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Lafayette County, Mississippi
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2009

LAFAYETTE COUNTY, MISSISSIPPI

**Audited Financial Statements, Supplemental Information and
Auditors' Reports on Internal Control, Compliance and Other Matters**

For the Year Ended September 30, 2009

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LAFAYETTE COUNTY, MISSISSIPPI

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

Members of the Board of Supervisors
Lafayette 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 Lafayette County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lafayette 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.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Lafayette County, Mississippi, as of September 30, 2009, 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 June 7, 2010, on our consideration of Lafayette County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison 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.

The Dwight L. Young Group

June 7, 2010

LAFAYETTE COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

INTRODUCTION

The discussion and analysis of Lafayette County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2009. The intent of this disclosure and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

Lafayette County is located in north central Mississippi. The population, according to the 2000 census, is currently estimated at 41,661. The local economic base is driven by the University of Mississippi, Baptist Memorial Hospital-North Mississippi, tourism and several manufacturing plants.

FINANCIAL HIGHLIGHTS

Lafayette County is financially stable. The Lafayette County Board of Supervisors has committed itself to financial excellence by using sound financial planning, budgeting and strong internal controls.

Lafayette County continues to show strong growth both economically and in population. Strong growth has allowed the County to meet its financial obligations while maintaining a steady tax rate.

Total net assets increased \$ 5,334,443, which represents an 8.6% increase from the prior fiscal year. The County's ending cash balance increased by \$2,533,169, which represents a 13.23% increase from the prior fiscal year.

The County had \$24,105,130 in total revenues, which represents \$1,292,220 or 5.66% increase from the prior fiscal year. Tax revenues account for \$12,258,267 or 50.85% of total revenues.

The County had \$18,770,687 in total expenses, which represents an increase of \$1,418,036 or 8.17% increase from the prior fiscal year.

Among major funds, the General Fund had \$11,420,665 in revenues and \$9,893,762 in expenditures. The ending cash balance for the General Fund increased \$2,115,941 or 22.29% over the prior fiscal year due to stronger tax revenues and strict controls on expenditures. The Countywide Road Fund had \$2,482,974 in revenues and \$2,459,159 in expenditures. The Countywide Road Fund's ending cash balance increased \$42,877 or 2.10% over the prior fiscal year. The Bridge and Culvert Fund had \$1,802,780 in revenues and \$1,996,049 in expenditures. The Bridge and Culvert Fund's cash balance decreased \$245,560 or 31.55% over the prior year.

Long-term debt decreased by \$1,944,198 or 10.53% due primarily to payment of current portions of long-term debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

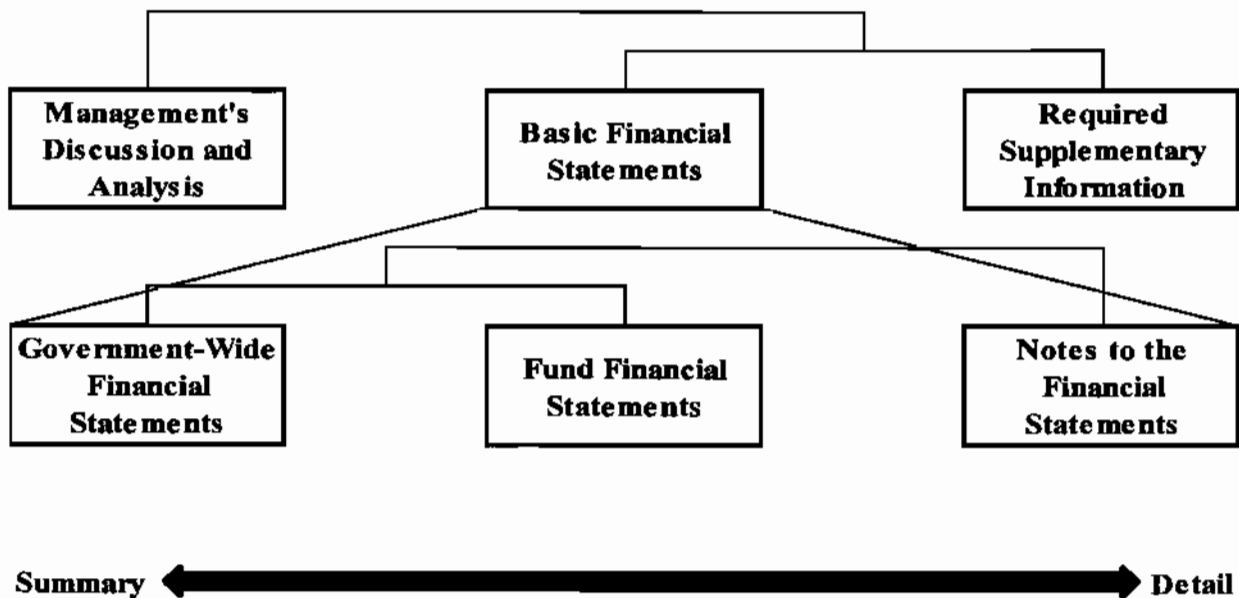


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

Figure 2-Major Features of the County's Government-Wide and Fund Financial Statements

| | Government-Wide Financial Statements | Fund Financial Statements | | |
|---|--|--|---|---|
| | | Governmental Funds | Proprietary Funds | Fiduciary Funds |
| Scope | Entire County Government (except fiduciary funds) and Component Units | All activities of the County that are not business-type or fiduciary in nature | Activities of the County that operate similar to private businesses | The County is the trustee or agent for someone else's resources |
| Required Financial Statements | <ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities | <ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances | <ul style="list-style-type: none"> • Statement of net Assets • Statement of Revenues, Expenses and Changes in Net Assets • Statement of Cash Flows | <ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Net Assets |
| Accounting Basis and Measurement Focus | Accrual Accounting and Economic Resources Focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| Type of Asset/ Liability Information | All Assets and Liabilities, both Financial and Capital and Short and Long Term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short and long term | All assets and liabilities, both short and long term |
| Type of Inflow/ Outflow Information | All Revenues and Expenses During Year, Regardless of when Cash is Received or Paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

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

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt. The business-type activities of the County include solid waste collection.

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

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

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

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

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Garbage Collection Fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County does not use any internal service funds.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Garbage Collection Fund is considered to be a major fund of the County.

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

Notes to financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net Assets may serve over time as a useful indicator of a government's financial position. In the case of Lafayette County, assets exceeded liabilities by \$67,386,132 as of September 30, 2009. This is an increase of \$5,334,443 or 8.6% when compared to the prior fiscal year.

One of the largest portions of the County's net assets, \$62,172,917 or 64.65% of total net assets, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Government funds – At the close of the current fiscal year, Lafayette County's governmental funds reported a combined fund balance of \$19,901,748, an increase of \$2,638,705 or 15.29% under the prior fiscal year.

Business-type funds – Revenue from the County’s Garbage Collection Fund increased by 3.32% to \$1,308,475 and expenses increased by 1.57% to \$1,327,989. The major contribution to the increase in revenue was a concerted effort to improve the accuracy of the customer base to assure that all those receiving the solid waste collection service were paying their fee. Expenses increased because they were adversely affected by a sharp rise in fuel costs during the current year.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Lafayette County revised its annual operating budget on several occasions. However, none of these amendments were of a material nature. Even with these adjustments, actual disbursements were below original budget amounts by \$3,569,575 or 19.97% below the original budget for the major funds.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2009, Lafayette County’s total capital assets were \$112,001,077. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$3,410,435 or 3.14%.

Total accumulated depreciation as of September 30, 2009, was \$49,828,160. The balance in total net capital assets was \$62,172,917 at year end.

Debt Administration – At September 30, 2009, Lafayette County had \$16,525,576 in long-term debt outstanding.

Lafayette County maintains an “A” bond rating from Standard and Poors. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County’s outstanding debt is significantly below the 15% limit at 4.5%.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County’s finances and to demonstrate the County’s accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the County Administrator’s office (Room 222) at the Lafayette County Chancery Building, 300 N. Lamar Blvd., P. O. Box 1240, Oxford, Mississippi 38655, or call 662-236-2717.

FINANCIAL STATEMENTS

LAFAYETTE COUNTY, MISSISSIPPI
Statement of Net Assets
September 30, 2009

Exhibit 1

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| ASSETS | | | |
| Cash | \$ 20,521,084 | \$ 1,161,694 | \$ 21,682,778 |
| Property Tax Receivable | 10,697,824 | - | 10,697,824 |
| Accounts receivable (net allowance for uncollectibles of \$557,176) | - | 252,918 | 252,918 |
| Fines receivable (net allowance for uncollectibles of \$696,174) | 334,559 | - | 334,559 |
| Capital leases receivables | 75,000 | - | 75,000 |
| Intergovernmental receivables | 636,429 | 3,263 | 639,692 |
| Other receivables | 37,551 | - | 37,551 |
| Internal Balances | 19,581 | (19,581) | - |
| Prepaid items | 200,053 | 9,630 | 209,683 |
| Deferred charge- issuance cost | 66,781 | - | 66,781 |
| Capital Assets, net | 61,646,989 | 525,928 | 62,172,917 |
| Total Assets | 94,235,851 | 1,933,852 | 96,169,703 |
| LIABILITIES | | | |
| Claims Payable | 492,926 | 38,456 | 531,382 |
| Amounts held in custody for others | 325,573 | - | 325,573 |
| Intergovernmental payables | 489,942 | - | 489,942 |
| Accrued interest payable | 133,465 | 2,849 | 136,314 |
| Deferred and unearned revenue | 10,697,824 | 76,067 | 10,773,891 |
| Long-term liabilities | | | |
| Due within one year: | | | |
| Capital debt | 1,777,850 | 107,881 | 1,885,731 |
| Non-capital debt | 77,517 | - | 77,517 |
| Due in more than one year: | | | |
| Capital debt | 12,840,853 | - | 12,840,853 |
| Non-capital debt | 1,696,288 | 26,080 | 1,722,368 |
| Total Liabilities | 28,532,238 | 251,333 | 28,783,571 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 47,028,286 | 418,047 | 47,446,333 |
| Restricted: | | | |
| Expendable: | | | |
| Debt Service | 2,170,745 | - | 2,170,745 |
| Public Safety | 1,212,830 | - | 1,212,830 |
| Public Works | 4,421,900 | 1,264,472 | 5,686,372 |
| Unemployment Compensation | 23,586 | - | 23,586 |
| Economic Development | 19,859 | - | 19,859 |
| Unrestricted | 10,826,407 | - | 10,826,407 |
| Total Net Assets | \$ 65,703,613 | \$ 1,682,519 | \$ 67,386,132 |

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

LAFAYETTE COUNTY, MISSISSIPPI
Statement of Activities
For Year Ended September 30, 2009

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 | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government | \$ 3,762,646 | \$ 1,528,367 | \$ 4,325 | \$ - | \$ (2,229,954) | \$ - | \$ (2,229,954) |
| Public Safety | 6,033,275 | 2,231,931 | 267,000 | - | (3,534,344) | - | (3,534,344) |
| Public Works | 3,753,552 | - | - | - | (3,753,552) | - | (3,753,552) |
| Health and Welfare | 418,941 | - | 56,228 | - | (362,713) | - | (362,713) |
| Culture and Recreation | 308,277 | - | - | - | (308,277) | - | (308,277) |
| Conservation of Natural Resources | 89,761 | - | 66,891 | - | (22,870) | - | (22,870) |
| Economic Development and Assistance | 2,308,856 | - | 2,500 | - | (2,306,356) | - | (2,306,356) |
| Interest on Long-Term Debt | 758,624 | - | - | - | (758,624) | - | (758,624) |
| Total Governmental Activities | 17,433,932 | 3,760,298 | 396,944 | - | (13,276,690) | - | (13,276,690) |
| Business-Type Activities: | | | | | | | |
| Garbage Collection | 1,336,755 | 1,308,475 | 591,645 | - | - | 563,365 | 563,365 |
| Total Business-Type Activities | 1,336,755 | 1,308,475 | 591,645 | - | - | 563,365 | 563,365 |
| Total | \$ 18,770,687 | \$ 5,068,773 | \$ 988,589 | \$ - | (13,276,690) | 563,365 | (12,713,325) |
| General Revenues: | | | | | | | |
| Property Taxes | | | | | 11,803,533 | - | 11,803,533 |
| Road and Bridge Privilege Taxes | | | | | 454,734 | - | 454,734 |
| Grants and contributions not restricted to specific programs | | | | | 3,054,178 | - | 3,054,178 |
| Unrestricted interest income | | | | | 436,767 | 17,735 | 454,502 |
| Miscellaneous | | | | | 243,549 | 35,144 | 278,693 |
| Gain/(Loss) on disposition of assets | | | | | 2,044,423 | (42,295) | 2,002,128 |
| Total General Revenues | | | | | 18,037,184 | 10,584 | 18,047,768 |
| Changes in Net Assets | | | | | 4,760,494 | 573,949 | 5,334,443 |
| Net Assets-Beginning | | | | | 60,943,119 | 1,108,570 | 62,051,689 |
| Net Assets-Ending | | | | | \$ 65,703,613 | \$ 1,682,519 | \$ 67,386,132 |

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

LAFAYETTE COUNTY, MISSISSIPPI
 Balance Sheet-Governmental Funds
 For Year Ended September 30, 2009

Exhibit 3

| | Major Funds | | | | | TOTAL GOVERNMENTAL FUNDS |
|---|----------------------|-----------------------------|-------------------------------|--------------------------------|----------------------|--------------------------------|
| | GENERAL FUND | MAINTENANCE ROAD FUND | BRIDGE AND CULVERT FUND | OTHER GOVERNMENTAL FUNDS | | |
| ASSETS | | | | | | |
| Cash | \$ 11,609,499 | \$ 2,081,508 | \$ 532,751 | \$ 6,297,326 | \$ 20,521,084 | |
| Property Tax Receivable | 5,903,957 | 575,013 | 1,638,879 | 2,579,975 | 10,697,824 | |
| Fines Receivable (Net Allowance for uncollectibles of \$ 696,174) | 334,559 | - | - | - | 334,559 | |
| Capital Lease Receivables | - | - | - | 75,000 | 75,000 | |
| Intergovernmental Receivables | 600,072 | 31,594 | - | 4,763 | 636,429 | |
| Other Receivables | - | - | - | 37,551 | 37,551 | |
| Due from other funds | 23,701 | 45,868 | 21,368 | 41,446 | 132,383 | |
| Total Assets | \$ 18,471,788 | \$ 2,733,983 | \$ 2,192,998 | \$ 9,036,061 | \$ 32,434,830 | |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Claims payable | \$ 231,084 | \$ 155,662 | \$ 35,615 | \$ 70,565 | \$ 492,926 | |
| Amounts held in custody for others | 130,531 | - | - | 195,042 | 325,573 | |
| Intergovernmental payables | 489,942 | - | - | - | 489,942 | |
| Due to other funds | 117,258 | - | - | - | 117,258 | |
| Deferred and unearned revenue | 6,238,515 | 575,013 | 1,638,879 | 2,654,976 | 11,107,383 | |
| Total Liabilities | 7,207,330 | 730,675 | 1,674,494 | 2,920,583 | 12,533,082 | |
| FUND BALANCES | | | | | | |
| Reserved for: | | | | | | |
| Unemployment Compensation | - | - | - | 23,586 | 23,586 | |
| Debt Service | - | - | - | 2,304,210 | 2,304,210 | |
| Unreserved, reported in: | | | | | | |
| General Fund | 11,264,458 | - | - | - | 11,264,458 | |
| Special Revenue Funds | - | 2,003,308 | 518,504 | 3,698,041 | 6,219,853 | |
| Capital Project funds | - | - | - | 89,641 | 89,641 | |
| Total Fund Balances | 11,264,458 | 2,003,308 | 518,504 | 6,115,478 | 19,901,748 | |
| Total Liabilities and Fund Balances | \$ 18,471,788 | \$ 2,733,983 | \$ 2,192,998 | \$ 9,036,061 | \$ 32,434,830 | |

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

LAFAYETTE COUNTY, MISSISSIPPI
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 For the Year Ended September 30, 2009

Exhibit 3-1

| | <u>Amount</u> |
|---|----------------------|
| Total Fund Balance - Governmental Funds | \$ 19,901,748 |
| Amounts reported for governmental services in the Statement of Net Assets are different because: | |
| Capital assets are used in governmental activities and are not financial resources and therefore, are not reported in the funds, net of accumulated depreciation of \$49,282,349. | 61,646,989 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 334,559 |
| Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds. | 200,053 |
| Long-term liabilities are not due and payable in the current period and , therefore, are not reported in the funds. | (16,392,508) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | (133,465) |
| Deferred issuance cost on refunding bond issue. | 71,237 |
| Capital lease receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. | <u>75,000</u> |
| Total Net Assets - Governmental Activities | <u>\$ 65,703,613</u> |

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

LAFAYETTE COUNTY, MISSISSIPPI
 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2009

| | Major Funds | | | | | TOTAL GOVERNMENTAL FUNDS |
|---|-------------------|-----------------------------|-------------------------------|--------------------------------|----|--------------------------------|
| | GENERAL FUND | ROAD MAINTENANCE FUND | BRIDGE AND CULVERT FUND | OTHER GOVERNMENTAL FUNDS | | |
| REVENUES | | | | | | |
| Property Taxes | \$ 6,534,859 | \$ 645,462 | \$ 1,787,634 | \$ 2,838,578 | \$ | 11,803,533 |
| Road & Bridge Privilege Taxes | - | 454,734 | - | - | - | 454,734 |
| Licenses, Commissions and other revenue | 704,496 | - | - | - | - | 704,496 |
| Fines & Forfeitures | 634,166 | - | - | 57,650 | - | 691,816 |
| Intergovernmental Revenues | 788,440 | 1,033,425 | - | 573,237 | - | 2,395,102 |
| Charges for Services | 1,730,073 | - | - | 501,858 | - | 2,231,931 |
| Interest Income | 235,141 | 50,464 | 15,146 | 116,016 | - | 436,767 |
| Miscellaneous Revenues | 776,490 | 298,889 | - | 203,500 | - | 1,278,879 |
| Total Revenues | 11,420,665 | 2,482,974 | 1,802,780 | 4,290,839 | | 19,997,258 |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| General Government | 2,992,157 | - | - | 538,037 | - | 3,530,194 |
| Public Safety | 5,581,203 | - | - | 848,774 | - | 6,429,977 |
| Public Works | - | 2,436,755 | 1,462,994 | 1017 | - | 3,900,766 |
| Health and Welfare | 369,302 | - | - | 49,639 | - | 418,941 |
| Culture and Recreation | 289,917 | - | - | 17,350 | - | 307,267 |
| Conservation of Natural Resources | 89,761 | - | - | - | - | 89,761 |
| Economic Development and Assistance | 257,005 | - | - | 2,051,851 | - | 2,308,856 |
| Debt Service: | | | | | | |
| Principal | 227,656 | - | - | 1,050,001 | - | 1,277,657 |
| Interest | 63,394 | 1,667 | 48,396 | 631,332 | - | 746,789 |
| Fiscal Agent Fees | - | - | - | 6,940 | - | 6,940 |
| Total Expenditures | 9,870,395 | 2,438,422 | 1,511,390 | 5,196,941 | | 19,017,148 |
| Excess of Revenue over (under) expenditures | 1,550,270 | 44,552 | 291,390 | (906,102) | | 980,110 |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Proceeds from sale of capital assets | 850,000 | 32,827 | - | - | - | 882,827 |
| Compensation for loss of capital assets | - | - | - | 1,303,300 | - | 1,303,300 |
| Transfers in | 23,701 | 85,933 | - | 288,977 | - | 398,611 |
| Transfers out | (221,856) | - | - | (153,054) | - | (374,910) |
| Lease Principal Payments | (23,367) | (20,737) | (484,659) | (22,470) | - | (551,233) |
| Total Other Financing Sources and Uses | 628,478 | 98,023 | (484,659) | 1,416,753 | | 1,658,595 |
| Net Changes in fund balances | 2,178,748 | 142,575 | (193,269) | 510,651 | | 2,638,705 |
| Fund Balances - Beginning | 9,085,730 | 1,860,713 | 711,773 | 5,604,827 | | 17,263,043 |
| Fund Balances - Ending | 11,264,478 | 2,003,308 | 518,504 | 6,115,478 | | 19,901,748 |

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

LAFAYETTE COUNTY, MISSISSIPPI
 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, 2009

Exhibit 4-1

| | Amount |
|--|---------------------|
| Net Changes in Fund Balances - Governmental Funds | \$ 2,638,705 |
| 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 Outlay of \$4,041,592 exceeded depreciation of \$3,630,707 in the current period. | 410,885 |
| In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net profit of \$2,044,423 and the proceeds from the sale of \$2,186,127. | (141,704) |
| Fines 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. | 151,508 |
| 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 \$1,832,071 exceeded debt proceeds of \$0- | 1,832,071 |
| Under the modified accrual basis of accounting used in the Governmental Funds, prepaid items are reported as expenditures. However, in the Statement of Activities, only the portion of expenses related to the current period is reported. Thus, the change in net assets differs from the change in fund balances by the amount of decrease in prepaid items. | (72,589) |
| 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. | (5,000) |
| Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items: | |
| The amount of increase in compensated absences | (35,479) |
| The amount of decrease in accrued interest payable | (6,504) |
| The amortization of issuance cost on bonds | (11,399) |
| Change in Net Assets of Governmental Activities | <u>\$ 4,760,494</u> |

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

LAFAYETTE COUNTY, MISSISSIPPI
Statement of Net Assets- Proprietary Fund
September 30, 2009

Exhibit 5

| | <u>Business-type Activities Enterprise Fund</u> | |
|--|---|------------------|
| | <u>Garbage Collection Fund</u> | |
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ | 1,161,694 |
| Accounts Receivable (net allowance for uncollectibles of \$557,176) | | 252,918 |
| Intergovernmental Receivables | | 3,263 |
| Due from other funds | | 4,120 |
| Prepaid expenses | | 9,630 |
| Total Current Assets | | <u>1,431,625</u> |
| Noncurrent assets: | | |
| Capital Assets, Net | | 525,928 |
| Total Noncurrent Assets | | <u>525,928</u> |
| Total Assets | | <u>1,957,553</u> |
| LIABILITIES | | |
| Current Liabilities: | | |
| Claims payable | | 38,456 |
| Due to other funds | | 23,701 |
| Accrued interest payable | | 2,849 |
| Unearned revenue | | 76,067 |
| Capital Debt: | | |
| Capital leases payable | | 107,881 |
| Total Current Liabilities | | <u>248,954</u> |
| Noncurrent liabilities: | | |
| Non-capital debt: | | |
| Compensated absences payable | | 26,080 |
| Total Noncurrent Liabilities | | <u>26,080</u> |
| Total Liabilities | | <u>275,034</u> |
| NET ASSETS | | |
| Invested in capital assets, net of related debt | | 418,047 |
| Restricted for public works | | 1,264,472 |
| Total Net Assets | \$ | <u>1,682,519</u> |

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

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For Year Ended September 30, 2009

| | Business-type Activities Enterprise Fund |
|---------------------------------------|---|
| | Garbage Collection Fund |
| Operating Revenues | |
| Charges for Services | \$ 1,308,475 |
| Total Operating Revenues | <u>1,308,475</u> |
| Operating Expenses | |
| Cost of sales | |
| Personal services | 1,198,751 |
| Materials and supplies | 13,577 |
| Depreciation expense | 91,960 |
| Total Operating Expenses | <u>1,304,288</u> |
| Operating Income (Loss) | <u>4,187</u> |
| Nonoperating Revenues (Expenses) | |
| Interest Income | 17,735 |
| Operating grants | 591,645 |
| Interest expense | (8,766) |
| Other income | 35,144 |
| Transfer Out | (23,701) |
| Loss from disposition of fixed assets | <u>(42,295)</u> |
| Net Nonoperating Revenue | <u>569,762</u> |
| Changes in Net Assets | 573,949 |
| Net Assets - Beginning | <u>1,108,570</u> |
| Net Assets - Ending | <u>\$ 1,682,519</u> |

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

LAFAYETTE COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2009

Exhibit 7

| | Business-type Activities Enterprise Fund Garbage Collection Fund |
|---|--|
| Cash Flows From Operating Activities | |
| Receipts from customers | \$ 1,209,256 |
| Payments to suppliers | (755,452) |
| Payments to employees | (416,044) |
| Payments for payroll taxes | (31,518) |
| Net Cash Provided (Used) by Operating Activities | <u>6,242</u> |
| Cash Flows From Noncapital Financing Activities | |
| Payment to other government funds | (29,035) |
| Operating grants received | 588,382 |
| Other receipts | 35,144 |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>594,491</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Purchase of capital assets | (127,805) |
| Principal paid on long-term debt | (150,341) |
| Interest paid on debt | (9,514) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(287,660)</u> |
| Cash Flows from Investing Activities | |
| Interest on investments | 17,735 |
| Net Cash Provided (Used) by Investing Activities | <u>17,735</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 330,808 |
| Cash and Cash Equivalents at Beginning of Year | 830,886 |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,161,694</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating Income (Loss) | \$ 4,187 |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | |
| Depreciation expense | 91,960 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | (99,219) |
| (Increase) decrease in prepaid expenses | 2,287 |
| Increase (decrease) in claims payable | 409 |
| Increase (decrease) in compensated absences liability | 447 |
| Increase (decrease) in unearned revenue | 6,171 |
| Total Adjustments | <u>2,055</u> |
| Net Cash provided (used) by Operating Activities | <u>\$ 6,242</u> |

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

LAFAYETTE COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
For Year Ended September 30, 2009

Exhibit 8

| | <u>Agency Funds</u> |
|------------------------------------|-------------------------|
| ASSETS | |
| Cash | \$ 235,386 |
| Property Taxes Receivable | 316,017 |
| Due from other funds | <u>4,456</u> |
| Total Assets | <u>\$ 555,859</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 15,670 |
| Other liabilities | 73,715 |
| Intergovernmental payables | 150,457 |
| Unearned revenue | <u>316,017</u> |
| Total Liabilities | <u>\$ 555,859</u> |

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

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Lafayette 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 Lafayette County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

B. Individual Component Unit Disclosures

Blended Component Units

Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component units balances and transactions are blended with the balances and transactions of the primary government.

The Lafayette County Public Improvement Corporation is comprised solely of the five members of the Lafayette County Board of Supervisors. Although created legally separate from the County under Section 31-8-3, Miss. Code Ann. (1972), the Corporation is reported as if it were part of the primary government because its sole purpose is to finance and construct county public facilities.

The Lafayette County Economic Development District is comprised solely of the five members of the Lafayette County Board of Supervisors. Although created legally separate from the County under Section 19-5-66, Miss. Code Ann. (1972), the District is reported as if it were part of the primary government because its sole purpose is to enhance and develop the economic development resources of the County.

C. 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.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2009

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. The primary-government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. 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.

D. 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.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements For the Year Ended September 30, 2009

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

The County reports the following major Governmental Funds:

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

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

Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for the construction and maintenance of bridges and culverts.

The County reports the following major Proprietary Fund:

Garbage Collection 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 (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

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

Permanent Funds - These funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for the support of county programs.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

E. 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.

F. Deposits

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

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

G. Receivables

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

H. 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." 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."

I. Prepaid Items and Deferred Charges

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items or deferred charges in the government-wide and fund financial statements. Prepaid items, such as prepaid insurance and deferred charges, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

J. Capital Assets.

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

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 non-capitalization 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:

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

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

K. Long-term Liabilities.

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

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

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

L. 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.

M. Property Tax Revenues.

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

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

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

N. 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.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

O. 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

The carrying amount of the County's total deposits with financial institutions at September 30, 2009, was \$21,918,164, and the bank balance was \$20,191,992. The collateral for public entities' deposits in financial institutions are 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 (FDIC).

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.

(3) Inter-fund Transactions and Balances

The following is a summary of inter-fund balances at September 30, 2009:

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|---------------------|-------------------|
| General County | Garbage Collection | \$ 23,701 |
| Garbage Collection | General County | 4,120 |
| Countywide Road Maintenance | General County | 45,868 |
| Bridge and Culvert | General County | 21,368 |
| Other Governmental Funds | General County | 41,446 |
| Agency Funds | General County | <u>4,456</u> |
| Total | | <u>\$ 140,959</u> |

The amount payable to the General Fund from the Garbage Collection Fund represents indirect administrative expenditures paid by the General Fund on behalf of the Garbage Collection Fund. The remaining receivable represents inter-fund loans to provide operating funds and tax revenue collected but not settled until October 2009. All inter-fund balances are expected to be repaid within one year from the date of the financial statements.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

B. Transfers In/Out:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|-----------------------------|---------------------|-------------------|
| General County | Garbage Collection | \$ 23,701 |
| Countywide Road Maintenance | General County | 85,933 |
| Other Governmental | General County | 135,923 |
| Other Governmental | Other Governmental | <u>153,054</u> |
| Total | | <u>\$ 398,611</u> |

The General Fund transferred \$85,933 for Countywide Road Maintenance, and \$135,923 to Other Governmental Funds: \$40,000 to Federal Fire Grant Account, \$50,000 to Reappraisal Update, and \$45,923 to Courthouse Renovation. The Garbage Collection Fund transferred \$23,701 for the General Fund.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|---------------------------------------|-------------------|
| Governmental Activities | |
| Motor Vehicle Fuel Tax | \$ 22,781 |
| Motor Vehicle Licenses | 8,080 |
| Reimbursement for Housing Prisoners | 137,146 |
| Reimbursement for Food Stamps/Welfare | 5,473 |
| Restricted to General Government NC | 239,465 |
| Other | <u>226,747</u> |
| Total Governmental Activities | <u>\$ 639,692</u> |

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

| Governmental activities: | Balance | | | | Balance |
|---|---------------|------------|------------|-------------|----------------|
| | Oct. 1, 2008 | Additions | Deletions | Adjustments | Sept. 30, 2009 |
| <u>Non-depreciable capital assets:</u> | | | | | |
| Land | \$ 2,613,333 | \$ - | \$ - | \$ (39,339) | \$ 2,573,994 |
| Construction in progress | 5,561,479 | - | - | (5,561,479) | - |
| Total non-depreciable capital assets | 8,174,812 | - | - | (5,600,818) | 2,573,994 |
| <u>Depreciable capital assets:</u> | | | | | |
| Infrastructure | 67,534,469 | 2,467,682 | - | 1,796,657 | 71,798,808 |
| Buildings | 20,408,638 | 12,700 | - | 3,764,822 | 24,186,160 |
| Improvements other than buildings | 2,131,378 | 495,141 | - | 39,339 | 2,665,858 |
| Mobile equipment | 5,903,636 | 761,175 | 96,826 | 179,218 | 6,747,203 |
| Furniture and equipment | 938,594 | 304,894 | 116,922 | - | 1,126,566 |
| Leased property under capital leases | 2,182,894 | - | 172,927 | (179,218) | 1,830,749 |
| Total depreciable capital assets | 99,099,609 | 4,041,592 | 386,675 | 5,600,818 | 108,355,344 |
| Total Capital Assets | 107,274,421 | 4,041,592 | 386,675 | - | 110,929,338 |
| <u>Less accumulated depreciation for:</u> | | | | | |
| Infrastructure | 33,216,820 | 1,876,252 | - | - | 35,093,072 |
| Buildings | 5,893,091 | 623,184 | - | - | 6,516,275 |
| Improvements other than buildings | 1,196,543 | 117,994 | - | - | 1,314,537 |
| Mobile equipment | 4,094,227 | 637,394 | 75,501 | 50,769 | 4,706,889 |
| Furniture and Equipment | 790,752 | 206,794 | 69,623 | - | 927,923 |
| Leased property under capital leases | 705,180 | 169,089 | 99,847 | (50,769) | 723,653 |
| Total accumulated depreciation | 45,896,613 | 3,630,707 | 244,971 | - | 49,282,349 |
| Total Depreciable Capital Assets, net | 53,202,996 | 410,885 | 141,704 | 5,600,818 | 59,072,995 |
| Governmental activities capital assets, net | \$ 61,377,808 | \$ 410,885 | \$ 141,704 | \$ - | \$ 61,646,989 |

Adjustments were made to reclassify retired Construction Work-in-Process, reclassify paid off capital leases, and to reclassify improvements other than buildings that were originally classified as land.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

| Business-type activities: | Balance Oct. 1, 2008 | Additions | Deletions | Adjustments | Balance Sept. 30, 2009 |
|--|-------------------------|------------------|------------------|-------------|---------------------------|
| Depreciable capital assets: | | | | | |
| Mobile equipment | \$ 752,131 | \$ 127,805 | \$ 372,287 | \$ 133,467 | \$ 641,116 |
| Leased property under capital leases | 564,090 | - | - | (133,467) | 430,623 |
| Total depreciable capital assets | <u>1,316,221</u> | <u>127,805</u> | <u>372,287</u> | <u>-</u> | <u>1,071,739</u> |
| Less accumulated depreciation for: | | | | | |
| Mobile equipment | 614,419 | 53,203 | 329,992 | 36,036 | 373,666 |
| Leased property under capital leases | 169,424 | 38,757 | - | (36,036) | 172,145 |
| Total accumulated depreciation | <u>783,843</u> | <u>91,960</u> | <u>329,992</u> | <u>-</u> | <u>545,811</u> |
| Total depreciable capital assets, net | <u>532,378</u> | <u>35,845</u> | <u>42,295</u> | <u>-</u> | <u>525,928</u> |
| Business-type activities capital assets, net | <u>\$ 532,378</u> | <u>\$ 35,845</u> | <u>\$ 42,295</u> | <u>\$ -</u> | <u>\$ 525,928</u> |

Adjustments were due to reclassification of paid off capital leases.

Depreciation was charged to the following functions:

| Governmental Activities: | Amount |
|---|---------------------|
| General Government | \$ 818,483 |
| Public Safety | 486,293 |
| Public Works | 2,325,931 |
| Total government activities depreciation expense | <u>\$ 3,630,707</u> |
| Business-type activities: | |
| Garbage Collection | \$ 91,960 |
| Total Business-type activities depreciation expense | <u>\$ 91,960</u> |

Commitments with respect to unfinished capital projects at September 30, 2009, consisted of the following:

*No unfinished capital projects existed as of September 30, 2009

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

(6) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Worker's 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 Worker's 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 January 1, 2009 to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund, depending on the loss experience of all the entities it ensures.

(7) Operating Leases.

As Lessor:

The County received income from property it leases under a non-cancellable operating lease. Total income from such lease was \$233,040 for the year ended September 30, 2009. The future lease receivable for this lease is as follows:

| <u>Year Ended September 30</u> | <u>Amount</u> |
|---------------------------------|---------------------|
| 2010 | \$ 233,040 |
| 2011 | 233,040 |
| 2012 | 233,040 |
| 2013 | 233,040 |
| 2014 | 233,040 |
| 2015-2019 | 907,260 |
| 2020-2024 | 208,140 |
| Total minimum payments required | <u>\$ 2,280,600</u> |

As Lessee:

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$10,087 for the year ended September 30, 2009. The future minimum lease payments for these leases are as follows:

| <u>Year Ended September 30</u> | <u>Amount</u> |
|---------------------------------|-----------------|
| 2010 | \$ 7,668 |
| 2011 | 1,278 |
| Total minimum payments required | <u>\$ 8,946</u> |

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

(8) Capital Leases.

The County leases the following property with varying terms and options as of September 30, 2009:

| Classes of Property | Amount |
|---------------------|-------------------|
| Land | \$ 233,115 |
| Buildings | 476,549 |
| Total | <u>\$ 709,664</u> |

The future minimum lease receivables as of September 30, 2009, are as follows:

| Year Ended September | Amount | |
|----------------------|------------------|-------------|
| | Principal | Interest |
| 2010 | \$ 5,000 | - |
| 2011 | 5,000 | - |
| 2012 | 5,000 | - |
| 2013 | 5,000 | - |
| 2014 | 5,000 | - |
| 2015-2019 | 25,000 | - |
| 2020-2024 | 25,000 | - |
| Total | <u>\$ 75,000</u> | <u>\$ -</u> |

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

| Classes of Property | Governmental Activities | Business-Type Activities |
|--------------------------------------|-------------------------|--------------------------|
| Mobile Equipment | \$ 1,807,506 | \$ 430,623 |
| Furniture and Equipment | 23,243 | - |
| Total | 1,830,749 | 430,623 |
| Less: Accumulated Depreciation | 723,653 | 172,145 |
| Leased Property Under Capital Leases | <u>\$ 1,107,096</u> | <u>\$ 258,478</u> |

The following is a schedule by years of the total payments due as of September 30, 2009:

| Year Ending September 30 | Governmental Activities | | Business-Type Activities | |
|--------------------------|-------------------------|-------------------|--------------------------|-----------------|
| | Principal | Interest | Principal | Interest |
| 2010 | \$ 522,357 | \$ 51,945 | \$ 107,881 | \$ 3,909 |
| 2011 | 256,804 | 31,701 | - | - |
| 2012 | 21,026 | 22,404 | - | - |
| 2013 | 21,704 | 22,404 | - | - |
| Total | <u>\$ 821,891</u> | <u>\$ 128,454</u> | <u>\$ 107,881</u> | <u>\$ 3,909</u> |

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

(9) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|---|-----------------------------|------------------|------------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| Countrywide road bonds | \$ 2,635,000 | 4.75/6.40% | 12/1/2016 |
| Courthouse and road bonds | 5,500,000 | 5.25/7.50% | 8/1/2020 |
| 2004 refunding bond | 715,000 | 1.15/3.80% | 3/1/2014 |
| General obligation bonds, series 2006 | 3,615,000 | 3.75/4.50% | 8/1/2021 |
| Total General Obligation Bonds | <u>\$ 12,465,000</u> | | |
| B. Limited Obligation Bonds: | | | |
| Certificates of participation - Haven House | \$ 1,045,000 | 4.20/6.00% | 11/1/2019 |
| Total Limited Obligation Bonds | <u>\$ 1,045,000</u> | | |
| C. Capital Leases | | | |
| Road equipment | \$ 344,967 | 4.10% | 7/21/2011 |
| E-911 system and software | 23,243 | 3.44% | 7/28/2010 |
| International trucks (2) | 71,455 | 0.29% | 8/19/2011 |
| Asphalt Zipper | 82,830 | 3.18% | 6/20/2013 |
| Distributor, trailer, and roller trucks | 47,508 | 4.12% | 8/16/2009 |
| Tractor truck and dump truck | 251,888 | 4.17% | 9/5/2010 |
| Total Capital Leases | <u>\$ 821,891</u> | | |
| D. Other Loans: | | | |
| Economic development loan - access road | \$ 301,398 | 4.00% | 9/1/2014 |
| Olin Corporation CAP loan | 1,439,601 | 3.00% | 9/1/2024 |
| Total Other Loans | <u>\$ 1,740,999</u> | | |
| Business-type Activities: | | | |
| A. Capital Leases: | | | |
| Garbage trucks | \$ 66,179 | 3.25% | 11/9/2009 |
| Garbage truck bodies (3) | 41,702 | 4.14% | 3/9/2010 |
| Total Capital Leases | <u>\$ 107,881</u> | | |

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

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 |
| 2010 | \$ 1,105,000 | \$ 581,865 | \$ 95,000 | \$ 47,928 |
| 2011 | 1,160,000 | 529,189 | 95,000 | 43,819 |
| 2012 | 1,215,000 | 473,343 | 95,000 | 39,663 |
| 2013 | 1,290,000 | 414,363 | 95,000 | 35,411 |
| 2014 | 1,345,000 | 351,785 | 95,000 | 31,018 |
| 2015-2019 | 5,280,000 | 918,377 | 475,000 | 85,500 |
| 2020-2024 | 1,070,000 | 58,210 | 95,000 | 2,517 |
| Total | \$ 12,465,000 | \$ 3,327,132 | \$ 1,045,000 | \$ 285,856 |

| Year Ending September 30 | Other Loans | |
|--------------------------|--------------|------------|
| | Principal | Interest |
| 2010 | \$ 133,009 | \$ 53,565 |
| 2011 | 137,608 | 48,989 |
| 2012 | 142,371 | 44,397 |
| 2013 | 147,301 | 39,467 |
| 2014 | 152,402 | 34,362 |
| 2015-2019 | 478,458 | 136,587 |
| 2020-2024 | 549,850 | 59,582 |
| Total | \$ 1,740,999 | \$ 416,949 |

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 the County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2009, the amount of outstanding debt was equal to 3.77% of the latest property assessments.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009

| | Balance Oct. 1, 2008 | Additions | Reductions | Adjustments | Balance Sept. 30, 2009 | Amount due within one year |
|----------------------------------|-------------------------|-----------|----------------|-------------|---------------------------|----------------------------------|
| Governmental Activities | | | | | | |
| Compensated absences | \$ 298,725 | \$ 35,479 | \$ - | \$ - | \$ 334,204 | \$ - |
| Bonds Payable: | | | | | | |
| General Obligation bonds | 13,515,000 | - | (1,050,000) | - | 12,465,000 | 1,105,000 |
| Limited Obligation bonds | 1,140,000 | - | (95,000) | - | 1,045,000 | 95,000 |
| Less: deferred amounts | | | | | | |
| for issuance discounts | (17,764) | - | 3,181 | - | (14,583) | - |
| Total Bonds Payable | 14,637,236 | - | (1,141,819) | - | 13,495,417 | 1,200,000 |
| Capital leases | 1,373,122 | - | (551,233) | - | 821,889 | 522,358 |
| Other loans | 1,876,836 | - | (135,838) | - | 1,740,998 | 133,009 |
| Total | \$ 18,185,919 | \$ 35,479 | \$ (1,828,890) | \$ - | \$ 16,392,508 | \$ 1,855,367 |
| Business-type Activities: | | | | | | |
| Compensated absences | \$ 25,633 | \$ - | \$ 447 | \$ - | \$ 26,080 | \$ - |
| Capital leases | 258,222 | - | (150,341) | - | 107,881 | 107,881 |
| Total | \$ 283,855 | \$ - | \$ (149,894) | \$ - | \$ 133,961 | \$ 107,881 |

(10) Contingencies.

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

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

Solid Waste Revenue Refunding Bonds - In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority (the Authority) for \$8,210,000. As part of a solid waste disposal service agreement between Lafayette County and the Authority, the County has agreed to pay its pro-rate share of any obligations of the Authority in the event that fees generated from solid waste disposal services for all counties included in the Authority do not sufficiently cover the debt requirement. The balance of the revenue refunding bonds at September 30, 2009 was \$3,785,000. Fees paid by the County to the Authority during the year ended September 30, 2009 totaled \$227,305.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

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

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

| <u>Description</u> | <u>Balance at Sept. 30, 2009</u> |
|---|--------------------------------------|
| Mississippi Hospital Revenue Refunding Bonds 1997- Defeased as of September 29, 2004 | <u>\$ 2,645,000</u> |

(12) Joint Ventures.

The County participates in the following joint ventures:

Lafayette County is a participant with the City of Oxford in a joint venture, authorized by Section 19-5-99, Miss. Code Ann. (1972), to operate the Lafayette-Oxford Development Association. The joint venture was created to foster, encourage and facilitate economic development in the County and is governed by a twenty-member board. One member each is appointed by the Lafayette County Board of Supervisors, the City of Oxford, the University of Mississippi, Chamber of Commerce and the business community. By contractual agreement, the County's appropriation from the General fund this year to the joint venture amounted to \$125,000. Complete financial statements for the Lafayette-Oxford Development Association can be obtained from 299 Jackson Avenue, Oxford, MS 38655.

Lafayette County is a participant with Desoto, Panola, Tate and Tunica counties in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the First Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties. First Regional Library is governed by a five-member board. Each Board of Supervisors appoints one member. The County appropriated \$374,134 this year to the joint venture. Complete financial statements for the First Regional Library can be obtained from the main office in Hernando or the Chancery Clerk's Office in Desoto County.

Lafayette County is a participant with the City of Oxford in a joint venture, authorized by House Bill No. 1476, to operate the Oxford-Lafayette County Health Foundation. The joint venture was created to provide healthcare services to indigent or needy residents of the City of Oxford or Lafayette County in the most economical and efficient manner. Three members each are appointed by the Lafayette County Board of Supervisors, the City of Oxford and Baptist Memorial Hospital-North Mississippi. The services will be funded by the income from investments that are managed by Baptist Memorial Hospital- North Mississippi. The payments are made by the Hospital and not by the Lafayette County or the City of Oxford.

(13) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Northwest Mississippi Community College (the College) operates in a district composed of the Counties of Benton, Calhoun, Desoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Lafayette County Board of Supervisors appoints 2 of the 23 members of the College Board of trustees. The County appropriated \$1,028,980 for the maintenance and support of the College in fiscal year 2009.

Communicare operates in a district composed of the Counties of Calhoun, Desoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Lafayette County Board of Supervisors appoints 1 of the 7 members of the board of commissioners. The County appropriated \$58,300 for the maintenance and support of Communicare for the fiscal year 2009.

LAFAYETTE COUNTY, MISSISSIPPI

Notes to Financial Statements
For the Year Ended September 30, 2009

Three Rivers Planning and Development District (the District) operates in a district comprised of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Lafayette County Board of Supervisors appoints 5 of the 40 members of the board of directors. The County appropriated \$30,705 for support of the District in fiscal year 2009.

Three Rivers Solid Waste Management Authority operates in a district comprised 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 Lafayette County Board of Supervisors appoints 1 of the 14 members of the board of directors. Each county is billed based on solid waste volume.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Lafayette County Board of Supervisors appoints 4 of the 36 members of the board of directors. The County appropriated \$49,639 for support of the services for fiscal year 2009.

(14) Defined Benefit Pension Plan.

Plan Description. Lafayette 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, 2009 was 12.00% 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, 2009, 2008 and 2007 were \$730,714, \$668,803, and \$601,476, respectively, equal to the required contributions for each year.

(15) Deferred Revenue.

Composition of Deferred Revenue. The deferred and unearned revenue balance on the statement of net assets is comprised of:

| | Statement of Net Assets | Balance Sheet Governmental Funds |
|---------------------------------------|----------------------------|-------------------------------------|
| Property Tax Receivable | \$ 10,697,824 | \$ 10,697,824 |
| Solid Waste User Fees Paid in Advance | 76,067 | -0- |
| Fines Receivable | -0- | 334,559 |
| Capital Lease Receivable | -0- | 75,000 |
| | <u>\$ 10,773,891</u> | <u>\$ 11,107,383</u> |

REQUIRED SUPPLEMENTARY INFORMATION

LA FAYETTE COUNTY, MISSISSIPPI
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET |
|--|---------------------|----------------------|--------------------------------|----------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 6,344,812 | \$ 6,327,264 | \$ 6,327,264 | \$ - |
| Licenses, commissions and other revenue | 405,200 | 521,376 | 521,376 | - |
| Fines and forfeitures | 370,000 | 592,040 | 592,040 | - |
| Intergovernmental revenues | 593,928 | 552,568 | 552,568 | - |
| Charges for services | 1,325,000 | 1,320,650 | 1,320,650 | - |
| Interest income | 207,000 | 266,793 | 266,793 | - |
| Miscellaneous revenues | 610,135 | 1,558,900 | 1,558,900 | - |
| Total Revenues | <u>9,856,075</u> | <u>11,139,591</u> | <u>11,139,591</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General Government | 4,048,472 | 3,116,751 | 3,116,751 | - |
| Public Safety | 6,026,048 | 5,373,693 | 5,373,693 | - |
| Health and Welfare | 391,037 | 377,620 | 377,620 | - |
| Culture and Reereation | 290,521 | 252,766 | 252,766 | - |
| Conservation of Natural Resources | 100,976 | 90,153 | 90,153 | - |
| Economic Development and Assistance | 246,916 | 292,474 | 292,474 | - |
| Debt Service: | | | | |
| Principle | 230,838 | 141,487 | 141,487 | - |
| Interest | 116,577 | 55,264 | 55,264 | - |
| Agent Fees | 6,000 | - | - | - |
| Total Expenditures | <u>11,457,385</u> | <u>9,700,208</u> | <u>9,700,208</u> | <u>-</u> |
| Excess of Revenues over (under) Expenditure: | <u>(1,601,310)</u> | <u>1,439,383</u> | <u>1,439,383</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Compensation for Loss on Capital Asset | - | - | - | - |
| Transfers In | 421,000 | 24,951 | 24,951 | - |
| Transfers Out | (426,720) | (71,856) | (71,856) | - |
| Total Other Financing Sources and Uses | <u>(5,720)</u> | <u>(46,905)</u> | <u>(46,905)</u> | <u>-</u> |
| Excess of Revenue and Other Financing Sources over (under) Expenditures and Other Financing Uses | <u>(1,607,030)</u> | <u>1,392,478</u> | <u>1,392,478</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Beginning of year | 9,085,710 | 9,085,710 | 9,085,710 | - |
| Ending of year | <u>\$ 7,478,680</u> | <u>\$ 10,478,188</u> | <u>\$ 10,478,188</u> | <u>\$ -</u> |

The accompanying notes to the required supplemental information are an integral part of this statement.

LAFAYETTE COUNTY, MISSISSIPPI
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 COUNTYWIDE ROAD MAINTENANCE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET |
|---|--------------------|---------------------|--------------------------------|----------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 1,025,541 | \$ 1,022,611 | \$ 1,022,611 | \$ - |
| Intergovernmental revenues | 855,000 | 908,218 | 908,218 | - |
| Interest income | 35,000 | 44,004 | 44,004 | - |
| Miscellaneous revenues | 1,000 | 35,391 | 35,391 | - |
| Total Revenues | <u>1,916,541</u> | <u>2,010,224</u> | <u>2,010,224</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Works | 3,371,221 | 2,560,692 | 2,560,692 | - |
| Total Expenditures | <u>3,371,221</u> | <u>2,560,692</u> | <u>2,560,692</u> | <u>-</u> |
| Excess of Revenues over (under) Expenditures | <u>(1,454,680)</u> | <u>(550,468)</u> | <u>(550,468)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Reimburse other funds | 300,000 | 272,887 | 272,887 | - |
| Transfers In | - | 85,934 | 85,934 | - |
| Total Other Financing Sources | <u>300,000</u> | <u>358,821</u> | <u>358,821</u> | <u>-</u> |
| Excess of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses | <u>(1,154,680)</u> | <u>(191,647)</u> | <u>(191,647)</u> | <u>-</u> |
| FUND BALANCES | | | | |
| Beginning of year | 1,860,733 | 1,860,733 | 1,860,733 | - |
| Ending of year | <u>\$ 706,053</u> | <u>\$ 1,669,086</u> | <u>\$ 1,669,086</u> | <u>\$ -</u> |

The accompanying notes to the required supplemental information are an integral part of this statement.

LAFAYETTE COUNTY, MISSISSIPPI
 BUDGETARY COMPARISON SCHEDULE
 BUDGET AND ACTUAL (NON-GAAP BASIS)
 BRIDGE AND CULVERT FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL (BUDGETARY BASIS) | VARIANCE WITH FINAL BUDGET |
|--|--------------------|-------------------|--------------------------------|----------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 1,722,032 | \$ 1,706,180 | \$ 1,706,180 | \$ - |
| Interest income | 20,000 | 17,356 | 17,356 | - |
| Total Revenues | <u>1,742,032</u> | <u>1,723,536</u> | <u>1,723,536</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public Works | 3,047,912 | 2,046,044 | 2,046,044 | - |
| Total Expenditures | <u>3,047,912</u> | <u>2,046,044</u> | <u>2,046,044</u> | <u>-</u> |
| Excess of Expenditures over Revenues | <u>(1,305,880)</u> | <u>(322,508)</u> | <u>(322,508)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-Term Capital Debt Issue | 959,000 | - | - | - |
| Proceeds from Sale of Capital Asset | 574,000 | - | - | - |
| Transfers Out | (87,685) | - | - | - |
| Total Other Financing Sources | <u>1,445,315</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of Revenues and Other Financing Sources over(under) Expenditures and Other Financing Uses | 139,435 | (322,508) | (322,508) | - |
| FUND BALANCES | | | | |
| Beginning of year | 711,773 | 711,773 | 711,773 | - |
| Ending of year | <u>\$ 851,208</u> | <u>\$ 389,265</u> | <u>\$ 389,265</u> | <u>\$ -</u> |

The accompanying notes to the required supplemental information are an integral part of this statement.

Notes to the Required Supplementary Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

| | General Fund | Countywide Road Maintenance Fund | Bridge and Culvert Fund |
|--|----------------------|---|----------------------------------|
| Budget (cash basis) | \$ 10,478,188 | \$ 1,669,086 | \$ 389,265 |
| Increase (Decrease) | | | |
| Net adjustments for revenue accruals | 281,074 | 472,750 | 79,244 |
| Net adjustments for expenditure accruals | (198,554) | 101,533 | 49,995 |
| Other sources | 703,750 | (240,061) | - |
| GAAP Basis | <u>\$ 11,264,458</u> | <u>\$ 2,003,308</u> | <u>\$ 518,504</u> |

SPECIAL REPORTS



606 S. 16TH STREET / P.O. DRAWER 280 / OXFORD, MS 38655-0280 / PHONE (662) 234-1251 / FAX (662) 236-3804

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
Lafayette 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 Lafayette County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 7, 2010. 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 Lafayette County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lafayette 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*.

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

The Dwight L. Young Group

June 7, 2010



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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
Lafayette County, Mississippi**

We have made a study and evaluation of the central purchasing system and inventory control system of Lafayette County, Mississippi, as of and for the year ended September 30, 2009. 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 Lafayette 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 Lafayette 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, Lafayette 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 Lafayette 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.

The Dwight L. Young Group

June 7, 2010

LAFAYETTE COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2009

Schedule 1

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

LAFAYETTE COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
For the Year Ended September 30, 2009

Schedule 2

Our test results did not identify any emergency purchases.

LAFAYETTE COUNTY, MISSISSIPPI
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2009

Schedule 3

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

Dwight L. Young, Sr., C.P.A.
1918 - 1977

Roger A. Garrett, C.P.A.
1922 - 2008

Dwight L. Young, Jr., C.P.A.
Patricia A. Bynum, C.P.A.



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lafayette County, Mississippi

In planning and performing our audit of the financial statements of Lafayette County, Mississippi for the year ended September 30, 2009, we considered Lafayette 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 Lafayette 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 June 7, 2010, on the financial statements of Lafayette County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also our consideration of the internal control would not necessarily disclose 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

This report is intended solely for the information and use of the management, the Board of Supervisors, others within the entity, 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.

The Dwight L. Young Group

June 7, 2010

LAFAYETTE COUNTY, MISSISSIPPI

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Reportable condition identified that is not considered to be a material weakness? | None reported |
| 3. | Noncompliance material to the primary government financial statements? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.