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MONROE COUNTY, MISSISSIPPI

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

MONROE COUNTY
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MONROE COUNTY

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

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Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Monroe 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 Monroe 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 above, the financial statements referred to above 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 Monroe County, Mississippi, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

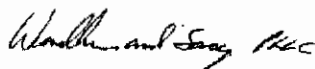
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe County, Mississippi, 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 October 5, 2009, on our consideration of Monroe 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.

Monroe 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 Monroe County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.



Windham and Lacey, PLLC
October 5, 2009

MONROE COUNTY

FINANCIAL STATEMENTS

MONROE COUNTY
Statement of Net Assets
September 30, 2008

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 14,176,113	700,011	14,876,124
Property tax receivable	10,335,028	140,364	10,475,392
Accrued interest receivable	27,228	2,181	29,409
Accounts receivable (net of allowance for uncollectibles of \$267,871)		256,746	256,746
Fines receivable (net of allowance for uncollectibles of \$919,943)	168,590		168,590
Intergovernmental receivables	657,162		657,162
Loans receivable	327,476		327,476
Capital leases receivable	3,268,876		3,268,876
Other receivables	33,092		33,092
Internal balances	(1,263)	1,263	
Restricted assets - investments	1,012,880		1,012,880
Capital assets:			
Land and construction in progress	2,872,673	17,371	2,890,044
Other capital assets, net	52,197,290	387,677	52,584,967
Other assets			
Total Assets	<u>85,075,145</u>	<u>1,505,613</u>	<u>86,580,758</u>
LIABILITIES			
Claims payable	1,491,260	45,994	1,537,254
Claims and judgments payable	34,532		34,532
Intergovernmental payables	338,727		338,727
Accrued interest payables	277,397		277,397
Unearned revenue		81,470	81,470
Deferred revenue	10,801,348	140,364	10,941,712
Compensated absences	341,384	35,395	376,779
Other payables	30,018		30,018
Long-term liabilities			
Due within one year:			
Capital debt	1,360,492	106,030	1,466,522
Non-capital debt	135,000		135,000
Due in more than one year:			
Capital debt	13,954,766	141,424	14,096,190
Non-capital debt	4,180,000		4,180,000
Total Liabilities	<u>32,944,924</u>	<u>550,677</u>	<u>33,495,601</u>
NET ASSETS			
Invested in capital assets, net of related debt	39,754,705	299,018	40,053,723
Restricted:			
Expendable:			
General government	3,238		3,238
Public safety	1,393,951		1,393,951
Public works	1,015,903	655,918	1,671,821
Health and welfare	184,441		184,441
Culture and recreation	65,721		65,721
Economic development	820,686		820,686
Debt service	6,447,013		6,447,013
Unrestricted	2,444,562		2,444,562
Total Net Assets	<u>\$ 52,130,220</u>	<u>954,936</u>	<u>53,085,156</u>

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

MONROE 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	\$ 4,772,691	884,551			(3,888,140)		(3,888,140)
Public safety	3,982,384	1,010,416	456,122		(2,515,846)		(2,515,846)
Public works	5,501,683	9,256	976,413	581,056	(3,934,958)		(3,934,958)
Health and welfare	426,396		75,566		(350,830)		(350,830)
Culture and recreation	130,741		98,028		(32,713)		(32,713)
Education	103,200				(103,200)		(103,200)
Conservation of natural resources	139,128				(139,128)		(139,128)
Economic development and assistance	652,974		578,103		(74,871)		(74,871)
Interest on long-term debt	1,022,405				(1,022,405)		(1,022,405)
Total Governmental Activities	16,731,602	1,904,223	2,184,232	581,056	(12,062,091)	0	(12,062,091)
Business-type activities:							
Solid Waste	1,508,298	1,194,703	110,581			(203,014)	(203,014)
Total Business-type Activities	1,508,298	1,194,703	110,581	0	0	(203,014)	(203,014)
Total Primary Government	\$ 18,239,900	3,098,926	2,294,813	581,056	(12,062,091)	(203,014)	(12,265,105)

MONROE 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
General revenues:			
Property taxes	\$ 10,147,328	76,186	10,223,514
Road & bridge privilege taxes	433,843		433,843
Grants and contributions not restricted to specific programs	2,309,542		2,309,542
Unrestricted interest income	566,249	23,413	589,662
Miscellaneous	691,994	4,139	696,133
Special item (Note 16)	1,395,757		1,395,757
Gain (loss) from disposal of assets	(15,992)		(15,992)
Transfers	5,720	(5,720)	
Total General Revenues, Special Item, Extraordinary Item and Transfers	15,534,441	98,018	15,632,459
Changes in Net Assets	3,472,350	(104,996)	3,367,354
Net Assets - Beginning	48,657,870	1,059,932	49,717,802
Net Assets - Ending	\$ 52,130,220	954,936	\$ 53,085,156

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

MONROE COUNTY
Balance Sheet - Governmental Funds
September 30, 2008

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Funds	Countywide Road Maintenance Fund	Lane Furniture Industries I & S Fund		
ASSETS					
Cash	\$ 6,987,047	818,311	1,812,158	4,558,597	14,176,113
Investments - restricted				1,012,880	1,012,880
Loans receivable				327,476	327,476
Property tax receivable	4,828,800	2,846,104	621,043	2,039,081	10,335,028
Accrued interest receivable	8,706		3,201	15,321	27,228
Fines receivable, net of allowance for uncollectible of \$919,943	168,590				168,590
Capital lease receivable	61,875		1,507,346	1,699,655	3,268,876
Intergovernmental receivables	657,162				657,162
Other receivables	990			32,102	33,092
Advances to other funds	95,847				95,847
Due from other funds		71,538	8,785	29,026	109,349
Total Assets	<u>\$ 12,809,017</u>	<u>3,735,953</u>	<u>3,952,533</u>	<u>9,714,138</u>	<u>30,211,641</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 1,089,413	343,925		57,922	1,491,260
Claims and judgments payable	34,532				34,532
Intergovernmental payables	317,655				317,655
Due to other funds	131,684				131,684
Advances from other funds		95,847			95,847
Deferred revenue	5,059,265	2,846,104	2,128,389	3,738,736	13,772,494
Other Payables	30,018				30,018
Total Liabilities	<u>6,662,567</u>	<u>3,285,876</u>	<u>2,128,389</u>	<u>3,796,658</u>	<u>15,873,490</u>
Fund balances:					
Reserved for:					
Debt service			1,824,144	1,770,235	3,594,379
Loans receivable				327,476	327,476
Advances	95,847				95,847
Unreserved, reported in:					
General fund	6,050,603				6,050,603
Special revenue funds		450,077		3,819,769	4,269,846
Total Fund Balances	<u>6,146,450</u>	<u>450,077</u>	<u>1,824,144</u>	<u>5,917,480</u>	<u>14,338,151</u>
Total Liabilities and Fund Balances	<u>\$ 12,809,017</u>	<u>3,735,953</u>	<u>3,952,533</u>	<u>9,714,138</u>	<u>30,211,641</u>

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

MONROE 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	\$ 14,338,151
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 \$78,780,941.	55,069,963
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	168,590
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(19,971,642)
Accrued interest payable is not due and payable in the current period and therefore, is not deferred in the funds.	(277,397)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds	<u>2,802,555</u>
Total Net Assets - Governmental Activities	\$ <u><u>52,130,220</u></u>

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

MONROE COUNTY

Exhibit 4

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

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Funds	Countywide Road Maintenance Fund	Lane Furniture Industries I & S Fund		
REVENUES					
Property taxes	\$ 4,957,102	2,567,998	603,654	2,018,574	10,147,328
Road and bridge privilege taxes		433,843			433,843
Licenses, commissions and other revenue	448,925			46,212	495,137
Fines and forfeitures	455,127	342		2,407	457,876
Intergovernmental revenues	3,331,906	990,433		804,283	5,126,622
Charges for services	511,642			437,727	949,369
Interest income	221,103	10,288	129,472	205,386	566,249
Miscellaneous revenues	112,874	10,229	209,062	260,998	593,163
Total Revenues	<u>10,038,679</u>	<u>4,013,133</u>	<u>942,188</u>	<u>3,775,587</u>	<u>18,769,587</u>
EXPENDITURES					
Current:					
General government	5,493,160			189,568	5,682,728
Public safety	3,118,227			841,490	3,959,717
Public works	597,645	3,984,350		636,054	5,218,049
Health and welfare	336,594			68,053	404,647
Education	92,500				92,500
Culture and recreation				34,666	34,666
Conservation of natural resources	152,364				152,364
Economic development and assistance	676,577			30,701	707,278
Debt service:					
Principal	39,072	101,683	495,964	834,417	1,471,136
Interest	4,585	6,073	378,580	647,101	1,036,339
Fiscal agent fees			1,940	6,734	8,674
Total Expenditures	<u>10,510,724</u>	<u>4,092,106</u>	<u>876,484</u>	<u>3,288,784</u>	<u>18,768,098</u>
Excess of Revenues over (under) Expenditures	<u>(472,045)</u>	<u>(78,973)</u>	<u>65,704</u>	<u>486,803</u>	<u>1,489</u>
OTHER FINANCING SOURCES (USES)					
Long-term non-capital debt issued	60,998				60,998
Proceeds from sale of capital assets	1,020,757				1,020,757
Transfers in	129,407	40,455		250,000	419,862
Transfers out	(250,000)	(15,354)		(148,788)	(414,142)
Lease principal payments	1,894		279,705	108,818	390,417
Total Other Financing Sources and Uses	<u>963,056</u>	<u>25,101</u>	<u>279,705</u>	<u>210,030</u>	<u>1,477,892</u>
Net Changes in Fund Balances	491,011	(53,872)	345,409	696,833	1,479,381
Fund Balances - Beginning	<u>5,655,439</u>	<u>503,949</u>	<u>1,478,735</u>	<u>5,220,647</u>	<u>12,858,770</u>
Fund Balances - Ending	\$ <u>6,146,450</u>	<u>450,077</u>	<u>1,824,144</u>	<u>5,917,480</u>	<u>14,338,151</u>

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

MONROE 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	\$ 1,479,381
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 \$3,877,775 exceeded depreciation of \$1,430,962 in the current period.	2,446,813
In the Statement of Activities, only gains and losses from the disposal 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 \$15,992 and the Special Item (Note 16) (cash proceeds from the sale of assets \$1,020,757 and land and buildings, \$375,000).	(1,411,749)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	18,954
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,471,136 exceeded debt proceeds of \$60,998.	1,410,138
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	
The increase in compensated absences	(94,703)
The reduction in accrued interest payable	13,934
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from the change in fund balances by the principal collections on the capital leases.	<u>(390,418)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>3,472,350</u></u>

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

MONROE COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2008

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste <u>Fund</u>
ASSETS	
Current assets:	
Cash	\$ 700,011
Accounts receivable (net of allowance for uncollectibles of \$267,871)	256,746
Accrued interest receivable	2,181
Property tax receivable	140,364
Due from other funds	<u>1,263</u>
Total Current Assets	<u>1,100,565</u>
Noncurrent assets:	
Capital assets, net	<u>405,048</u>
Total Noncurrent Assets	<u>405,048</u>
 Total Assets	 <u>1,505,613</u>
LIABILITIES	
Current liabilities:	
Claims payable	45,994
Capital debt:	
Capital leases payable	<u>106,030</u>
Total Current Liabilities	<u>152,024</u>
Noncurrent liabilities:	
Deferred revenue	140,364
Unearned revenue	81,470
Compensated absences payable	35,395
Capital debt:	
Capital leases payable	<u>141,424</u>
Total Noncurrent Liabilities	<u>398,653</u>
NET ASSETS	
Invested in capital assets, net of related debt	299,018
Restricted:	
Public Works	<u>655,918</u>
Total Net Assets	<u>\$ 954,936</u>

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

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

Exhibit 6

	Business-type Activities - Enterprise Fund Solid Waste Fund
Operating Revenues	
Charges for services	\$ 1,194,703
Other operating cash receipts	277
Total Operating Revenues	<u>1,194,980</u>
Operating Expenses	
Personal services	714,557
Contractual services	477,129
Materials and supplies	193,139
Depreciation expense	98,715
Indirect costs	12,252
Total Operating Expenses	<u>1,495,792</u>
Operating Income (Loss)	<u>(300,812)</u>
Nonoperating Revenues (Expenses)	
Property taxes	76,186
Sale of assets	3,862
Interest income	23,413
Grants	110,581
Interest expense	<u>(12,506)</u>
Net Nonoperating Revenue (Expenses)	<u>201,536</u>
Net Income (Loss) Before Transfers	(99,276)
Transfers out	<u>(5,720)</u>
Changes in Net Assets	<u>(104,996)</u>
Net Assets - Beginning	<u>1,059,932</u>
Net Asscts - Ending	<u>\$ 954,936</u>

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

MONROE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2008

Exhibit 7

	Business-type Activities- Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,247,501
Payments to suppliers	(699,758)
Payments to employees	(709,148)
Payments to General Fund for indirect costs	(12,252)
Other operating cash payments	277
Net Cash Provided (Used) by Operating Activities	<u>(173,380)</u>
Cash Flows From Noncapital Financing Activities	
Cash received from property taxes	76,230
Operating grants received	110,581
Cash paid to other funds:	
Operating transfers out	<u>(5,720)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>181,091</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	3,862
Principal paid on long-term debt	(101,898)
Interest paid on debt	<u>(12,506)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(110,542)</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>22,870</u>
Net Cash Provided (Used) by Investing Activities	<u>22,870</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(79,961)
Cash and Cash Equivalents at Beginning of Year	<u>779,972</u>
Cash and Cash Equivalents at End of Year	<u>\$ 700,011</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (300,812)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	98,715
(Increase) decrease in accounts receivable	51,016
(Increase) decrease in other receivables	2,896
Increase (decrease) in claims payable	(35,209)
Increase (decrease) in compensated absences liability	11,129
Increase (decrease) in unearned revenue	<u>(1,115)</u>
Total Adjustments	<u>127,432</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (173,380)</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 94,828
Accrued interest receivable	39
Due from other funds	<u>21,072</u>
Total Assets	<u>\$ 115,939</u>
LIABILITIES	
Amounts held in custody for others	\$ 5,747
Intergovernmental payables	<u>110,192</u>
Total Liabilities	<u>\$ 115,939</u>

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

MONROE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Monroe 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 Monroe 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.

- Cason Fire District
- Sipsey River Fire District
- Splunge Fire District
- Wren Fire 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
- Tax 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. Additionally, taxes are levied for the support of the business-type activity.

MONROE 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 activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

MONROE COUNTY

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

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

The county reports the following major Governmental Funds:

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

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Lane Furniture Industries I & S Fund - This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing used for the construction of a furniture business.

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources 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.

MONROE COUNTY

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Restricted Assets.

Certain resources set aside for the repayment of the special obligation bonds associated with the Monroe County, Mississippi, Aberdeen-Monroe County Hospital project are classified as restricted assets because they are maintained in separate trust accounts and their use is limited by a trust indenture. The general accounts are used to report resources that have been accumulated to pay the upcoming principal and interest amounts. The debt service reserve accounts are used to report resources that have been accumulated to meet the debt service reserve requirement established by the trust indenture.

MONROE COUNTY

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

I. 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, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards require governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2008. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

MONROE COUNTY

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

J. Long-term Liabilities.

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

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

K. 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.

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.

L. 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.

MONROE COUNTY

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

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.

M. 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.

N. Compensated Absences.

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

(2) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$14,970,952, and the bank balance was \$15,252,862. 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 related to special obligation bonds issued for the Monroe County, Mississippi, Aberdeen-Monroe County Hospital Project.

MONROE COUNTY

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

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money			
Money Market Mutual Funds	Less than one year	\$ 1,012,880	AAAm

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 addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These investments are uninsured and unregistered. The investment in the Hancock Horizon Treasury Money Market Mutual Funds is not backed by the full faith and credit of the federal government.

(3) Interfund Transactions and Balances.

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

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General Fund	\$ 29,026
Countywide Road Maintenance	General Fund	71,538
Lane Furniture Industries I & S	General Fund	8,785
Solid Waste	General Fund	1,263
Agency funds	General Fund	21,072
		<u>\$ 131,684</u>

Amounts listed are the tax revenues, Justice Court and Circuit Clerk fees collected in September, 2008, but not settled until October, 2008.

Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Countywide Road Maintenance	\$ <u>95,847</u>

This represents the amount owed by the Countywide Road Maintenance for its pro-rata share of medical claims expenses.

MONROE COUNTY

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

Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other governmental funds	General Fund	\$ 250,000
General Fund	Countywide Road Maintenance	15,354
General Fund	Other Governmental Funds	108,333
Countywide road maintenance	Other Governmental Funds	40,455
General Fund	Solid Waste Fund	5,720
Total		\$ <u>419,862</u>

The purpose of the transfers were to reclassify excess insurance premiums and transfer tax collections to trustee accounts. The transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 162,977
Reimbursement for housing prisoners - U.S. Marshall	4,688
Reimbursement for housing prisoners - Amory	1,800
Reimbursement for housing prisoners - Smithville	180
Reimbursement for housing prisoners - Nettleton	620
Reimbursement for housing prisoners - Itawamba County	620
Narcotic Officer reimbursement - Tupelo	2,125
Mississippi Department of Transportation - FAA Grant	12,199
Federal Aviation Administration - FAA Grant	463,571
Homeland Security	8,382
Total	\$ <u>657,162</u>

(5) Loans Receivable.

Loans receivable balance at September 30, 2008, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Receivable</u>
Holley Performance Products	11/21/2000	5.75%	04/27/2005	\$ <u>327,476</u>

MONROE 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:

	Balance Oct. 1, 2007	Increases	Decreases	Transfers	Balance Sept. 30, 2008
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,521,731	300,000			1,821,731
Construction in progress		1,050,942			1,050,942
Total capital assets, not being depreciated	<u>1,521,731</u>	<u>1,350,942</u>	<u>0</u>	<u>0</u>	<u>2,872,673</u>
Capital assets, being depreciated:					
Buildings	12,208,876	1,498,367	(1,395,757)		12,311,486
Improvements other than buildings	2,075,268				2,075,268
Mobile equipment	6,084,852	373,629			6,458,481
Furniture and equipment	1,230,674	117,369	(260,269)	60,532	1,148,306
Property under capital leases	458,543	27,946		(60,532)	425,957
Infrastructure	108,049,211	509,522			108,558,733
Total capital assets being depreciated	<u>130,107,424</u>	<u>2,526,833</u>	<u>(1,656,026)</u>	<u>0</u>	<u>130,978,231</u>
Less: Accumulated depreciation for:					
Buildings	4,161,082	218,250			4,379,332
Improvements other than buildings	754,522	93,080			847,602
Mobile equipment	4,763,960	323,007			5,086,967
Furniture and equipment	925,608	84,772	(244,277)	59,927	826,030
Property under capital leases	157,938	47,608		(59,927)	145,619
Infrastructure	66,831,146	664,245			67,495,391
Total accumulated depreciation	<u>77,594,256</u>	<u>1,430,962</u>	<u>(244,277)</u>	<u>0</u>	<u>78,780,941</u>
Total capital assets, being depreciated, net	<u>52,513,168</u>	<u>1,095,871</u>	<u>(1,411,749)</u>	<u>0</u>	<u>52,197,290</u>
Governmental activities capital assets, net	<u>\$ 54,034,899</u>	<u>2,446,813</u>	<u>(1,411,749)</u>	<u>0</u>	<u>55,069,963</u>
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 17,371				17,371
Total capital assets, not being depreciated	<u>17,371</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,371</u>
Capital assets, being depreciated:					
Mobile equipment	651,970				651,970
Property under capital leases	468,894				468,894
Total capital assets being depreciated	<u>1,120,864</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,120,864</u>
Less: Accumulated depreciation for:					
Mobile equipment	516,470	22,583			539,053
Property under capital leases	118,002	76,132			194,134
Total accumulated depreciation	<u>634,472</u>	<u>98,715</u>	<u>0</u>	<u>0</u>	<u>733,187</u>
Total capital assets, being depreciated, net	<u>486,392</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>387,677</u>
Business-type activities capital assets, net	<u>\$ 503,763</u>	<u>(98,715)</u>	<u>0</u>	<u>0</u>	<u>405,048</u>

MONROE COUNTY

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

Depreciation expense was charged to the following functions:

Governmental activities:	
General government	\$ 110,171
Public safety	372,583
Public works	889,647
Health and welfare	16,749
Culture and recreation	2,592
Economic development	<u>39,220</u>
Total depreciation expense - governmental activities	\$ <u>1,430,962</u>
Business-type activities	
Solid Waste	\$ <u>98,715</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.

The county is exposed to risk of loss relating to employee health, accident and dental coverage.

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

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$35,000, and the aggregate policy covers all submitted claims in excess of \$965,000.

In February, 2007, the county purchased a bridge plan for the purpose of lowering and limiting the medical costs incurred by the employees. Liabilities for this plan include an amount for claims that have been incurred but not paid. At September 30, 2008, the amount of unpaid claims incurred by the county was \$34,532. These liabilities are reported in the General Fund on Exhibit 1.

MONROE COUNTY

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

(8) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$116,510 for the year ended September 30, 2008. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2009	\$ 102,650
2010	96,000
2011	<u>82,500</u>
Total Minimum Payments Required	<u>\$ 281,150</u>

(9) Capital Leases.

As Lessor:

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

<u>Class of Property</u>	<u>Amount</u>
Industrial Building	\$ <u>4,126,941</u>

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

<u>Year ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 398,832	110,921
2010	418,648	91,102
2011	439,502	70,249
2012	461,445	48,305
2013	176,804	31,477
2014-2018	626,249	98,244
2019-2023	275,668	15,807
2024-2028	<u>5,407</u>	<u>216</u>
Total	<u>\$ 2,802,555</u>	<u>466,321</u>

MONROE COUNTY

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

As Lessee:

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

Asset:	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and equipment	\$ 425,957	468,894
Less: Accumulated depreciation	<u>(145,619)</u>	<u>(194,134)</u>
Total	<u>\$ 280,338</u>	<u>274,760</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>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 111,375	6,794	106,030	8,376
2010	67,637	3,377	76,210	4,386
2011	27,582	1,262	61,890	1,611
2012	12,923	541	3,324	18
2013	<u>6,657</u>	<u>75</u>		
Total	<u>\$ 226,174</u>	<u>12,049</u>	<u>247,454</u>	<u>14,391</u>

(10) 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:			
Road and bridge refunding bonds	\$ 2,140,000	4.15/4.50%	04/01/2014
Countywide road construction bonds	420,000	4.30%	06/01/2013
Lane Furniture bonds	3,965,000	6.00/6.75%	10/01/2021
Jail project bonds	<u>4,580,000</u>	3.00/4.25%	09/01/2022
Total General Obligation Bonds	<u>\$ 11,105,000</u>		
B. Limited Obligation Bonds:			
Hospital Series 2001 A bonds	\$ 1,350,000	4.10/5.25%	07/01/2026
Hospital Series 2001 B bonds	<u>2,965,000</u>	5.80/7.50%	07/01/2026
Total Limited Obligation Bonds	<u>\$ 4,315,000</u>		

MONROE COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Capital Leases:			
Computer system	\$ 55,427	3.95%	03/07/2013
Asphalt paver	11,397	3.14%	02/15/2009
Compactor	15,688	3.69%	05/15/2009
Asphalt zipper	15,902	3.69%	06/15/2009
Three Case tractors and bushogs	48,315	3.90%	08/09/2010
Diebold voting machines	64,312	4.35%	04/01/2011
Shouldering machine	<u>15,133</u>	4.29%	07/02/2010
Total Capital Leases	<u>\$ 226,174</u>		
D. Other Loans:			
Holley Performance - CDBG loan	\$ 326,690	5.75%	12/01/2016
Lane Furniture I & S - CAP loan	771,000	3.00%	12/01/2022
Lane Furniture I & S - TVA loan	961,280	4.00%	11/15/2012
Lane Furniture I & S - MBIA loan	1,225,000	4.00%	12/01/2022
Innovative Sports Design - CAP loan	<u>700,114</u>	3.00%	05/01/2021
Total Other Loans	<u>\$ 3,984,084</u>		
Business-type Activities:			
Capital Leases:			
Garbage truck	\$ 24,191	3.19%	03/15/2010
Case tractor and scraper	41,474	3.92%	12/15/2009
2008 International	66,141	4.52%	08/12/2011
Mack truck	<u>115,648</u>	4.27%	10/18/2011
Total Capital Leases	<u>\$ 247,454</u>		

MONROE 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	\$ 850,000	538,526	135,000	285,253
2010	895,000	500,551	140,000	277,880
2011	940,000	459,994	155,000	270,050
2012	980,000	416,795	160,000	261,192
2013	1,015,000	371,714	170,000	250,777
2014-2018	3,515,000	1,251,877	1,035,000	1,072,085
2019-2023	2,910,000	349,363	1,415,000	680,171
2024-2028			1,105,000	154,724
Total	\$ 11,105,000	3,888,820	4,315,000	3,252,132

Year Ending September 30	Other Loans	
	Principal	Interest
2009	\$ 399,117	142,995
2010	417,586	127,027
2011	431,608	110,403
2012	451,191	93,121
2013	249,971	78,370
2014-2018	1,108,635	262,016
2019-2023	925,976	74,428
2024-2028		
Total	\$ 3,984,084	888,360

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 6.56% of the latest property assessments.

MONROE COUNTY

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

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	Balance Sept. 30, 2008	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 246,681	94,703		341,384	
General obligation bonds	11,925,000		820,000	11,105,000	850,000
Limited obligation bonds	4,440,000		125,000	4,315,000	135,000
Capital leases	305,931	60,998	140,755	226,174	111,375
Other loans	4,369,465		385,381	3,984,084	399,117
Total	\$ 21,287,077	155,701	1,471,136	19,971,642	1,495,492
Business-type Activities:					
Compensated absences	\$ 24,266	11,129		35,395	
Capital leases	349,353		101,899	247,454	106,030
Total	\$ 373,619	11,129	101,899	282,849	106,030

- (11) 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.

- (12) Joint Venture.

The county participates in the following joint venture:

Monroe County is a participant with the City of Aberdeen in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate the Aberdeen-Monroe County Hospital. The joint venture was created to provide medical care and is governed by a board of directors, composed of five members; two appointed by the county, two appointed by the City of Aberdeen and a fifth jointly appointed. Effective July 6, 2001, Monroe County and the City of Aberdeen authorized the execution of a lease agreement with Pioneer Health Service of Monroe County, Inc., for the Aberdeen-Monroe County Hospital and its related facilities. The lease agreement is for a term of ten years, with an option to renew.

- (13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Tombigbee Regional Library System operates in a district composed of the Counties of Choctaw, Clay, Monroe and Webster. The Monroe County Board of Supervisors appoints two of the five members of the library board of trustees. The county appropriated \$90,000 for maintenance and support of the library in fiscal year 2008.

MONROE COUNTY

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

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The governing body is a 40-member board of directors, with five appointed by the Board of Supervisors of each member county. The county appropriated \$41,744 for maintenance and support of the district in fiscal year 2008.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc and Union. The board of commissioners consists of one appointee from each county's Board of Supervisors. The county appropriated \$46,000 for maintenance and support of the commission in fiscal year 2008.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The governing body is a 30-member board of trustees, with six appointed by the Board of Supervisors of each member county. Monroe County appropriated \$1,560,646 for maintenance and support of the college in fiscal year 2008.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union and the Cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The authority is governed by a 14-member board, with one appointed by each member. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Monroe County Board of Supervisors appoints one of the 24 members of the board of directors. The county appropriated no funds for the support of Lift, Inc. in fiscal year 2008.

(14) Defined Benefit Pension Plan.

Plan Description. Monroe 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 \$616,386, \$582,321 and \$523,817, respectively, equal to the required contributions for each year.

MONROE COUNTY

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

(15) Subsequent Events.

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

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/03/2008	3.30%	\$ 81,560	Capital lease	Ad valorem taxes and user fees
04/14/2009	3.00%	1,247,933	Capital lease	Ad valorem taxes and user fees

(16) Special Item.

On May 24, 2002, the Monroe County Board of Supervisors entered into an interlocal agreement with the City of Aberdeen, Mississippi, in which they agreed to be responsible for the repayment of a \$500,000 Capital Improvements Revolving Loan issued through the Mississippi Development Authority to construct a facility to be leased to a boat manufacturing operation. The interest rate on this loan was 3.00% and would have matured on February 1, 2023. During the current fiscal year, the boat manufacturing operation ceased operations and defaulted on its remaining obligations. As part of the settlement agreement, the city and county received the facility. Subsequently, the facility was sold and a portion of the proceeds received by the county was used to repay the remaining balance on the loan. The county proceeds were as follows:

Cash	\$1,020,757
Land	300,000
Buildings	<u>75,000</u>
Total	<u>\$1,395,757</u>

MONROE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MONROE 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	\$ 91,000			
Tax levy	4,581,100	4,672,100	4,958,914	286,814
Licenses, commissions and other revenue	431,965	431,965	447,848	15,883
Fines and forfeitures	418,300	418,300	460,682	42,382
Intergovernmental revenues	2,331,600	2,331,600	3,198,152	866,552
Charges for services	325,000	325,000	515,127	190,127
Interest income	175,000	175,000	246,036	71,036
Miscellaneous revenues	76,725	76,725	113,068	36,343
Total Revenues	<u>8,430,690</u>	<u>8,430,690</u>	<u>9,939,827</u>	<u>1,509,137</u>
EXPENDITURES				
Current:				
General government	4,101,127	5,583,052	5,527,878	55,174
Public safety	2,864,242	3,111,582	3,102,118	9,464
Public works	426,739	431,139	130,335	300,804
Health and welfare	333,523	340,078	329,085	10,993
Culture and recreation	90,000	90,000	90,000	
Education	2,500	2,500	2,500	
Conservation of natural resources	164,173	164,173	152,467	11,706
Economic development and assistance	276,270	674,879	667,051	7,828
Debt service:				
Principal			39,072	(39,072)
Interest			4,585	(4,585)
Total Expenditures	<u>8,258,574</u>	<u>10,397,403</u>	<u>10,045,091</u>	<u>352,312</u>
Excess of Revenues over (under) Expenditures	<u>172,116</u>	<u>(1,966,713)</u>	<u>(105,264)</u>	<u>1,156,825</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			1,023,357	1,023,357
Compensation for loss of capital assets			956	956
Transfers in			56,444	56,444
Transfers out			(250,000)	(250,000)
Other financing sources	5,000	1,025,850		(1,025,850)
Other financing uses		(250,000)		250,000
Total Other Financing Sources and Uses	<u>5,000</u>	<u>775,850</u>	<u>830,757</u>	<u>54,907</u>
Net Change in Fund Balance	177,116	(1,190,863)	725,493	1,211,732
Fund Balances - Beginning		982,668	5,800,292	4,817,624
Fund Balances - Ending	<u>\$ 177,116</u>	<u>(208,195)</u>	<u>6,525,785</u>	<u>6,029,356</u>

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

MONROE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,521,200	2,521,200	2,569,229	48,029
Road and bridge privilege taxes	430,600	430,600	432,251	1,651
Fines and forfeitures			342	342
Intergovernmental revenues	897,495	897,495	1,124,005	226,510
Charges for services	6,000	6,000	10,288	4,288
Interest income	42,000	42,000		(42,000)
Miscellaneous revenues	305,317	305,317	10,229	(295,088)
Total Revenues	<u>4,202,612</u>	<u>4,202,612</u>	<u>4,146,344</u>	<u>(56,268)</u>
EXPENDITURES				
Current:				
Public works	4,208,012	4,208,012	4,002,303	205,709
Debt service:				
Principal			101,683	(101,683)
Interest			6,073	(6,073)
Total Expenditures	<u>4,208,012</u>	<u>4,208,012</u>	<u>4,110,059</u>	<u>97,953</u>
Excess of Revenues over (under) Expenditures	<u>(5,400)</u>	<u>(5,400)</u>	<u>36,285</u>	<u>(154,221)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			40,455	40,455
Other financing sources	5,400	55,400		(55,400)
Total Other Financing Sources and Uses	<u>5,400</u>	<u>55,400</u>	<u>40,455</u>	<u>(14,945)</u>
Net Change in Fund Balance	0	0	76,740	(169,166)
Fund Balances - Beginning	0	0	741,571	741,571
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>818,311</u>	<u>572,405</u>

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

MONROE 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 and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

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

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

MONROE COUNTY

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ 725,493	76,740
Increase (decrease):		
Net adjustments for revenue accruals	95,296	(133,211)
Net adjustments for expenditure accruals	(465,633)	17,953
Net adjustments for other financing sources/uses accruals	<u>135,855</u>	<u>(15,354)</u>
Net Change in Fund Balance GAAP Basis	\$ <u>491,011</u>	<u>(53,872)</u>

Any line item that had an excess of actual over budget was the result of audit reclassification entries.

MONROE COUNTY

SUPPLEMENTAL INFORMATION

MONROE COUNTY
Schedule of Expenditures of Federal Awards
September 30, 2008

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Agency or Pass-through Number	Federal Disbursements/ Expenditures
MAJOR FEDERAL AWARDS				
U.S. Department of Transportation - Federal Aviation Administration Airport Improvement Grant	20.106	3-28-0001-011-2008	N/A	\$ <u>467,352</u>
Total Major Federal Awards				<u>467,352</u>
OTHER FEDERAL AWARDS				
U.S. Department of Agriculture Conservation Resource Program	10.069	489D		<u>2,646</u>
Department of Housing and Urban Development/Passed-through Mississippi Development Authority Community Development Block Grant	14.228		1120-03-048-EM-01	<u>60,528</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through Mississippi Department of Transportation Highway Planning and Construction	20.205		BR NBIS 068 B (048)	<u>23,300</u>
Department of Homeland Security/ Passed-through Mississippi Department of Homeland Security Performance Grants	97.042			<u>13,926</u>
Total Other Federal Awards				<u>100,400</u>
Total Expenditures of Federal Awards				<u>\$ <u>567,752</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Monroe County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

MONROE COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

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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
Monroe 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 Monroe 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 October 5, 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 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 Monroe 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 Monroe 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 items 08-1 and 08-2 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.

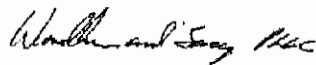
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monroe 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 certain matters that we reported to the management of Monroe County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 5, 2009, included within this document.

Monroe 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 Monroe County's responses and, accordingly, we express no opinion on them.

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



Windham and Lacey, PLLC
October 5, 2009

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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
Monroe County, Mississippi

Compliance

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

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

Internal Control Over Compliance

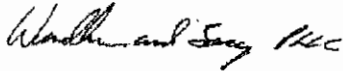
The management of Monroe County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Monroe County, Mississippi's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

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

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

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

This report is intended solely for the information and use of management 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.



Windham and Lacey, PLLC
October 5, 2009

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

Members of the Board of Supervisors
Monroe County, Mississippi

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

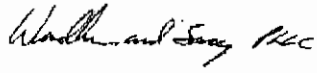
The Board of Supervisors of Monroe County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing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

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

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

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

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



Windham and Lacey, PLLC
October 5, 2009

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

Schedule 1

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

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

Schedule 2

Our test results did not identify any emergency purchases.

MONROE 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.

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Mississippi Society of CPAs

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Monroe County, Mississippi

In planning and performing our audit of the financial statements of Monroe County, Mississippi for the year ended September 30, 2008, we considered Monroe 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 Monroe County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 5, 2009, on the financial statements of Monroe 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 and recommendations and your responses are disclosed below:

Chancery Clerk.

1. Finding

An effective system of internal control over the collections and settlement of land redemption funds in the Chancery Clerk's Office should include safeguarding collections, filing land redemption releases in numerical order and accounting for the sequence of numbers, accounting for voided releases, printing and maintaining collection and settlement reports, and using individual passwords. Inadequate controls exist over land redemption transactions:

- a. The Chancery Clerk logs into the land redemption system and deputies issue receipts under his password.
- b. The key is left in the lock of the locked box.
- c. Money is left in the locked box over the weekend.
- d. Deposits are not made daily.
- e. Voided releases are not accounted for.
- f. Dime store receipts are issued at collection instead of computer generated.
- g. Procedures are not being followed in recovering bad checks.
- h. Printed settlement reports are not maintained.
- i. Releases are not filed and maintained in an orderly manner.

Failure to implement an adequate system of internal control could result in not settling all receipts or the loss of public funds.

Recommendation

The Chancery Clerk should implement an adequate system of internal control over the collection and settlement of land redemption funds. An adequate system should include the following control features:

- a. The Chancery Clerk and deputies should issue a release in the computer system under their own password.
- b. The key should not be left in the lock of the locked box.
- c. Money should not be left in the locked box over the weekend.
- d. Deposits should be made daily.
- e. Voided releases should be accounted for and approved.
- f. Computer generated receipts should be issued at the time of collection.
- g. Releases should be voided upon receipt of a bad check.
- h. Printed reports used in making settlements should be maintained.
- i. Releases should be kept secured in a file.

Auditor Note

The issues addressed in this finding were reviewed during the course of the current audit and, as of the dates of fieldwork, each of the issues had been addressed.

Chancery Clerk's Response

Each of the issues in the finding have now been addressed as completely as possible.

2. Finding

Internal Revenue Service instructions for Form W-2 require employers to show the total taxable wages, tips

and other compensation that the employer paid to the employee during the year on Form W-2. Internal Revenue Service instructions specify that Form 941 is to be used to report wages you have paid. The bookkeeper included amounts on Form 941 and on some Form W-2s that were paid by the Chancery Clerk personally and directly to some employees as a gift. These payments were not payroll expenses of the county. Failure to report only those amounts paid as wages, tips and other compensation by the county, results in the filing of federal forms that do not agree with county records.

Recommendation

The Chancery Clerk should ensure that only wages, tips and other compensation paid to employees through the county's payroll are reported on Forms 941 and W-2.

Chancery Clerk's Response

Such additional gifts will not be reported with the county payroll on Forms 941 and W-2.

Sheriff.

3. Finding

Section 97-11-33, Miss. Code Ann. (1972), states that the Sheriff cannot knowingly demand, take or collect under the color of his office any money, fee or reward that is not authorized by law. The Sheriff's Office collected old fines and other fees, which is termed "mittimus". We know of no authority to make these collections.

Recommendation

The Sheriff should only collect monies authorized by law.

Auditor's Note

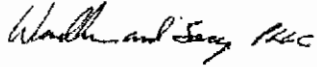
The issue addressed in this finding was reviewed during the course of the current audit and, as of the dates of fieldwork, had been addressed.

Sheriff's Response

We have addressed this issue and corrected it.

Monroe 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 and is not intended to be and should not be used by anyone other than this party. However, this report is a matter of public record and its distribution is not limited.



Windham and Lacey, PLLC
October 5, 2009

MONROE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MONROE COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Countywide Road Maintenance Fund | Unqualified |
| | Lane Furniture Industries I & S Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section __.510 (a) of OMB Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| | Airport Improvement Program, CFDA #20.106 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section _____.315 (b) of OMB Circular A-133? | No |

MONROE COUNTY

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

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

08-1. Finding

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

Recommendation

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

Board of Supervisors' Response

The component units were volunteer fire departments. These were immaterial to the overall financial position of the county.

Significant Deficiency - Material Weakness

08-2. Finding

An effective system of internal control over the sale of fuel at the airport should include an adequate separation of duties, the maintenance of and reconciliation of records documenting daily collections, reconciliation of bank statements, maintenance of records documenting sales price, maintenance of a cash journal and adequate physical safeguards over cash collections. As reported in the prior year's audit report, controls were inadequate over cash. The following deficiencies were noted:

- a. The airport manager collected funds, made the bank deposits and disbursed funds without any oversight.
- b. Receipts were not written for all sales.
- c. The airport manager did not reconcile the bank statements and did not record a cash balance in the check book.
- d. The airport manager determined the sales price of fuel based on competitors prices and the online average. No documentation was maintained to verify the computation of the sales price charged, the number of gallons sold or the price charged per gallon.

MONROE COUNTY

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

- e. The airport manager did not maintain a rate schedule of the per gallon fuel prices charged to transients, key holders or credit card users.
- f. The airport manager did not maintain a cash journal.
- g. There was only one cash drawer and all employees had access to it.

Failure to implement adequate controls over the collection, recording and disbursement functions as well as implementing necessary physical safeguards could result in the loss of public funds.

Recommendation

The Monroe County Board of Supervisors should ensure there are adequate controls over the collecting, recording and disbursement functions. They should also ensure that records documenting daily collections are properly maintained and that controls are in place to properly safeguard cash collections.

Auditor's Note

Effective October 1, 2009, the recordkeeping for the airport is now being handled through the books of the county.

Board of Supervisors' Response

As noted in the previous year finding's response, a new fuel system "now installed" will provide better monitoring of fuel sales with credit card only sales as well. In addition, the recordkeeping function for the airport is now being handled through the books of the county.

Section 3: Federal Award Findings and Questioned Costs

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