

MARION COUNTY, MISSISSIPPI

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

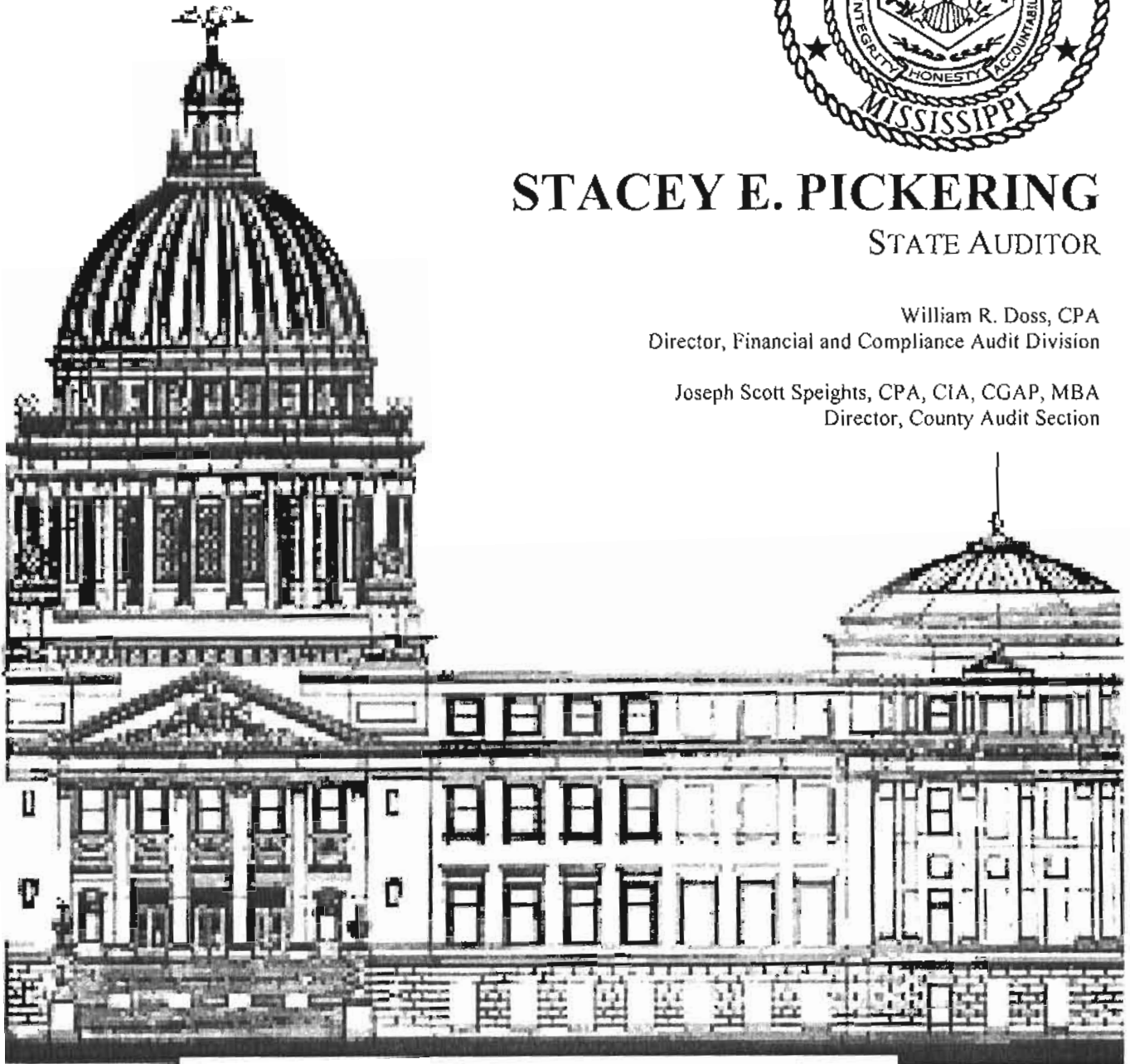


STACEY E. PICKERING

STATE AUDITOR

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A Report from the County Audit Section

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MARION COUNTY

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MARION COUNTY

FINANCIAL SECTION

MARION 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
Marion County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion 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 Marion 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 business-type activities, each major fund and the aggregate remaining fund information of Marion County, Mississippi, as of September 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2009, on our consideration of Marion 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.

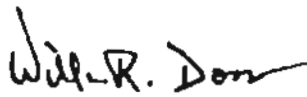
Marion County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Marion County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as restated April 29, 2010, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



STACEY E. PICKERING
State Auditor



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

December 4, 2009, except for Note (16), of the primary government financial statements and the Schedule of Expenditures of Federal Awards to which the date is April 29, 2010.

MARION COUNTY

FINANCIAL STATEMENTS

MARION COUNTY

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MARION COUNTY
Statement of Net Assets
September 30, 2008

Exhibit I

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 4,856,419	762,899	5,619,318
Investments		2,024,743	2,024,743
Property tax receivable	7,730,805		7,730,805
Accounts receivable (net of allowance for uncollectibles of \$155,177)		329,752	329,752
Fines receivable (net of allowance for uncollectibles of \$1,603,057)	188,348		188,348
Intergovernmental receivables	171,471	598,994	770,465
Other receivables	3,084	24,207	27,291
Internal balances	168,030	(168,030)	
Capital assets:			
Land	335,721	60,000	395,721
Other capital assets, net	27,144,211	5,184,861	32,329,072
Total Assets	40,598,089	8,817,426	49,415,515
LIABILITIES			
Claims payable	613,768	311,705	925,473
Intergovernmental payables	335,804		335,804
Accrued interest payable	126,786		126,786
Deferred revenue	7,730,805		7,730,805
Unearned revenue		45,043	45,043
Other payables	71,630		71,630
Long-term liabilities			
Due within one year:			
Capital debt	914,750	380,000	1,294,750
Non-capital debt	684,352		684,352
Due in more than one year:			
Capital debt	553,286	5,335,000	5,888,286
Non-capital debt	3,068,746		3,068,746
Total Liabilities	14,099,927	6,071,748	20,171,675
NET ASSETS			
Invested in capital assets, net of related debt	26,011,896	(470,139)	25,541,757
Restricted:			
Expendable:			
General government	97,808		97,808
Debt service	36,451		36,451
Public safety	1,129,758	3,062,301	4,192,059
Public works	1,776,047	153,516	1,929,563
Unemployment compensation	19,350		19,350
Unrestricted	(2,573,148)		(2,573,148)
Total Net Assets	\$ 26,498,162	2,745,678	29,243,840

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

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

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,346,469	514,886			(3,831,583)		(3,831,583)
Public safety	3,190,702	383,766	395,614	40,506	(2,370,816)		(2,370,816)
Public works	4,670,467	45,940	781,346	69,866	(3,773,315)		(3,773,315)
Health and welfare	647,901		58,197		(589,704)		(589,704)
Culture and recreation	123,752				(123,752)		(123,752)
Conservation of natural resources	66,372				(66,372)		(66,372)
Economic development and assistance	578,269			482,186	(96,083)		(96,083)
Interest on long-term debt	219,360				(219,360)		(219,360)
Total Governmental Activities	13,843,292	944,592	1,235,157	592,558	(11,070,985)	0	(11,070,985)
Business-type activities:							
Marion/Walhall Correctional Facility	4,001,284	4,450,512				449,228	449,228
Women's Correctional Facility	918,502	1,398,448				479,946	479,946
Garbage and solid waste	984,479	650,772				(333,707)	(333,707)
Total Business-type Activities	5,904,265	6,499,732	0	0	0	595,467	595,467
Total Primary Government	\$ 19,747,557	7,444,324	1,235,157	592,558	(11,070,985)	595,467	(10,475,518)
General revenues:							
Property taxes					\$ 7,359,599	83,243	7,442,842
Road & bridge privilege taxes					318,690		318,690
Grants and contributions not restricted to specific programs					1,726,653	11,004	1,737,657
Unrestricted interest income					335,206	34,744	369,950
Miscellaneous					629,696	296,519	926,215
Transfers					24,260	(24,260)	
Total General Revenues and Transfers					10,394,104	401,250	10,795,354
Changes in Net Assets					(676,881)	996,717	319,836

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

Exhibit 2 (Continued)

	Net (Expense) Revenue and Changes in Net Assets		
	Primary Governmental Activities	Business-type Activities	Total
Net Assets - Beginning	27,192,032	1,749,649	28,941,681
Prior period adjustments	(16,989)	(688)	(17,677)
Net Assets - Beginning, as restated	<u>27,175,043</u>	<u>1,748,961</u>	<u>28,924,004</u>
Net Assets - Ending	<u>\$ 26,498,162</u>	<u>2,745,678</u>	<u>29,243,840</u>

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

MARION COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2008

Exhibit 3

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 2,175,655	2,680,764	4,856,419
Property tax receivable	5,572,002	2,158,803	7,730,805
Fines receivable (net of allowance for uncollectibles of \$1,603,057)	188,348		188,348
Intergovernmental receivables	147,007	24,464	171,471
Other receivables	3,084		3,084
Due from other funds	63,171	261,636	324,807
Advances to other funds	145,510	407,020	552,530
Total Assets	<u>\$ 8,294,777</u>	<u>5,532,687</u>	<u>13,827,464</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 440,908	172,860	613,768
Intergovernmental payables	305,858		305,858
Due to other funds	295,569		295,569
Advances from other funds	443,684		443,684
Deferred revenue	5,760,350	2,158,803	7,919,153
Other payables	71,630		71,630
Total Liabilities	<u>7,317,999</u>	<u>2,331,663</u>	<u>9,649,662</u>
Fund balances:			
Reserved for:			
Debt service		163,237	163,237
Advances	145,510	407,020	552,530
Unemployment compensation		19,350	19,350
Unreserved - undesignated, reported in:			
General Fund	831,268		831,268
Special Revenue Funds		2,611,417	2,611,417
Total Fund Balances	<u>976,778</u>	<u>3,201,024</u>	<u>4,177,802</u>
Total Liabilities and Fund Balances	<u>\$ 8,294,777</u>	<u>5,532,687</u>	<u>13,827,464</u>

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

MARION 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	\$ 4,177,802
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 \$44,799,782.	27,479,932
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	188,348
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,221,134)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(126,786)</u>
Total Net Assets - Governmental Activities	\$ <u>26,498,162</u>

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

MARION COUNTY

Exhibit 4

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

	<u>Major Fund</u>		<u>Total</u>
	General Fund	Other Governmental Funds	Governmental Funds
REVENUES			
Property taxes	\$ 5,471,560	1,888,039	7,359,599
Road and bridge privilege taxes		318,690	318,690
Licenses, commissions and other revenue	316,667	8,147	324,814
Fines and forfeitures	304,928		304,928
Intergovernmental revenues	913,428	2,640,940	3,554,368
Charges for services	106,448	271,831	378,279
Interest income	198,581	136,625	335,206
Miscellaneous revenues	248,769	380,927	629,696
Total Revenues	<u>7,560,381</u>	<u>5,645,199</u>	<u>13,205,580</u>
EXPENDITURES			
Current:			
General government	4,646,248	203,610	4,849,858
Public safety	2,423,202	840,610	3,263,812
Public works	40,000	3,415,650	3,455,650
Health and welfare	508,408	136,393	644,801
Culture and recreation	123,752		123,752
Conservation of natural resources	66,372		66,372
Economic development and assistance	240,804	337,465	578,269
Debt service:			
Principal	235,054	620,974	856,028
Interest	131,410	108,352	239,762
Total Expenditures	<u>8,415,250</u>	<u>5,663,054</u>	<u>14,078,304</u>
Excess of Revenues over (under) Expenditures	<u>(854,869)</u>	<u>(17,855)</u>	<u>(872,724)</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued	513,899	226,545	740,444
Proceeds from sale of capital assets	4,731	16,505	21,236
Transfers in		377,202	377,202
Transfers out	<u>(252,072)</u>	<u>(100,870)</u>	<u>(352,942)</u>
Total Other Financing Sources and Uses	<u>266,558</u>	<u>519,382</u>	<u>785,940</u>
Net Changes in Fund Balances	(588,311)	501,527	(86,784)
Fund Balances - Beginning	<u>1,565,089</u>	<u>2,699,497</u>	<u>4,264,586</u>
Fund Balances - Ending	<u>\$ 976,778</u>	<u>3,201,024</u>	<u>4,177,802</u>

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

MARION 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	\$ (86,784)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,183,771 were exceeded by depreciation of \$1,804,097 in the current period.	(620,326)
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 \$21,091 and the proceeds from the sale of \$21,236 in the current period.	(42,327)
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.	(63,429)
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 \$856,028 exceeded debt proceeds of \$740,444.	115,584
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 decrease in accrued interest payable.	<u>20,401</u>
Change in Net Assets of Governmental Activities	<u>\$ (676,881)</u>

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

MARION COUNTY
Statement of Net Assets - Proprietary Funds
September 30, 2008

Exhibit 5

	Business-type Activities - Enterprise Funds		
	Major Fund - Marion/Walthall Correctional Facility	Other Nonmajor Enterprise Funds	Total
ASSETS			
Current assets:			
Cash	\$ 292,745	470,154	762,899
Investments	2,024,727	16	2,024,743
Accounts receivable (net of allowance for uncollectibles of \$155,177)		329,752	329,752
Intergovernmental receivables	361,730	237,264	598,994
Other receivables		24,207	24,207
Due from other funds	77,906	3,987	81,893
Advances to other funds	13,650	23,014	36,664
Total Current Assets	<u>2,770,758</u>	<u>1,088,394</u>	<u>3,859,152</u>
Noncurrent assets:			
Capital assets:			
Land	60,000		60,000
Other capital assets, net	3,723,809	1,461,052	5,184,861
Total Noncurrent Assets	<u>3,783,809</u>	<u>1,461,052</u>	<u>5,244,861</u>
Total Assets	<u>6,554,567</u>	<u>2,549,446</u>	<u>9,104,013</u>
LIABILITIES			
Current liabilities:			
Claims payable	157,425	154,280	311,705
Due to other funds	44,176	96,901	141,077
Advances from other funds	95,101	50,409	145,510
Unearned revenue		45,043	45,043
Capital debt:			
Other long-term liabilities	305,000	75,000	380,000
Total Current Liabilities	<u>601,702</u>	<u>421,633</u>	<u>1,023,335</u>
Noncurrent liabilities:			
Capital debt:			
Other long-term liabilities	3,585,000	1,750,000	5,335,000
Total Noncurrent Liabilities	<u>3,585,000</u>	<u>1,750,000</u>	<u>5,335,000</u>
NET ASSETS			
Invested in capital assets, net of related debt	(106,191)	(363,948)	(470,139)
Restricted for:			
Public safety	2,474,056	588,245	3,062,301
Public works		153,516	153,516
Total Net Assets	<u>\$ 2,367,865</u>	<u>377,813</u>	<u>2,745,678</u>

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

MARION COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2008

	Business-type Activities - Enterprise Funds		
	Major Fund - Marion/Walthall Correctional Facility	Other Nonmajor Enterprise Funds	Total
Operating Revenues			
Charges for services	\$ 4,450,512	2,049,220	6,499,732
Miscellaneous	269,831	26,688	296,519
Total Operating Revenues	<u>4,720,343</u>	<u>2,075,908</u>	<u>6,796,251</u>
Operating Expenses			
Personal services	2,142,347	966,576	3,108,923
Contractual services	476,734	507,273	984,007
Materials and supplies	1,014,797	286,896	1,301,693
Depreciation expense	111,891	44,980	156,871
Indirect administrative cost	44,176	18,995	63,171
Total Operating Expenses	<u>3,789,945</u>	<u>1,824,720</u>	<u>5,614,665</u>
Operating Income (Loss)	<u>930,398</u>	<u>251,188</u>	<u>1,181,586</u>
Nonoperating Revenues (Expenses)			
Property tax		83,243	83,243
Interest income	34,744		34,744
Grants and contributions not restricted to specific programs		11,004	11,004
Interest expense	(211,339)	(78,261)	(289,600)
Net Nonoperating Revenue (Expenses)	<u>(176,595)</u>	<u>15,986</u>	<u>(160,609)</u>
Net Income (Loss) Before Transfers	753,803	267,174	1,020,977
Transfers in	2,621	193,471	196,092
Transfers out	(154,489)	(65,863)	(220,352)
Changes in Net Assets	<u>601,935</u>	<u>394,782</u>	<u>996,717</u>
Net Assets - Beginning	1,766,618	(16,969)	1,749,649
Prior period adjustment	(688)		(688)
Net Assets - Beginning, as restated	<u>1,765,930</u>	<u>(16,969)</u>	<u>1,748,961</u>
Net Assets - Ending	\$ <u>2,367,865</u>	<u>377,813</u>	<u>2,745,678</u>

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

MARION COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2008

Exhibit 7

	Business-type Activities - Enterprise Funds		
	Major Fund - Marion/Walthall Correctional Facility	Other Nonmajor Enterprise Funds	Total
Cash Flows From Operating Activities			
Receipts from customers	\$ 4,417,398	1,981,554	6,398,952
Payments to suppliers	(1,492,498)	(725,775)	(2,218,273)
Payments to employees	(2,127,245)	(893,581)	(3,020,826)
Other operating cash receipts	269,831	26,688	296,519
Net Cash Provided (Used) by Operating Activities	<u>1,067,486</u>	<u>388,886</u>	<u>1,456,372</u>
Cash Flows From Noncapital Financing Activities			
Operating grants received		11,004	11,004
Cash received from property taxes		83,243	83,243
Cash received from other funds:			
Operating transfers in	57,130	193,471	250,601
Cash paid to other funds:			
Operating transfers out	(208,998)	(65,863)	(274,861)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(151,868)</u>	<u>221,855</u>	<u>69,987</u>
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(69,574)		(69,574)
Principal paid on long-term debt	(290,000)	(65,000)	(355,000)
Interest paid on debt	(211,339)	(78,261)	(289,600)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(570,913)</u>	<u>(143,261)</u>	<u>(714,174)</u>
Cash Flows From Investing Activities			
Purchase of investments	(903,275)		(903,275)
Interest on deposits	67,954		67,954
Net Cash Provided (Used) by Investing Activities	<u>(835,321)</u>	<u>0</u>	<u>(835,321)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(490,616)	467,480	(23,136)
Cash and Cash Equivalents at Beginning of Year	<u>1,938,023</u>	<u>2,690</u>	<u>1,940,713</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,447,407</u>	<u>470,170</u>	<u>1,917,577</u>

MARION COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2008

Exhibit 7 (Continued)

	Business-type Activities - Enterprise Funds		
	Major Fund - Marion/Walthall Correctional Facility	Other Nonmajor Enterprise Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 930,398	251,188	1,181,586
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	111,891	44,980	156,871
Provision for uncollectible accounts		18,861	18,861
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable		94,616	94,616
(Increase) decrease in intergovernmental receivables	44,792	(237,264)	(192,472)
(Increase) decrease in interfund receivables	(76,817)	18,641	(58,176)
(Increase) decrease in advances	(1,089)	(19,122)	(20,211)
(Increase) decrease in other receivables		24,634	24,634
Increase (decrease) in claims payable	40,698	65,676	106,374
Increase (decrease) in interfund payables	4,331	77,236	81,567
Increase (decrease) in other payables	(26,563)		(26,563)
Increase (decrease) in advances	39,845	17,472	57,317
Increase (decrease) in unearned revenue		31,968	31,968
Total Adjustments	137,088	137,698	274,786
Net Cash Provided (Used) by Operating Activities	\$ 1,067,486	388,886	1,456,372

Noncash Capital and Related Financing and Investing Activity:

Marion County had a decrease in the market value on investments in FHLB of \$33,210.

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 310,921
Due from other funds	<u>29,946</u>
Total Assets	<u>\$ 340,867</u>
LIABILITIES	
Amounts held in custody for others	\$ 169,844
Intergovernmental payables	<u>171,023</u>
Total Liabilities	<u>\$ 340,867</u>

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

MARION COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Marion 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 Marion 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.

- Marion General Hospital
- Tri-Community Fire District
- Southwest Marion Fire District
- South Marion Fire District
- Pineburr Fire District
- Foxworth Fire District
- Morgantown Fire District
- Marion County Economic Development District

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 and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

MARION COUNTY

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared 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.

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

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

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

MARION COUNTY

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

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.

The county reports the following major Proprietary Fund:

Marion/Walthall Correctional Facility Fund - This fund is used to account for the county's activities of the men's correctional facility within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND 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.

F. Receivables.

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

MARION COUNTY

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

Governmental accounting and financial reporting standards require governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

MARION COUNTY

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

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

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

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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.

MARION COUNTY

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

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) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Governmental Activities:	
To correct prior year errors in capital assets	\$ (16,989)
Business-type Activities:	
To correct prior year errors in capital assets	(688)
Total prior period adjustments	\$ (17,677)

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

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets	\$ (688)

MARION COUNTY

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

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$5,930,239, and the bank balance was \$6,184,929. 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.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Marion/Walshall Correctional Facility.

Investments balances at September 30, 2008, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Dreyfus Treasury Prime Money Market Fund	Less than one year	\$ 1,154,662	AAAm-G
Federal Home Loan Banks Deb	02/20/2015	870,065	AAA
Hancock Horizon Treasury Securities Money Market Fund	Less than one year	<u>16</u>	A
Total		\$ <u>2,024,743</u>	

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

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that address credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These investments are uninsured, unregistered and were held by the counterparty in trust accounts on behalf of the county.

Concentration of Credit Risk. The county places no limit on the amount the county may invest in any one issuer. More than 5 percent of the county's investments are in Federal Home Loan Bank Bonds. These investments are 43% of the county's total investments and are reported in the Marion/Walshall Correctional Facility Fund.

MARION COUNTY

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

(4) 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	Marion/Walthall Correctional Facility	\$ 44,176
General Fund	Other Enterprise Funds	18,995
Other Governmental Funds	General Fund	261,636
Other Enterprise Funds	General Fund	3,987
Marion/Walthall Correctional Facility	Other Enterprise Funds	77,906
Agency Funds	General Fund	<u>29,946</u>
Total		\$ <u>436,646</u>

The General Fund receivable from the Major Enterprise Fund and Other Nonmajor Enterprise Funds represents the indirect cost incurred during the year. The Other Governmental Funds and Other Nonmajor Enterprise Funds receivables from the General Fund represent the tax revenue collected but not settled until October 2008, and interest income not allocated to the proper funds during the year. The Agency Funds receivable from the General Fund represent the tax revenue collected but not settled until October 2008, and interest income not allocated to the proper funds during the year. 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	Marion/Walthall Correctional Facility	\$ 95,101
General Fund	Other Enterprise Funds	50,409
Other Governmental Funds	General Fund	407,020
Marion/Walthall Correctional Facility	General Fund	13,650
Other Enterprise Funds	General Fund	<u>23,014</u>
Total		\$ <u>589,194</u>

The amounts payable to the General Fund are for the prior three year's indirect costs. The amounts payable to the Other Governmental Funds, Marion/Walthall Correctional Facility and Other Enterprise Funds are for the prior three year's allocation of interest income.

MARION COUNTY

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 252,072
Other Governmental Funds	Other Governmental Funds	100,849
Other Governmental Funds	Marion/Walthall Correctional Facility	1,018
Other Governmental Funds	Other Enterprise Funds	23,263
Marion/Walthall Correctional Facility	Other Governmental Funds	21
Marion/Walthall Correctional Facility	Other Enterprise Funds	2,600
Other Enterprise Funds	Marion/Walthall Correctional Facility	153,471
Other Enterprise Funds	Other Enterprise Funds	<u>40,000</u>
Total		<u>\$ 573,294</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.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 147,007
Jag grant	<u>24,464</u>
Total Governmental Activities	<u>\$ 171,471</u>
Business-type Activities:	
Reimbursement for housing prisoners	<u>\$ 598,994</u>
Total Business-type Activities	<u>\$ 598,994</u>

MARION COUNTY

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

(6) 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	\$ 282,270	53,451			335,721
Total non-depreciable capital assets	<u>282,270</u>	<u>53,451</u>	<u>0</u>	<u>0</u>	<u>335,721</u>
<u>Depreciable capital assets:</u>					
Infrastructure	62,711,480			4	62,711,484
Buildings	3,351,255	511,240			3,862,495
Improvements other than buildings	88,395				88,395
Mobile equipment	3,780,728	382,814	412,043	14,622	3,766,121
Furniture and equipment	141,192		11,233	105,673	235,632
Leased property under capital leases	1,142,415	236,266		(98,815)	1,279,866
Total depreciable capital assets	<u>71,215,465</u>	<u>1,130,320</u>	<u>423,276</u>	<u>21,484</u>	<u>71,943,993</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	38,338,684	1,343,369			39,682,053
Buildings	1,628,603	61,692			1,690,295
Improvements other than buildings	21,222	3,537			24,759
Mobile equipment	2,880,924	224,822	370,839	40,919	2,775,826
Furniture and equipment	105,357	22,148	10,110	91,044	208,439
Leased property under capital leases	363,371	148,529		(93,490)	418,410
Total accumulated depreciation	<u>43,338,161</u>	<u>1,804,097</u>	<u>380,949</u>	<u>38,473</u>	<u>44,799,782</u>
Total depreciable capital assets, net	<u>27,877,304</u>	<u>(673,777)</u>	<u>42,327</u>	<u>(16,989)</u>	<u>27,144,211</u>
Governmental activities capital assets, net	<u>\$ 28,159,574</u>	<u>(620,326)</u>	<u>42,327</u>	<u>(16,989)</u>	<u>27,479,932</u>

Business-type activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments *	Balance Sept. 30, 2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 60,000				60,000
Total non-depreciable capital assets	<u>60,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,000</u>
<u>Depreciable capital assets:</u>					
Buildings	6,132,275				6,132,275
Mobile equipment	603,740	19,126		(910)	621,956
Furniture and equipment	52,588	50,448		(5,976)	97,060
Total depreciable capital assets	<u>6,788,603</u>	<u>69,574</u>	<u>0</u>	<u>(6,886)</u>	<u>6,851,291</u>

MARION COUNTY

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

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments *	Balance Sept. 30, 2008
<u>Less accumulated depreciation for:</u>					
Buildings	949,578	122,647			1,072,225
Mobile equipment	515,111	17,575		(820)	531,866
Furniture and equipment	51,068	16,649		(5,378)	62,339
Total accumulated depreciation	<u>1,515,757</u>	<u>156,871</u>	<u>0</u>	<u>(6,198)</u>	<u>1,666,430</u>
Total depreciable capital assets, net	<u>5,272,846</u>	<u>(87,297)</u>	<u>0</u>	<u>(688)</u>	<u>5,184,861</u>
Business-type activities capital assets, net	<u>\$ 5,332,846</u>	<u>(87,297)</u>	<u>0</u>	<u>(688)</u>	<u>5,244,861</u>

* Adjustments are to correct errors in recording capital assets

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 121,109
Public safety	81,321
Public works	1,598,567
Health and welfare	<u>3,100</u>
Total Governmental Activities depreciation expense	<u>\$ 1,804,097</u>
<u>Business-type Activities:</u>	
Marion/Walthall Correctional Facility	\$ 111,891
Women's Correctional Facility	30,849
Garbage and solid waste	<u>14,131</u>
Total Business-type Activities depreciation expense	<u>\$ 156,871</u>

(7) 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.

MARION COUNTY

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

(8) Capital Leases.

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	\$ 1,279,866
Less: Accumulated depreciation	<u>418,410</u>
Leased Property Under Capital Leases	<u>\$ 861,456</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 696,186	16,085
2010	67,479	6,414
2011	94,879	3,950
2012	29,150	1,164
2013	<u>17,479</u>	<u>204</u>
Total	<u>\$ 905,173</u>	<u>27,817</u>

(9) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Industrial development bonds	\$ <u>2,030,000</u>	4.75-5.40%	09/2024
B. Limited Obligation Bonds:			
Hospital revenue bonds	\$ <u>661,694</u>	5.00%	06/2012
C. Equipment Notes:			
District 3 Road Equipment Note	\$ 65,352	4.75%	12/2011
District 4 Road Equipment Note	<u>54,490</u>	3.01%	12/2009
Total Equipment Notes	<u>\$ 119,842</u>		

MARION COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
D. Capital Leases:			
Computer equipment	\$ 128,226	3.49%	04/2013
District 1 Caterpillar motor grader	109,664	3.20%	01/2009
District 2 Caterpillar motor grader	109,664	3.20%	01/2009
District 3 Caterpillar motor grader	109,664	3.20%	01/2009
District 5 Caterpillar motor grader	109,664	3.20%	01/2009
District 4 Caterpillar motor grader	96,624	3.20%	01/2009
District 4 Caterpillar wheel loader	47,850	3.40%	01/2009
District 5 Caterpillar wheel loader	47,850	3.40%	01/2009
District 2 Case 580-SM loader/backhoe	56,363	4.27%	07/2011
District 1 wheel loader	<u>89,604</u>	3.19%	04/2009
Total Capital Leases	\$ <u>905,173</u>		
E. Other Loans:			
Energy investment loan	\$ 115,310	1.00%	08/2011
Energy services agreement	322,965	4.35%	06/2014
Voting machines and equipment	68,021	5.03%	04/2009
Superintendent of Education	375,000	3.17%	04/2011
Promissory note - emergency funds	<u>623,129</u>	3.97%	12/2010
Total Other Loans	\$ <u>1,504,425</u>		
Business-type Activities:			
Limited Obligation Bonds:			
Urban renewal bonds – correctional facility	\$ 3,890,000	4.90-6.25%	02/2018
Economic development – Women’s Correctional Facility	<u>1,825,000</u>	3.62-4.50%	03/2023
Total Limited Obligation Bonds	\$ <u>5,715,000</u>		

MARION COUNTY

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

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	\$ 80,000	104,168	318,766	34,249
2010	95,000	100,168	342,928	17,940
2011	95,000	95,655		
2012	95,000	91,142		
2013	100,000	86,630		
2014 – 2018	590,000	354,215		
2019 – 2023	785,000	182,245		
2024 – 2028	190,000	10,260		
Total	\$ 2,030,000	1,024,483	661,694	52,189

Year Ending September 30	Other Loans	
	Principal	Interest
2009	\$ 476,650	50,678
2010	420,029	35,810
2011	434,827	20,905
2012	54,518	5,699
2013	56,938	3,280
2014 – 2018	61,463	808
Total	\$ 1,504,425	117,180

Business-type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2009	\$ 380,000	271,392
2010	400,000	250,974
2011	425,000	233,506
2012	445,000	212,186
2013	470,000	192,068
2014 – 2018	2,820,000	549,966
2019 – 2023	775,000	89,549
Total	\$ 5,715,000	1,799,641

MARION COUNTY

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

Year Ending September 30	Equipment Notes	
	Principal	Interest
2009	\$ 27,500	1,999
2010	27,499	1,767
2011	27,499	1,548
2012	9,336	897
2013	9,336	676
2014 – 2018	18,672	673
Total	\$ 119,842	7,560

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 1.91% 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	\$ 2,105,000		75,000		2,030,000	80,000
Limited obligation bonds	964,945		303,251		661,694	318,766
Equipment notes	0	129,178	9,336		119,842	27,500
Capital leases	795,920	236,266	127,013		905,173	696,186
Other loans	1,470,853	375,000	341,428		1,504,425	476,650
Total	\$ 5,336,718	740,444	856,028	0	5,221,134	1,599,102
Business-type Activities:						
Limited obligation bonds	\$ 6,070,000	0	355,000	0	5,715,000	380,000

(10) 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.

MARION COUNTY

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

Economic Development Note Contingencies - The county issued a notes payable to provide funds for constructing and improving infrastructure for the purpose of economic development. The notes are paid by the Marion County Economic Development District, a component unit of the county. However, the county remains contingently liable for the retirement of this note because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the Marion County Economic Development District. The principal amount of notes payable outstanding at September 30, 2008, is \$631,026.

(11) Related Organization.

The Marion County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Columbia-Marion County Airport Authority, but the county's accountability for this organization does not extend beyond making the appointment. The county appropriated \$40,000 for the airport's support in fiscal year 2008.

(12) Joint Venture.

The county participates in the following joint venture:

Marion County is a participant with Jefferson Davis County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so that each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi.

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Pearl River Community College operates in a district composed of the counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Marion County Board of Supervisors appoints two (2) of the sixteen (16) members of the college board of trustees. The county appropriated \$345,393 for maintenance and support of the college in fiscal year 2008.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Marion County Board of Supervisors appoints one (1) of the nine (9) members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities. The county contributed \$55,000 for support of the district in fiscal year 2008.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Marion County Board of Supervisors appoints one (1) of the twenty-seven (27) members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$53,693 to the agency in fiscal year 2008.

Pearl River Valley Opportunity, Inc. operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Marion County Board of Supervisors appoints one (1) of the twenty-four (24) members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

MARION COUNTY

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

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Marion County Board of Supervisors appoints one (1) of the nine (9) members of the board of commissioners. The county appropriated \$70,000 for support of the agency in fiscal year 2008.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one (1) appointed by the Board of Supervisors of each of the member counties and one (1) appointed at large.

(14) Defined Benefit Pension Plan.

Plan Description. Marion 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 \$564,634, \$535,061 and \$485,293, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2008, Marion County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
01/05/2009	3.34%	\$ 93,000	Capital lease	District 5 tax revenue
01/05/2009	3.39%	203,378	Capital lease	District 3 tax revenue
01/05/2009	3.39%	203,378	Capital lease	District 5 tax revenue
01/05/2009	3.39%	203,378	Capital lease	District 2 tax revenue
01/05/2009	3.34%	194,925	Capital lease	District 4 tax revenue
01/13/2009	3.20%	165,220	Equipment note	District 1 tax revenue
04/13/2009	6.00%	56,975	Equipment note	District 2 tax revenue
04/29/2009	4.00-4.70%	3,125,000	General obligation bonds	Tax revenue
06/01/2009	3.35%	49,000	Equipment note	District 1 tax revenue
06/04/2009	2.50-4.00%	3,555,000	Limited obligation bonds	Revenue from housing prisoners
08/14/2009	4.78%	60,000	Other loan	District 3 tax revenue
10/08/2009	4.73%	100,000	Other loan	District 2 tax revenue
10/14/2009	6.50%	64,397	Equipment note	District 4 tax revenue

(16) Reissuance Information.

The Schedule of Expenditures of Federal Awards and notes as originally issued with the auditor's reports dated December 4, 2009, have been restated to properly reflect activity of the Temporary Assistance for Needy Families federal program CFDA #93.558 which was previously not included in the initial Schedule of Expenditures of Federal Awards. The pass-through number for the aforementioned program is 803WC81A.

MARION COUNTY

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MARION COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MARION COUNTY

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MARION 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	\$ 5,358,698	5,377,988	5,377,988	
Road and bridge privilege taxes				
Licenses, commissions and other revenue	260,000	302,459	302,459	
Fines and forfeitures	250,000	306,296	306,296	
Special assessments				
Contributions to permanent funds				
Intergovernmental revenues	607,350	721,106	721,106	
Charges for services	150,000	176,910	176,910	
Interest income	100,000	335,518	335,518	
Miscellaneous revenues	218,925	1,004,114	1,004,114	
Total Revenues	<u>6,944,973</u>	<u>8,224,391</u>	<u>8,224,391</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	4,269,096	5,434,186	4,580,217	853,969
Public safety	1,782,128	2,403,813	2,390,008	13,805
Public works	40,000	40,000	40,000	
Health and welfare	352,429	507,968	506,793	1,175
Culture and recreation	81,921	118,612	118,612	
Conservation of natural resources	73,390	67,672	67,672	
Economic development and assistance	321,386	470,853	458,721	12,132
Debt service:				
Principal	74,623	93,027	709,304	(616,277)
Interest			22,078	(22,078)
Total Expenditures	<u>6,994,973</u>	<u>9,136,131</u>	<u>8,893,405</u>	<u>242,726</u>
Excess of Revenues over (under) Expenditures	<u>(50,000)</u>	<u>(911,740)</u>	<u>(669,014)</u>	<u>242,726</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued		585,468	585,468	
Transfers in		775,589	775,589	
Transfers out			(267,730)	(267,730)
Total Other Financing Sources and Uses	<u>0</u>	<u>1,361,057</u>	<u>1,093,327</u>	<u>(267,730)</u>
Net Change in Fund Balance	<u>(50,000)</u>	<u>449,317</u>	<u>424,313</u>	<u>(25,004)</u>
Fund Balances - Beginning	<u>50,000</u>	<u>992,681</u>	<u>992,681</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>1,441,998</u>	<u>1,416,994</u>	<u>(25,004)</u>

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

MARION COUNTY

Notes to the Required Supplementary 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. 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
	<u>General Fund</u>
Budget (Cash Basis)	\$ 424,313
Increase (Decrease)	
Net adjustments for revenue accruals	(834,975)
Net adjustments for expenditure accruals	<u>(177,649)</u>
GAAP Basis	<u>\$ (588,311)</u>

MARION COUNTY

SUPPLEMENTAL INFORMATION

MARION COUNTY

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MARION COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008
(As Restated April 29, 2010)

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's programs	14.228	1123-06-046-PF-01 *	\$ 274,845
Community development block grants/state's programs	14.228	R-103-400-02 KED *	15,000
Subtotal			<u>289,845</u>
HOME investments partnerships program	14.239	M06-SG-280-979	<u>62,620</u>
Total U.S. Department of Housing and Urban Development			<u>352,465</u>
U.S. Department of Justice - Office of Community Oriented Policing Services/ Passed-through the Mississippi Department of Public Safety			
Public safety partnership and community policing grants	16.710	204SHWX0046	<u>53,231</u>
Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety			
Edward Byrne memorial justice assistance grant program	16.738	06HR1461	65,946
Edward Byrne memorial justice assistance grant program	16.738	06NM1461	12,874
Edward Byrne memorial justice assistance grant program	16.738	07NM1461	94,907
Subtotal			<u>173,727</u>
Total U.S. Department of Justice			<u>226,958</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	BR-NBIS 068 B (46)	<u>19,180</u>
U.S. Department of Health and Human Services/ Passed-through the Mississippi Department of Human Services			
Temporary Assistance for Needy Families	93.558	803WC81A *	134,837
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency			
Emergency management performance grants	97.042	N/A	15,497
Passed-through the Mississippi Department of Public Safety			
Homeland security grant program	97.067	07HS046 *	20,605
Law enforcement terrorism prevention program	97.074	07LE046 *	<u>19,901</u>
Total U.S. Department of Homeland Security			<u>56,003</u>
Total Expenditures of Federal Awards			<u>\$ 789,443</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.

Note B - Restatement of Schedule

This Schedule of Expenditures of Federal Awards has been restated to properly report the activity for the Temporary Assistance for Needy Families federal program CFDA # 93.558.

* Denotes major federal award program

MARION COUNTY

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MARION COUNTY

SPECIAL REPORTS

MARION 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
Marion County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Marion 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 December 4, 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 Marion 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, 08-3 and 08-4 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 and 08-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marion 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*.

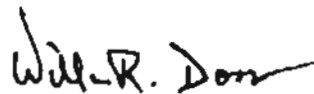
However, we noted a certain matter that we reported to the management of Marion County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated December 4, 2009, included within this document.

Marion 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 Marion 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

December 4, 2009



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY L. 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
Marion County, Mississippi

Compliance

We have audited the compliance of Marion County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Marion County, Mississippi's major federal programs are 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 each of its major federal programs is the responsibility of Marion County, Mississippi's management. Our responsibility is to express an opinion on Marion 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 Marion 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 Marion County, Mississippi's compliance with those requirements.

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

Internal Control Over Compliance

The management of Marion 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 Marion County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of 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 the county's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 08-5 to be a significant deficiency.

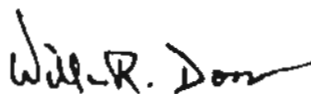
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control. We consider item 08-5 described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Marion County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Marion County's responses and, accordingly, we express no opinion on it.

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

December 4, 2009, except for major federal program CFDA #93.558
Temporary Assistance for Needy Families, to which the date is
April 29, 2010.



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
Marion County, Mississippi

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

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

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

Purchase Clerk.

Finding

Section 31-7-103, Miss. Code Ann. (1972), requires a requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss Code Ann. (1972), and except for purchases of not more than \$100. Some purchase documents were completed after the fact, as evidenced by requisitions being dated after the purchase orders and an invoice dated after both the requisition and the purchase order. This could result in commodities being ordered from a vendor who did not receive the awarded quote or bid or items being ordered that were not needed or used by the county.

Recommendation

The Purchase Clerk should ensure that purchase transaction documents are completed in the proper sequence.

Purchase Clerk's Response

This problem will be taken care of.

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

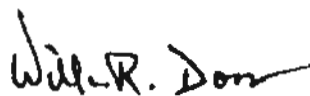
The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to 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.

Marion 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 for use in evaluating the central purchasing system and inventory control system of Marion 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

December 4, 2009

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

Schedule I

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

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

Schedule 2

Our test results did not identify any emergency purchases.

MARION COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2008

Schedule 3

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

MARION 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
Marion County, Mississippi

In planning and performing our audit of the financial statements of Marion County, Mississippi for the year ended September 30, 2008, we considered Marion 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 Marion 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 December 4, 2009, on the financial statements of Marion 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 findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 71-5-359(1)(f), Miss. Code Ann. (1972), requires that a balance be maintained in the Unemployment Fund at an amount not less than two percent (2%) of the covered wages paid during the next preceding year. The cash balance was below the amount required by state statute. At September 30, 2008, the cash balance was \$19,577 and the required amount was \$23,160.

Recommendation

The Board of Supervisors should ensure that an amount is maintained in the Unemployment Fund at an amount not less than two percent (2%) of the covered wages paid during the next preceding year, as required by law.

Board of Supervisors' Response

We will correct the Unemployment Fund balance for this year.

2. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for the proceedings of the Board of Supervisors. Approval of interfund transfers was not recorded in the minutes of the Board of Supervisors.

Recommendation

The Board of Supervisors should ensure that minutes include approval for all interfund transfers.

Board of Supervisors' Response

This will be corrected for this fiscal year.

3. Finding

Section 25-1-15, Miss. Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor. The Purchase Clerk, Assistant Purchase Clerk, Receiving Clerk, Inventory Control Clerk and the Justice Court Clerks had bonds that were written as "indefinite" coverage for the entire period of employment rather than the term. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Board of Supervisors should cancel the current bonds and secure new ones for the duration of the current term.

Board of Supervisors' Response

We will comply.

Chancery Clerk.

4. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior year's audit report, warrants were issued on funds which did not have sufficient money to pay the warrants. At September 30, 2008, the Family Resource Services Fund had a negative cash balance of \$21,296 and the Solid Waste Fund had a negative cash balance of \$92,982.

Recommendation

The Chancery Clerk should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Chancery Clerk's Response

The Family Resource Service Fund balance is zero. The Solid Waste Fund has a balance, but we are planning to solve that issue.

5. Finding

Section 19-9-29(c), Miss. Code Ann. (1972), states that any interest derived from special purpose funds which are outside the function of general county government shall be paid into that special purpose fund. As reported in the prior year's audit report, the county recorded all interest earned from the county's combined checking account in the General Fund instead of the fund from which the investment was made. Failure to prorate interest earned among the funds included in the combined checking account could result in funds being spent for the wrong purpose.

Recommendation

The Chancery Clerk should prorate the interest earned on the combined checking account among all funds that have cash in the checking account, as required by law.

Chancery Clerk's Response

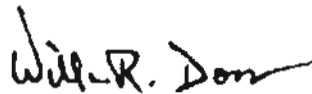
This has been corrected.

Marion County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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

December 4, 2009

MARION COUNTY

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MARION COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARION COUNTY

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MARION COUNTY

Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2008
 (As Restated April 29, 2010)

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
Business-type activities	Unqualified
Aggregate discretely presented component units	Adverse
General Fund	Unqualified
Marion/Walthall Correctional Facility 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? Yes

3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness identified? Yes
 - 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? Yes

7. Federal programs identified as major programs:
 - a. Community development block grants/state's programs, CFDA #14.228
 - b. Homeland security grant program, CFDA #97.067
 - c. Law enforcement terrorism prevention program, CFDA #97.074
 - d. Temporary Assistance for Needy Families, CFDA #93.558

8. The dollar threshold used to distinguish between type A and type B programs: \$300,000

MARION COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008
(As Restated April 29, 2010)

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? Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

08-1. Finding

A critical aspect of effective financial management is the maintenance of accurate financial statements. As reported in the prior year's audit report, management did not have personnel who possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Due to the fact county personnel lacked the skills and knowledge to apply generally accepted accounting principles in preparing its financial statements, the risk of reporting inaccurate information has increased.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

Significant Deficiency - Material Weakness

08-2. 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.

MARION COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008
(As Restated April 29, 2010)

Significant Deficiency

08-3. Finding

An effective system of internal control over recording revenues should include proper classification of revenue in the proper fund. Hurricane Katrina federal grant proceeds of \$588,395 and the Home Grant proceeds of \$129,721 were posted to the General Fund as miscellaneous revenue. Adjustments were proposed to management and made to correct this misclassification of revenue. This was due to the lack of qualified personnel having the experience or training to properly classify revenues. Improper classification of revenue could result in a diversion of funds.

Recommendation

The Board of Supervisors should ensure that all revenue is properly posted to the proper fund.

Significant Deficiency

Sheriff.

08-4. Finding

An effective system of internal control over the Sheriff's accounts should include an adequate separation of duties in the maintenance and reconciliation of records documenting cash collections and settlements. As reported in the prior year's audit report, cash collection and disbursement functions were not adequately separated for effective internal control. One employee receipts funds, calculates the monthly settlement reports, posts the cash journal, reconciles the bank statements and disburses all funds. Failure to properly segregate accounting duties increases the possibility of loss or misappropriation of public funds.

Recommendation

The Sheriff should ensure that there is an adequate separation of duties in the collecting, recording and settlement functions.

MARION COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008
(As Restated April 29, 2010)

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

Significant Deficiency - Material Weakness

Compliance Requirement: Reporting - Controls over the Preparation of the Schedule of Expenditures of Federal Awards Should Be Strengthened

08-5. Finding

OMB Circular A-133 states, in part, the Auditee should be able to identify, in its accounts, all Federal awards received and expended and the Federal programs under which they are received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal Agency and name of the pass through entity. Management did not include the Temporary Assistance for Needy Families Grant, CFDA # 93.558 on its grant activity schedule for the period under audit. This resulted in additional audit work and, ultimately, a reissuance of the Independent Auditor's Report on the Primary Government Basic Financial Statements and Supplemental Information and the 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.

Recommendation

The Board of Supervisors should implement internal controls to aid in the identification, recording and reporting of federal grant expenditures. Thus, ensuring the compliance with applicable provisions of the financial reporting requirements described in the OMB A-133 Compliance Supplement.

MARION COUNTY

CORRECTIVE ACTION PLAN
AND
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

MARION COUNTY

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Cass Barnes, Marion County Chancery Clerk

250 Broad Street, Suite 2 • Columbia, Mississippi 39429 • (601) 736-2691 • Fax (601) 444-0206

CORRECTIVE ACTION PLAN

April 29, 2010

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Marion County respectfully submits the following corrective action plan for the year ended September 30, 2008.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

08-1 Corrective Action Planned:

Charles Prince, CPA, has been employed to prepare the financial statements.

Anticipated Completion Date:

Immediately

Name of Contact Person Responsible for Corrective Action:

Calvin Newsom, President of the Board of Supervisors

08-2 Corrective Action Planned:

We are in the process of checking on the cost for providing financial data on component units.

Anticipated Completion Date:

Immediately

Name of Contact Person Responsible for Corrective Action:

Calvin Newsom, President of the Board of Supervisors

08-3 Corrective Action Planned:

Charles Prince, CPA, has been employed to prepare the financial statements.

Anticipated Completion Date:

Immediately

Name of Contact Person Responsible for Corrective Action:

Calvin Newsom, President of the Board of Supervisors

08-4 Corrective Action Planned:

The duties were split up. The receptionist receives the cash, the chief deputy makes the deposits, and the secretary reconciles the account.



Cass Barnes, Marion County Chancery Clerk

250 Broad Street, Suite 2 • Columbia, Mississippi 39429 • (601) 736-2691 • Fax (601) 444-0206

Anticipated Completion Date:
Immediately

Name of Contact Person Responsible for Corrective Action:
Berkley Hall, Sheriff

SECTION 3: FEDERAL AWARD FINDINGS

08-5 Corrective Action Planned:
Charles Prince, CPA, has been employed to prepare the financial statements.

Anticipated Completion Date:
Immediately

Name of Contact Person Responsible for Corrective Action:
Calvin Newsom, President of the Board of Supervisors

Sincerely yours,

A handwritten signature in cursive script that reads "Calvin Newsom".

Calvin Newsom
President, Board of Supervisors
601-444-0203



Cass Barnes, Marion County Chancery Clerk

250 Broad Street, Suite 2 • Columbia, Mississippi 39429 • (601) 736-2691 • Fax (601) 444-0206

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2008

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Marion County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

U.S. DEPARTMENT OF HOMELAND SECURITY

2007 - FINDING NO. 4: Disaster Grants – Public Assistance/Passed through the Mississippi Emergency Management Agency, CFDA No. 97.036

Condition: The OMB Circular A-133 Compliance Supplement, Part 3(I), specifies that a non-federal entity entering into a covered transaction with another entity must verify that the entity is not suspended or debarred or otherwise excluded. The county entered into a contract for services, which qualified as a covered transaction. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that verification was obtained to determine if the entity was suspended or debarred.

Recommendation: The Board of Supervisors should implement controls to ensure verification is obtained that an entity is not suspended or debarred or otherwise excluded. The verification may be accomplished by checking the *Excluded Parties List System* maintained by the General Services Administration, collecting a certification from the entity or adding a clause or condition to the covered transaction with the entity.

Current Status: Corrective action was taken.

Sincerely yours,
Marion County,
Mississippi

A handwritten signature in cursive script that reads "Calvin Newsom".

Calvin Newsom
Board President
(601) 444 - 0203