital leases	597,798	185,781	63,487	(12,324)	707,768
Total accumulated depreciation	<u>67,578,090</u>	<u>2,906,154</u>	<u>255,225</u>	<u>0</u>	<u>70,229,019</u>
Total depreciable capital assets, net	<u>43,905,993</u>	<u>(2,142,178)</u>	<u>124,486</u>	<u>0</u>	<u>41,639,329</u>
Governmental activities capital assets, net	<u>\$ 44,325,059</u>	<u>(2,132,078)</u>	<u>124,486</u>	<u>0</u>	<u>42,068,495</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 2,332,763
Public safety	186,309
Public works	332,320
Health and welfare	52,319
Culture and recreation	2,443
Total governmental activities depreciation expense	<u>\$ 2,906,154</u>

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2008, to January 1, 2009. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2008:

<u>Classes of Property</u>	<u>Amount</u>
Buildings	\$ <u>900,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 79,190	11,477
2010	80,886	9,781
2011	78,513	7,987
2012	34,578	6,089
2013	36,586	4,080
2014 - 2017	<u>52,477</u>	<u>1,745</u>
Total	\$ <u>362,230</u>	<u>41,159</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,042,313
Less: Accumulated depreciation	<u>707,768</u>
Leased Property Under Capital Leases	\$ <u>1,334,545</u>

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

The following is a schedule by years of the total payments due as of September 30, 2008:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 360,705	25,848
2010	275,712	15,308
2011	158,103	5,972
2012	70,292	1,930
2013	15,338	170
Total	\$ 880,150	49,228

(8) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 1998 jail bonds	\$ 630,000	4.30%/4.75%	04-2013
Series 1998A jail bonds	310,000	4.90%	07-2013
Series 2004 road and bridge construction	51,458	2.82%	02-2009
Total General Obligation Bonds	\$ 991,458		
B. Limited Obligation Bonds:			
Tax increment bonds	\$ 15,000	8.50%	03-2009
C. Capital Leases:			
2 Ford Crown Victorias	\$ 1,049	3.04%	10-2008
2005 Ford Crown Victoria	5,779	3.66%	08-2009
Excavator	70,112	3.41%	09-2010
Tractor and mower	16,068	3.49%	07-2010
Kubota tractor with wood mower	26,434	3.96%	04-2011
Kubota tractor	21,183	4.04%	08-2011
New Holland tractor with tractor mower	29,126	4.07%	10-2010
Kubota tractor with boom mower	34,407	3.96%	04-2011
Caterpillar 420D backhoe	33,879	3.79%	01-2011
Tractor	10,975	3.65%	08-2010
Backhoe	43,301	3.19%	03-2009
Asphalt paver	36,286	4.25%	11-2010
Garbage truck	46,878	3.99%	06-2011
GMC pickup with flatbed	7,527	4.03%	11-2009
Garbage truck & Pac Mac container unit	16,367	3.13%	10-2009
Garbage truck	3,437	3.19%	12-2008
Garbage truck - compactor	71,498	4.13%	08-2012
Backhoe loader	15,236	4.13%	05-2010
Sheriff's car	18,748	3.77%	01-2012
Sheriff's car	20,738	3.41%	03-2011

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Excavator	56,300	4.44%	11-2012
Excavator	44,649	3.85%	02-2013
Extendahoe	32,439	3.45%	05-2012
International garbage truck	49,540	3.24%	06-2013
(3) Kubota tractors	48,490	3.04%	07-2011
(2) Dump trucks	86,704	3.49%	08-2012
Caterpillar tractor	33,000	3.15%	08-2011
Total Capital Leases	\$ 880,150		
D. Other Loans:			
CAP loan	\$ 193,853	2.00%	11-2017
CAP loan	216,004	5.66%	02-2015
Southern Pine loan	145,833	0.00%	08-2011
Hospital note - revenue note	139,564	4.95%	10-2011
District 2 fire truck loans	39,689	3.00%	02-2015
Road and bridge construction loan	180,000	3.87%	12-2010
District 2 fire truck loan	26,644	2.00%	12-2015
Total Other Loans	\$ 941,587		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 221,458	45,815	15,000	637
2010	180,000	36,428		
2011	185,000	27,968		
2012	195,000	19,278		
2013	210,000	10,080		
Total	\$ 991,458	139,569	15,000	637
Year Ending September 30	Other Loans			
	Principal	Interest		
2009	\$ 214,108	30,827		
2010	216,430	23,880		
2011	214,761	16,822		
2012	64,920	9,644		
2013	67,598	6,965		
2014 - 2018	163,770	6,858		
Total	\$ 941,587	94,996		

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

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, 2008, the amount of outstanding debt was equal to 0.73% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Adjustments	Balance Sept. 30, 2008	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,207,828		216,370		991,458	221,458
Limited obligation bonds	25,000		10,000		15,000	15,000
Capital leases	806,390	423,457	349,697		880,150	360,705
Other loans	1,199,944		258,357		941,587	214,108
Total	\$ 3,239,162	423,457	834,424	0	2,828,195	811,271

(9) 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.

Hospital Revenue Note Contingencies - The county issues revenue notes to provide funds for constructing and improving capital facilities of the Lawrence County Hospital. Revenue notes are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these notes because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue notes outstanding at September 30, 2008, is \$151,441.

(10) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Lawrence County Board of Supervisors appoints two of the 27 members of the college board of trustees. The county appropriated \$411,568 for maintenance and support of the college in fiscal year 2008.

LAWRENCE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2008

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$27,360 for support of the district in fiscal year 2008.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$22,500 for support in fiscal year 2008.

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

(11) Defined Benefit Pension Plan.

Plan Description. Lawrence 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, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2008, 2007 and 2006 were \$253,262, \$236,065 and \$210,812, respectively, equal to the required contributions for each year.

(12) Subsequent Event.

Subsequent to September 30, 2008, Lawrence County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/15/2008	3.28%	\$ 36,455	Capital lease	District 3 Road and Bridge revenue

LAWRENCE COUNTY

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LAWRENCE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY

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LAWRENCE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,082,500	3,208,050	3,213,393	5,343
Licenses, commissions and other revenue	75,000	94,315	97,729	3,414
Fines and forfeitures	130,000	160,929	167,540	6,611
Intergovernmental revenues	660,000	894,179	869,666	(24,513)
Charges for services	48,000	68,570	93,087	24,517
Interest income	102,500	99,670	99,650	(20)
Miscellaneous revenues	78,000	129,717	129,721	4
Total Revenues	<u>4,176,000</u>	<u>4,655,430</u>	<u>4,670,786</u>	<u>15,356</u>
EXPENDITURES				
Current:				
General government	2,032,409	2,170,950	2,135,481	35,469
Public safety	1,250,245	1,425,700	1,383,849	41,851
Health and welfare	162,800	210,450	103,533	106,917
Culture and recreation		25	10	15
Education	300,000	255,000	253,233	1,767
Conservation of natural resources	40,456	46,576	45,223	1,353
Economic development and assistance	152,860	153,860	142,360	11,500
Debt service:				
Principal	20,000	20,000	124,517	(104,517)
Interest			13,877	(13,877)
Total Expenditures	<u>3,958,770</u>	<u>4,282,561</u>	<u>4,202,083</u>	<u>80,478</u>
Excess of Revenues over (under) Expenditures	<u>217,230</u>	<u>372,869</u>	<u>468,703</u>	<u>95,834</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			196,748	196,748
Transfers out			(528,250)	(528,250)
Other financing sources	150,000	251,569	54,821	(196,748)
Other financing uses	(400,000)	(528,250)	(5,320)	522,930
Total Other Financing Sources and Uses	<u>(250,000)</u>	<u>(276,681)</u>	<u>(282,001)</u>	<u>(5,320)</u>
Net Change in Fund Balance	(32,770)	96,188	186,702	90,514
Fund Balances - Beginning	<u>2,217,528</u>	<u>2,503,946</u>	<u>2,324,323</u>	<u>(179,623)</u>
Fund Balances - Ending	<u>\$ 2,184,758</u>	<u>2,600,134</u>	<u>2,511,025</u>	<u>(89,109)</u>

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

LAWRENCE COUNTY

Notes to the Required Supplemental Information
For the Year Ended September 30, 2008

A. Budgetary Information.

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Type
	General Fund
Budget (Cash Basis)	\$ 186,702
Increase (Decrease)	
Net adjustments for revenue accruals	23,248
Net adjustments for expenditure accruals	39,850
GAAP Basis	\$ <u>249,800</u>

LAWRENCE COUNTY

SUPPLEMENTAL INFORMATION

LAWRENCE COUNTY

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LAWRENCE COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Rural Business - Cooperative Service Rural business enterprise grants	10.769	N/A	\$ <u>33,220</u>
U.S. Department of Justice/Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	2006-DJ-BX-0049	1,542
Edward Byrne memorial justice assistance grant program	16.738	2007-DJ-BX-0224	<u>58,085</u>
Total U.S. Department of Justice			<u>59,627</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	MS-038-39(1)B	* <u>773,137</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Department of Public Safety Office of Homeland Security Homeland Security Cluster State domestic preparedness equipment support program	97.004	06LE039	<u>8,896</u>
Total Expenditures of Federal Awards			<u>\$ 874,880</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program

LAWRENCE COUNTY

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LAWRENCE COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2008

Operating Expenditures, Cash Basis:

Salaries	\$	161,495
Expendable Commodities:		
Gasoline and petroleum products		16,642
Repair parts		19,232
Contractual services		137,158
Supplies		<u>15,413</u>

Solid Waste Cash Basis Operating Expenditures 349,940

Full Cost Expenses:

Depreciation on equipment	63,639
Depreciation on building	72
Interest on solid waste debt	7,884
Other	<u>1,536</u>

Solid Waste Full Cost Operating Expenses \$ 423,071

LAWRENCE COUNTY

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LAWRENCE COUNTY

SPECIAL REPORTS

LAWRENCE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Lawrence County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Lawrence County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's basic financial statements and have issued our report thereon dated November 13, 2009. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lawrence County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 08-1, 08-2 and 08-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1, 08-2 and 08-3 to be material weaknesses.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lawrence County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

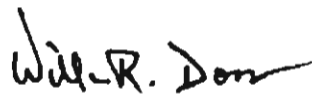
However, we noted a certain matter that we reported to the management of Lawrence County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated November 13, 2009, included within this document.

Lawrence County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Lawrence County's responses and, accordingly, we express no opinion on them.

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



STACEY E. PICKERING
State Auditor



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

November 13, 2009



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Lawrence County, Mississippi

Compliance

We have audited the compliance of Lawrence County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2008. Lawrence County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Lawrence County, Mississippi's management. Our responsibility is to express an opinion on Lawrence County, Mississippi's compliance based on our audit.

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

In our opinion, Lawrence County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

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

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

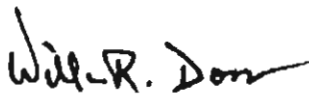
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



STACEY E. PICKERING
State Auditor



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

November 13, 2009



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E PICKERING
AUDITOR

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

Members of the Board of Supervisors
Lawrence County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Lawrence County, Mississippi, as of and for the year ended September 30, 2008. 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 Lawrence 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 Lawrence County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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


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

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

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



STACEY E. PICKERING
State Auditor



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

November 13, 2009

LAWRENCE COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2008

Schedule I

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
05/12/2008	Culverts	\$ 62,522	Dial	\$ 62,509	Dependable service.

LAWRENCE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2008

Schedule 2

Our test results did not identify any emergency purchases.

LAWRENCE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2008

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
04/07/2008	Voting machine components	\$	8,243	Premier Election Solutions
07/07/2008	Missilite expanded clay		14,470	Big River Industries

LAWRENCE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

In planning and performing our audit of the financial statements of Lawrence County, Mississippi for the year ended September 30, 2008, we considered Lawrence County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lawrence 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 November 13, 2009, on the financial statements of Lawrence County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our finding, recommendation and your response are disclosed below:

Circuit Clerk.

Finding

An effective system of internal control should include maintaining cash journals and reconciling the bank statements to the cash journals. The bank statements were not reconciled to the cash journals. Failure to reconcile the bank statements to the cash journals could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that the bank statements are reconciled to the cash journals.

Circuit Clerk's Response

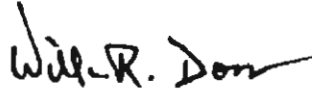
Will comply. Also went on computer October 1, 2008.

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

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



STACEY E. PICKERING
State Auditor



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

November 13, 2009

LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAWRENCE COUNTY

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LAWRENCE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| | Highway planning and construction, CFDA #20.205 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

LAWRENCE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

08-1. Finding

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

Recommendation

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

Board of Supervisors' Response

The cost of providing this data is not feasible at this time.

Significant Deficiency - Material Weakness

08-2. Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received. The county did not report all federal grant expenditures or erroneously included expenditures which were not federal monies on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2008. As a result, several corrections were proposed by the auditor and made by the county to the Schedule of Expenditures of Federal Awards. The failure to properly complete the Schedule of Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of excluding a federal grant on the Schedule of Expenditures of Federal Awards.

Recommendation

The county should properly maintain adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received.

Board of Supervisors' Response

We will comply.

LAWRENCE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Circuit Clerk.

Significant Deficiency - Material Weakness

08-3. Finding

An effective system of internal control over the accounting for fines receivable should include adequate subsidiary records documenting the fines receivable amount and related allowance for uncollectible accounts. The Circuit Clerk provided a listing of fines receivable and related allowance for uncollectible accounts during the audit; however, the list did not fully reflect the proper account balances as of September 30, 2008. As a result, an adjustment was proposed by the auditor and made by the county to the financial statements to correct the account balances.

Recommendation

The Circuit Clerk should prepare and maintain the necessary records to document the fines receivable amount and related allowance for uncollectible accounts.

Circuit Clerk's Response

Will comply. Records have been kept on cards. As of October 1, 2008, we went on computer. Should be better.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.