

LAMAR COUNTY, MISSISSIPPI

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

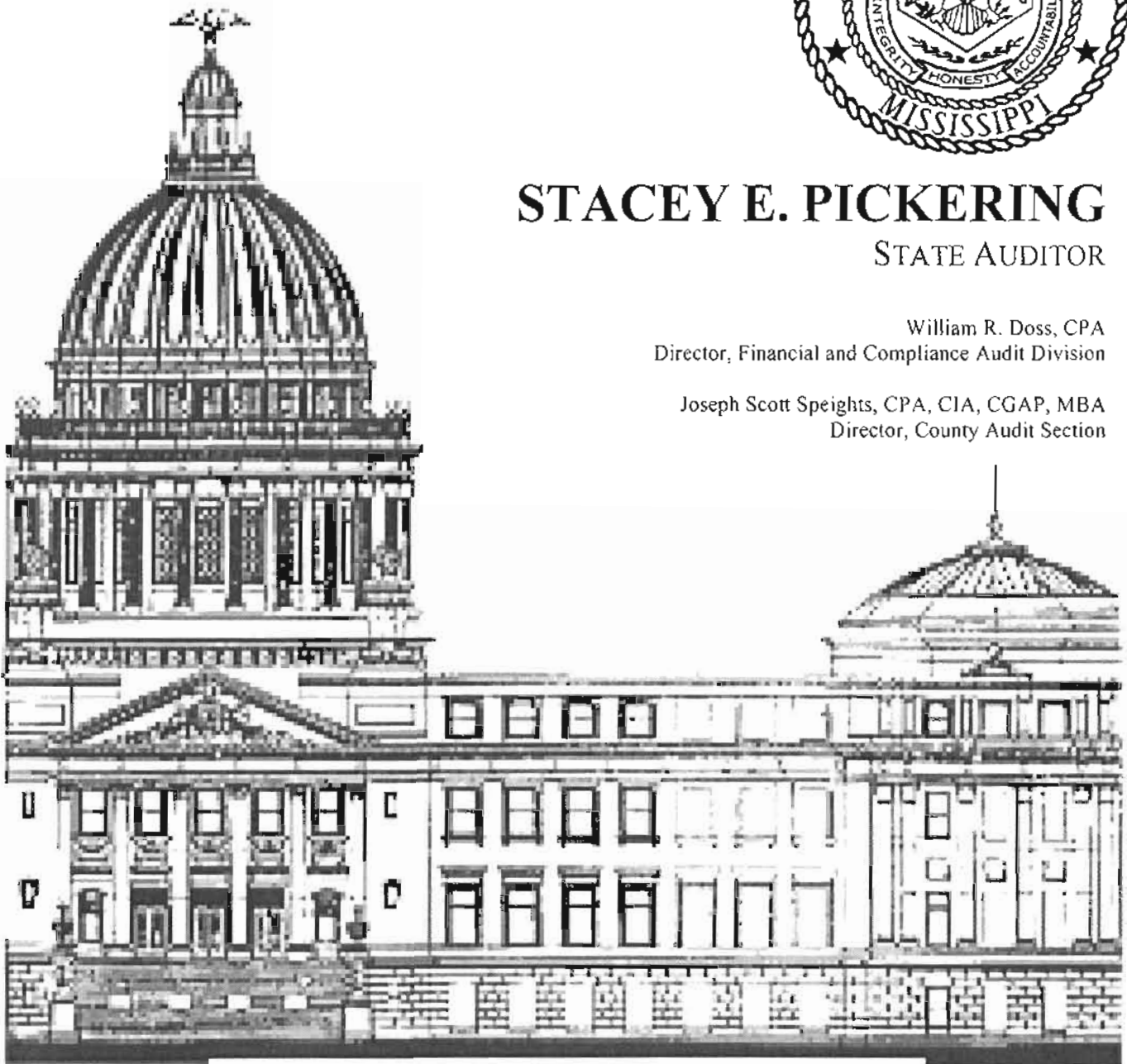


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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LAMAR COUNTY

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LAMAR COUNTY

FINANCIAL SECTION

LAMAR COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lamar County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As discussed in Note 10 to the financial statements, the county has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Lamar County, Mississippi, as of September 30, 2009, or the changes in financial position for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Lamar County, Mississippi, as of September 30, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* are applicable to the county for the fiscal year ending September 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2010, on our consideration of Lamar 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.

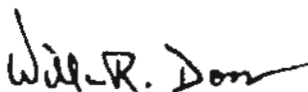
Lamar County, Mississippi, has not presented Management's Discussion and Analysis and the Schedule of Funding Progress - Other Postemployment Benefits that are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.

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

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



STACEY E. PICKERING
State Auditor



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

May 27, 2010

LAMAR COUNTY

FINANCIAL STATEMENTS

LAMAR COUNTY

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LAMAR COUNTY
Statement of Net Assets
September 30, 2009

Exhibit I

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 12,107,576
Investments	229,021
Accrued interest receivable	18,065
Property tax receivable	21,420,490
Fines receivable (net of allowance for uncollectibles of \$2,879,671)	72,605
Intergovernmental receivables	270,994
Other receivables	36,942
Capital assets:	
Land and construction in progress	6,977,619
Other capital assets, net	62,678,986
Total Assets	<u>103,812,298</u>
LIABILITIES	
Claims payable	1,929,593
Intergovernmental payables	577,018
Accrued interest payable	75,323
Deferred revenue	21,420,490
Other payables	227,038
Long-term liabilities	
Due within one year	
Capital debt	2,087,357
Due in more than one year:	
Capital debt	8,864,896
Non-capital debt	434,112
Total Liabilities	<u>35,615,827</u>
NET ASSETS	
Invested in capital assets, net of related debt	58,704,352
Restricted:	
Expendable:	
General government	245,228
Debt service	1,701
Public safety	1,336,798
Public works	2,546,528
Health and welfare	42,059
Culture and recreation	317,687
Capital projects	896,855
Unrestricted	4,105,263
Total Net Assets	<u>\$ 68,196,471</u>

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

LAMAR COUNTY
Statement of Activities
For the 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
Primary government					
Governmental activities					
General government	\$ 8,160,047	1,209,215	174,078		(6,776,754)
Public safety	8,797,021	778,126	779,366	775,092	(6,464,437)
Public works	16,594,235		2,284,651	94,801	(14,214,783)
Health and welfare	696,268		189,890		(506,378)
Culture and recreation	1,127,290				(1,127,290)
Conservation of natural resources	618,524				(618,524)
Economic development and assistance	524,945			953,902	428,957
Interest on long-term debt	472,555				(472,555)
Total Governmental Activities	\$ 36,990,885	1,987,341	3,427,985	1,823,795	(29,751,764)
General revenues:					
Property taxes					\$ 21,659,567
Road & bridge privilege taxes					590,470
Grants and contributions not restricted to specific programs					2,310,852
Unrestricted interest income					435,354
Miscellaneous					1,260,816
Total General Revenues					26,257,059
Changes in Net Assets					(3,494,705)
Net Assets - Beginning					71,276,615
Prior period adjustments					414,561
Net Assets - Beginning, as restated					71,691,176
Net Assets - Ending					\$ 68,196,471

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

LAMAR COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	Major Funds			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 6,029,097	1,368,331	4,710,148	12,107,576
Investments	229,021			229,021
Accrued interest receivable	10,830	2,968	4,267	18,065
Property tax receivable	11,991,000	4,864,000	4,565,490	21,420,490
Fines receivable (net of allowance for uncollectibles of \$2,879,671)	72,605			72,605
Intergovernmental receivables	257,782		13,212	270,994
Other receivables	36,942			36,942
Due from other funds		83,066	75,864	158,930
Total Assets	\$ 18,627,277	6,318,365	9,368,981	34,314,623
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 1,133,916	325,393	470,284	1,929,593
Intergovernmental payables	556,153			556,153
Due to other funds	179,795			179,795
Deferred revenue	12,063,605	4,864,000	4,565,490	21,493,095
Other payables	227,038			227,038
Total Liabilities	14,160,507	5,189,393	5,035,774	24,385,674
Fund balances:				
Reserved for:				
Debt service			77,024	77,024
Unreserved - undesignated, reported in:				
General Fund	4,466,770			4,466,770
Special Revenue Funds		1,128,972	3,359,328	4,488,300
Capital Project Funds			896,855	896,855
Total Fund Balances	4,466,770	1,128,972	4,333,207	9,928,949
Total Liabilities and Fund Balances	\$ 18,627,277	6,318,365	9,368,981	34,314,623

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

LAMAR COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2009

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,928,949
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$112,457,304.	69,656,605
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	72,605
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(11,386,365)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	<u>(75,323)</u>
Total Net Assets - Governmental Activities	\$ <u><u>68,196,471</u></u>

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

LAMAR COUNTY

Exhibit 4

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

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund		
REVENUES				
Property taxes	\$ 12,292,657	4,806,545	4,560,365	21,659,567
Road and bridge privilege taxes		590,470		590,470
Licenses, commissions and other revenue	671,686		52,443	724,129
Fines and forfeitures	466,689		78,294	544,983
Intergovernmental revenues	3,212,369	993,958	3,489,637	7,695,964
Charges for services	152,380		505,347	657,727
Interest income	304,980	48,497	81,877	435,354
Miscellaneous revenues	482,721	15,823	553,281	1,051,825
Total Revenues	<u>17,583,482</u>	<u>6,455,293</u>	<u>9,321,244</u>	<u>33,360,019</u>
EXPENDITURES				
Current:				
General government	7,055,800		614,814	7,670,614
Public safety	6,020,965		3,910,702	9,931,667
Public works	61,991	6,501,933	5,125,558	11,689,482
Health and welfare	564,587		117,256	681,843
Culture and recreation	916,091		200,569	1,116,660
Conservation of natural resources	172,814		445,710	618,524
Economic development and assistance	520,581			520,581
Debt service:				
Principal	838,631	744,066	1,187,607	2,770,304
Interest	46,159	51,806	355,787	453,752
Total Expenditures	<u>16,197,619</u>	<u>7,297,805</u>	<u>11,958,003</u>	<u>35,453,427</u>
Excess of Revenues over (under) Expenditures	<u>1,385,863</u>	<u>(842,512)</u>	<u>(2,636,759)</u>	<u>(2,093,408)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		579,000	1,429,500	2,008,500
Proceeds from sale of capital assets	805	191,489	1,350	193,644
Compensation for loss of capital assets			83,555	83,555
Transfers in	278,743	686,872	1,614,746	2,580,361
Transfers out	(2,186,000)		(394,361)	(2,580,361)
Total Other Financing Sources and Uses	<u>(1,906,452)</u>	<u>1,457,361</u>	<u>2,734,790</u>	<u>2,285,699</u>
Net Changes in Fund Balances	<u>(520,589)</u>	<u>614,849</u>	<u>98,031</u>	<u>192,291</u>
Fund Balances - Beginning	4,758,422	514,123	4,197,524	9,470,069
Prior period adjustments	228,937		37,652	266,589
Fund Balances - Beginning, as restated	<u>4,987,359</u>	<u>514,123</u>	<u>4,235,176</u>	<u>9,736,658</u>
Fund Balances - Ending	\$ <u>4,466,770</u>	<u>1,128,972</u>	<u>4,333,207</u>	<u>9,928,949</u>

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

LAMAR COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2009

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 192,291
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,606,631 were exceeded by depreciation of \$6,804,221 in the current period	(4,197,590)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$75,659 and the proceeds from the sale of \$193,644 and compensation for loss of capital assets of \$83,555 in the current period.	(201,540)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	60,502
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 \$2,770,304 exceeded debt proceeds of \$2,008,500.	761,804
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 accrued interest payable, net of prior period adjustment	(18,803)
The amount of increase in compensated absences	<u>(91,369)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(3,494,705)</u></u>

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

LAMAR COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 282,506
Due from other funds	<u>20,865</u>
Total Assets	<u>\$ 303,371</u>
LIABILITIES	
Amounts held in custody for others	\$ 239,867
Intergovernmental payables	<u>63,504</u>
Total Liabilities	<u>\$ 303,371</u>

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

LAMAR COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lamar 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 Lamar County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

- Lamar County Economic Development District
- Lamar County Library Association
- Northeast Lamar Fire Protection District
- Progress Fire Protection District
- Central Lamar Fire Protection District
- Southwest Lamar Fire Protection District
- Oak Grove Fire Protection District
- Beaver Lake Fire Protection District
- Oloh Fire Protection District

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

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

B. 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.

Lamar County Public Improvement Corporation was incorporated as a nonprofit corporation under Section 31-8-3, Miss. Code Ann. (1972), which allows counties to enter into lease agreements with any corporation. The corporation's five-member board of directors is appointed by the Board of Supervisors. The corporation produces a financial benefit through its ability to finance the construction, acquisition and renovation of capital facilities for the primary government and imposes a financial burden on the primary government by obligating funds to repay the debt pursuant to a lease agreement. See Note 11 for further disclosure concerning the issuance of certificates of participation (COPS) and related capital facilities.

LAMAR COUNTY

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

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.

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 and its blended component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The 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 of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

LAMAR COUNTY

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.

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.

FIDUCIARY FUND TYPE

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

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 and Investments.

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

LAMAR COUNTY

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

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.

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.

I. Capital Assets.

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

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

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

LAMAR COUNTY

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

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

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

J. Long-term Liabilities.

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

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

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

LAMAR COUNTY

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

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the county. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 10% of the amount which resulted from the assessments of the previous year.

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. 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) Changes in Accounting Standards.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* are applicable to the county for the fiscal year ending September 30, 2009. See Note 10 for additional information related to other postemployment benefits offered by the county.

LAMAR COUNTY

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

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
To correct the prior year error in the classification of cash and investments.	\$ 228,937
To correct the prior year error in cash and intergovernmental payables.	37,652
To correct the prior year error in accrued interest payable.	181,271
To correct the prior year error in long-term debt.	16,528
To correct the prior year errors in capital assets.	<u>(49,827)</u>
Total prior period adjustments	<u>\$ 414,561</u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To correct the prior year error in the classification of cash and investments.	\$ 228,937
To correct the prior year error in cash and intergovernmental payables.	<u>37,652</u>
Total prior period adjustments	<u>\$ 266,589</u>

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$12,390,082, and the bank balance was \$13,022,702. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit 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.

Investments:

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

LAMAR COUNTY

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

Investment balances at September 30, 2009, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$ <u>229,021</u>	AAAm

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

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

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

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General	\$ 83,066
Other Governmental Funds	General	75,864
Agency Fund	General	<u>20,865</u>
Total		\$ <u>179,795</u>

The receivables represent the tax revenue collected but not settled until October, 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 278,743
Countywide Road Maintenance Fund	General Fund	600,000
Countywide Road Maintenance Fund	Other Governmental Funds	86,872
Other Governmental Funds	General Fund	1,586,000
Other Governmental Funds	Other Governmental Funds	<u>28,746</u>
Total		\$ <u>2,580,361</u>

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

LAMAR COUNTY

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

(6) Intergovernmental Receivables.

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

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 255,134
State and community highway safety grant	2,648
Community development block grants/state's program	13,212
Total Governmental Activities	\$ <u>270,994</u>

(7) Capital Assets.

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

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,720,198	34,986			1,755,184
Construction in progress	<u>6,700,239</u>			(1,477,804)	<u>5,222,435</u>
Total non-depreciable capital assets	<u>8,420,437</u>	<u>34,986</u>	<u>0</u>	<u>(1,477,804)</u>	<u>6,977,619</u>
<u>Depreciable capital assets:</u>					
Infrastructure	140,966,017			205,481	141,171,498
Buildings	14,326,597			1,675,942	16,002,539
Improvements other than buildings	306,311			25,696	332,007
Mobile equipment	8,447,504	2,104,780	581,978	1,225,329	11,195,635
Furniture and equipment	2,458,624	22,283	5,700	(33,985)	2,441,222
Leased property under capital leases	<u>4,708,676</u>	<u>444,582</u>	<u>138,246</u>	<u>(1,021,623)</u>	<u>3,993,389</u>
Total depreciable capital assets	<u>171,213,729</u>	<u>2,571,645</u>	<u>725,924</u>	<u>2,076,840</u>	<u>175,136,290</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	93,550,989	4,669,949			98,220,938
Buildings	2,107,211	318,513		115,702	2,541,426
Improvements other than buildings	129,354	13,285		5,174	147,813
Mobile equipment	5,783,177	1,000,852	457,765	770,834	7,097,098
Furniture and equipment	1,481,452	333,321	4,404	65,279	1,875,648
Leased property under capital leases	<u>2,476,421</u>	<u>468,301</u>	<u>62,215</u>	<u>(308,126)</u>	<u>2,574,381</u>
Total accumulated depreciation	<u>105,528,604</u>	<u>6,804,221</u>	<u>524,384</u>	<u>648,863</u>	<u>112,457,304</u>
Total depreciable capital assets, net	<u>65,685,125</u>	<u>(4,232,576)</u>	<u>201,540</u>	<u>1,427,977</u>	<u>62,678,986</u>
Governmental activities capital assets, net	\$ <u>74,105,562</u>	<u>(4,197,590)</u>	<u>201,540</u>	<u>(49,827)</u>	<u>69,656,605</u>

* Adjustments are to correct errors in the capital asset records.

LAMAR COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 526,483
Public safety	811,396
Public works	5,438,184
Health and welfare	14,425
Culture and recreation	<u>13,733</u>
Total governmental activities depreciation expense	<u>\$ 6,804,221</u>

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Circuit Courthouse Renovation	\$ 3,500,000	January, 2014
CDBG - Lowe's Distribution Center	10,000	October, 2010
West Fourth Street - Phase I	92,000	September, 2010
J.D. Hatten Road	6,500	May, 2010
Browns Bridge Road	30,000	September, 2010

As of September 30, 2009, the county had the following commitments:

On October 16, 2001, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds. The bonds were issued for the development and construction of necessary infrastructure improvements located within the city and county in the amount of \$1,000,000. The county pledged to provide annual payments equal to the lesser of (a) \$40,000 per year or (b) one-half the debt service on the City's Tax Increment Limited Obligation Bonds. The amount paid was \$23,424 in the 2009 fiscal year. The county's payments are paid annually from the revenues generated by tax increment financing.

On June 24, 2004, the Lamar County Board of Supervisors entered into a tax pledge agreement with the City of Hattiesburg to finance the City's Tax Increment Limited Obligation Bonds in the amount of \$4,500,000. The bonds were issued for the construction of various infrastructure improvements in connection with the Turtle Creek Crossing Project located within the city and county. The county pledged to an amount sufficient to pay 25% of the principal and interest on the bonds. The amount paid was \$97,413 in the 2009 fiscal year. The county's payments are paid annually from the revenues generated by tax increment financing.

(8) Claims and Judgments.

Risk Financing.

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

LAMAR COUNTY

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

(9) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 3,993,389
Less: Accumulated depreciation	<u>2,574,381</u>
Leased Property Under Capital Leases	<u>\$ 1,419,008</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 807,963	38,253
2011	540,890	21,082
2012	331,043	12,176
2013	110,270	4,406
2014	12,627	920
2015	<u>13,079</u>	<u>468</u>
Total	<u>\$ 1,815,872</u>	<u>77,305</u>

(10) Other Postemployment Benefits.

Plan Description

The Lamar County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Miss. Code Ann. (1972). The county's health insurance plan may be amended by the Lamar County Board of Supervisors. The county purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the county's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The county does not issue a publicly available financial report for the Plan.

LAMAR COUNTY

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

(11) 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:			
Lamar County G.O. Refunding Bonds, Series 2002	\$ 1,775,000	3.80/4.00%	07-2013
2008 G.O. Bonds - Rural Development fire trucks	<u>1,357,500</u>	4.125%	04-2029
Total General Obligation Bonds	<u>\$ 3,132,500</u>		
B. Limited Obligation Bonds:			
Certificates of Participation (Jail Project), Series 2001	<u>\$ 4,025,000</u>	4.60/5.10%	09-2021
C. Capital Leases:			
(2) International garbage trucks	\$ 24,213	3.77%	02-2011
(2) Garbage bodies	18,162	3.77%	02-2011
(2) 2008 International garbage trucks & bodies	75,498	4.02%	05-2011
Fire truck (Northeast Lamar)	60,319	3.64%	05-2013
Fire truck mini-pumper (Progress)	34,093	3.67%	04-2013
Fire truck (Purvis)	46,332	3.67%	04-2013
Fire truck (Progress)	39,165	3.84%	12-2012
Fire truck (Hickory Grove)	31,670	3.64%	04-2013
Mini-pumper (Southwest Lamar)	76,094	4.07%	05-2014
(2) Case motor graders	58,766	2.82%	08-2011
Asphalt pothole patcher	14,558	3.18%	06-2010
(2) 2006 Ford knuckleboom loaders	33,152	3.42%	09-2010
International limb truck	37,227	3.89%	03-2011
(2) Broce broom sweepers	18,533	3.89%	10-2010
Caterpillar excavator	99,169	3.94%	12-2009
(10) 2007 Mack trucks	499,477	3.81%	03-2012
Asphalt distribution truck	39,128	3.34%	03-2011
2006 Kobelco excavator	57,339	2.82%	08-2011
(3) Caterpillar backhoes	143,871	3.21%	04-2013
(4) Mowers	50,211	3.09%	04-2012
(4) Kubota tractors	134,895	3.09%	04-2012
(2) Used Caterpillar front-end loaders	152,000	2.97%	05-2012
Used 2005 vacuum tanker	<u>72,000</u>	3.58%	08-2015
Total Capital Leases	<u>\$ 1,815,872</u>		

LAMAR COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
D. Other Loans:			
Lamar County office complex	\$ 1,295,605	2.50%	01-2013
Capital improvement loan (Pine Ridge fire truck)	105,875	2.00%	04-2017
Capital improvement loan (Southwest fire truck)	89,979	2.00%	03-2017
Capital improvement loan (Lumberton fire truck)	135,142	2.00%	01-2017
Capital improvement loan (Sumrall fire truck)	135,142	2.00%	01-2017
Capital improvement loan (Central Lamar fire truck)	217,138	3.00%	10-2028
Total Other Loans	\$ <u>1,978,881</u>		

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 640,000	124,740	260,000	144,833
2011	661,900	58,819	270,000	183,653
2012	328,800	75,092	280,000	171,773
2013	335,800	61,736	295,000	158,893
2014	52,900	48,097	305,000	145,028
2015 - 2019	299,000	206,023	2,615,000	550,798
2020 - 2024	366,000	139,082		
2025 - 2029	448,100	56,971		
Total	\$ <u>3,132,500</u>	<u>770,560</u>	<u>4,025,000</u>	<u>1,354,978</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2010	\$ 379,394	42,425
2011	388,251	43,903
2012	397,714	29,342
2013	407,411	19,646
2014	72,953	9,711
2015 - 2019	217,319	27,840
2020 - 2024	63,246	13,814
2025 - 2029	52,593	3,323
Total	\$ <u>1,978,881</u>	<u>190,004</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2009, the amount of outstanding debt was equal to 0.50% of the latest property assessments.

LAMAR COUNTY

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

Certificates of Participation - Certificates of Participation (COP's), designed as "qualified tax exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986, as amended, were issued during the fiscal year ended September 30, 2002, for the purpose of financing the construction of a law enforcement complex. The COP's are not general obligations of the county and, therefore, are not secured by the county's full faith and credit. However, the county, as lessee, is obligated as the sole source of payment pursuant to a 20-year lease purchase agreement for the law enforcement complex with the lessor, Lamar County Public Improvement Corporation, a blended component unit of Lamar County. Because the county's obligation to make lease payments is also the sole source of payment for the COP's, the lease obligation is not recorded. Instead, the COP's are considered, in substance, limited debt obligations of the county, and accordingly, are reflected in the Statement of Net Assets. The COP's are being retired by General Fund revenues, and title to the property will transfer to the county upon satisfactory performance of the lease terms.

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	\$ 342,743	91,369			434,112	
General obligation bonds	2,355,000	1,357,500	580,000		3,132,500	640,000
Limited obligation bonds	4,270,000		245,000		4,025,000	260,000
Capital leases	2,216,588	651,000	1,035,188	(16,528)	1,815,872	807,963
Other loans	2,888,997		910,116		1,978,881	379,394
Total	\$ 12,073,328	2,099,869	2,770,304	(16,528)	11,386,365	2,087,357

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund, Sanitation Fund and Fire District Coordination Fund.

(12) Contingencies.

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

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

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

LAMAR COUNTY

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

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Lamar County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The county appropriated \$150,192 for its support in fiscal year 2009.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Lamar County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$83,333 for its support in fiscal year 2009.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Lamar County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$85,000 for its support in fiscal year 2009.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Lamar County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$9,768 for its support in fiscal year 2009.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Lamar County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$956,485 for maintenance and support of the college in fiscal year 2009.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Lamar County Board of Supervisors appoints one of the seven members of the board of directors. Each entity provides the amount of support designated by statute which is one-half mill for each participating entity. The county appropriated \$106,000 for support of the district in fiscal year 2009.

(14) Defined Benefit Pension Plan.

Plan Description. Lamar 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% 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 \$1,142,515, \$1,034,934 and \$887,158, respectively, equal to the required contributions for each year.

LAMAR COUNTY

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

(15) Subsequent Events.

Subsequent to September 30, 2009, Lamar County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
01-15-2010	3.18%	\$ 72,000	Capital lease	Property tax revenue
02-01-2010	2.99%	150,000	Capital lease	Property tax revenue
03-01-2010	3.91%	165,000	Capital lease	Property tax revenue
03-01-2010	3.11%	250,000	Capital lease	Property tax revenue
04-05-2010	2.91%	1,150,000	Other loan	Property tax revenue

LAMAR COUNTY

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LAMAR COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAMAR COUNTY
 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 Positive (Negative)
REVENUES				
Property taxes	\$ 12,036,540	12,321,639	12,321,639	
Licenses, commissions and other revenue	588,000	653,957	653,957	
Fines and forfeitures	511,000	439,141	439,141	
Intergovernmental revenues	2,578,000	3,442,284	3,442,284	
Charges for services	210,000	156,420	156,420	
Interest income	310,000	320,976	320,976	
Miscellaneous revenues	388,434	398,085	398,085	
Total Revenues	<u>16,621,974</u>	<u>17,732,502</u>	<u>17,732,502</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	7,275,192	6,725,120	6,725,120	
Public safety	6,608,977	5,470,624	5,470,624	
Public works		63,163	63,163	
Health and welfare	718,567	517,956	517,956	
Culture and recreation	871,477	892,177	892,177	
Conservation of natural resources	120,317	140,684	140,684	
Economic development and assistance	557,888	542,170	542,170	
Debt service:				
Principal	1,123,827	1,160,849	1,160,849	
Interest		255,020	255,020	
Total Expenditures	<u>17,276,245</u>	<u>15,767,763</u>	<u>15,767,763</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(654,271)</u>	<u>1,964,739</u>	<u>1,964,739</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		1,826	1,826	
Transfers in	1,472,420	1,728,113	1,728,113	
Transfers out	<u>(1,822,688)</u>	<u>(3,486,000)</u>	<u>(3,486,000)</u>	
Total Other Financing Sources and Uses	<u>(350,268)</u>	<u>(1,756,061)</u>	<u>(1,756,061)</u>	<u>0</u>
Net Change in Fund Balance	(1,004,539)	208,678	208,678	0
Fund Balances - Beginning	<u>4,726,000</u>	<u>4,825,322</u>	<u>4,825,322</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 3,721,461</u>	<u>5,034,000</u>	<u>5,034,000</u>	<u>0</u>

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

LAMAR COUNTY
 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 Positive (Negative)
REVENUES				
Property taxes	\$ 4,790,000	4,807,570	4,807,570	
Road and bridge privilege taxes	575,000	638,753	638,753	
Intergovernmental revenues	902,000	1,013,976	1,013,976	
Interest income	65,000	51,337	51,337	
Miscellaneous revenues	35,300	10,493	10,493	
Total Revenues	<u>6,367,300</u>	<u>6,522,129</u>	<u>6,522,129</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	7,462,798	6,876,630	6,876,630	
Debt service:				
Principal	740,496	744,068	744,068	
Interest		51,805	51,805	
Total Expenditures	<u>8,203,294</u>	<u>7,672,503</u>	<u>7,672,503</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,835,994)</u>	<u>(1,150,374)</u>	<u>(1,150,374)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	1,582,000	1,462,691	579,000	(883,691)
Proceeds from sale of capital assets			196,819	196,819
Transfers in			686,872	686,872
Total Other Financing Sources and Uses	<u>1,582,000</u>	<u>1,462,691</u>	<u>1,462,691</u>	<u>0</u>
Net Change in Fund Balance	<u>(253,994)</u>	312,317	312,317	0
Fund Balances - Beginning	<u>1,200,000</u>	<u>1,056,014</u>	<u>1,056,014</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 946,006</u>	<u>1,368,331</u>	<u>1,368,331</u>	<u>0</u>

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

LAMAR COUNTY

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LAMAR COUNTY

Notes to Required Supplementary Information
For the Year Ended September 30, 2009

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 208,678	312,317
Increase (Decrease)		
Net adjustments for revenue accruals	(1,599,411)	(72,165)
Net adjustments for expenditure accruals	870,144	374,697
GAAP Basis	\$ (520,589)	614,849

LAMAR COUNTY

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LAMAR COUNTY

SUPPLEMENTAL INFORMATION

LAMAR COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Rural Development Community facilities loans and grants* (Direct Award)	10 766	N/A	\$ <u>500,000</u>
U S Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community development block grants/state's program*	14.228	R-103-037-02-KED	397,923
Community development block grants/state's program*	14.228	R-110-037-01-GZ	45,375
Community development block grants/state's program*	14.228	1125-08-037-PF-01	13,943
Total U.S. Department of Housing and Urban Development			<u>457,241</u>
U.S. Department of Justice - Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	07HR1371	50,485
Edward Byrne memorial justice assistance grant program	16.738	06HI1372	29,636
Total U.S. Department of Justice			<u>80,121</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction*	20.205	BR-NBIS(070)B 37	600
Highway planning and construction*	20.205	STP-8750-00	1,534,925
Subtotal			<u>1,535,525</u>
National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety Division of Public Safety Planning Highway Safety Cluster State and community highway safety	20.600	09OP1341	7,846
State and community highway safety	20 600	09TA1341	59,217
Subtotal			<u>67,063</u>
Total U.S. Department of Transportation			<u>1,602,588</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant	97.039	N/A	43,720
Hazard mitigation grant	97.039	N/A	125,750
Subtotal			<u>169,470</u>
Emergency management performance grants	97 042	N/A	<u>78,015</u>

LAMAR COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2009

(Continued)

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security - Continued			
Assistance to firefighters grant (Direct Award)	97.044	EMW-2006-FF-03758	32,405
Assistance to firefighters grant (Direct Award)	97.044	EMW-2006-FF-03427	30,457
Assistance to firefighters grant (Direct Award)	97.044	EMW-2006-FF-03762	28,258
Assistance to firefighters grant (Direct Award)	97.044	EMW-2007-FF-01460	26,532
Subtotal			<u>117,652</u>
Passed-through the Mississippi Department of Public Safety			
Law enforcement terrorism prevention program	97.074	07LE046	<u>4,335</u>
Total U.S. Department of Homeland Security			<u>369,472</u>
Total Expenditures of Federal Awards			<u>\$ 3,009,422</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program

LAMAR COUNTY

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LAMAR COUNTY
 Reconciliation of Operating Costs of Solid Waste
 For the Year Ended September 30, 2009

Operating Expenditures, Cash Basis:

Salaries	\$ 870,537
Expendable Commodities:	
Gasoline and petroleum products	74,953
Repair parts	26,020
Tires	7,325
Maintenance	480
Solid waste disposal fee	425,151
Professional fees	3,934
Telephone and utilities	5,231
Supplies	22,586
Uniforms	6,493
Equipment	<u>91,978</u>
Solid Waste Cash Basis Operating Expenditures	1,534,688
Full Cost Expenses:	
Indirect administrative costs	1,879
Depreciation on equipment	102,574
Net effect of other accrued expenses	<u>142,975</u>
Solid Waste Full Cost Operating Expenses	<u>\$ 1,782,116</u>

LAMAR COUNTY

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LAMAR COUNTY

SPECIAL REPORTS

LAMAR COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Lamar County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar 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 May 27, 2010. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the county did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. 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 Lamar County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 09-1, 09-2, 09-3, 09-4, 09-5 and 09-6 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-1, 09-2, 09-3, 09-4 and 09-5 to be material weaknesses.

Compliance and Other Matters

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

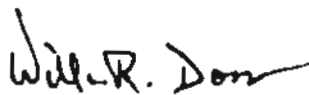
However, we noted certain matters that we reported to the management of Lamar County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated May 27, 2010, included within this document.

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

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



STACEY E. PICKERING
State Auditor



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

May 27, 2010



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Lamar County, Mississippi

Compliance

We have audited the compliance of Lamar County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. Lamar County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lamar County, Mississippi's management. Our responsibility is to express an opinion on Lamar County, Mississippi's compliance based on our audit.

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

In our opinion, Lamar County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

Internal Control Over Compliance

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

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

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

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

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



STACEY E. PICKERING
State Auditor



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

May 27, 2010



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Lamar County, Mississippi

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

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

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Inventory Control Clerk.

1. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. Adequate control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include description of assets, cost, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital assets records helps identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The test results indicated the following deficiencies in the capital assets records:

- a. The beginning amounts for some asset classes and their related accumulated depreciation did not agree to the prior year ending balances.
- b. Adequate numbering of assets is an important internal control. Per physical observation, certain equipment was not tagged properly.
- c. The capital asset records erroneously included assets which should have been deleted during the fiscal year.

The failure to properly maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement procedures to properly maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

Inventory Control Clerk's Response

Balances for accumulated depreciation will be adjusted to agree with the audit balance at September 30, 2009. Assets will be tagged as required and asset deletions will be recorded as required.

2. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each fiscal year. The required inventory reports were not prepared by the Inventory Control Clerk. Failure to prepare the annual reports increases the possibility of the loss or misappropriation of public funds and could result in the reporting of inaccurate amounts.

Recommendation

The Inventory Control Clerk should prepare the inventory reports, as required by law.

Inventory Control Clerk's Response

Future inventory reports will be filed and forwarded as required in the statute cited above.

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

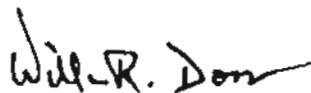
The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to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

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

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



STACEY E. PICKERING
State Auditor



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

May 27, 2010

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

Schedule I

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

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

Schedule 2

Our test results did not identify any emergency purchases.

LAMAR COUNTY
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 noncompetitively from a sole source.



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lamar County, Mississippi

In planning and performing our audit of the financial statements of Lamar County, Mississippi for the year ended September 30, 2009, we considered Lamar 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 Lamar 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 May 27, 2010, on the financial statements of Lamar County, Mississippi.

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

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

Board of Supervisors.

1. Finding

An effective system of internal control over federal grants includes properly indentifying all revenues and expenditures, including accruals, on the federal grant activity schedule. As reported in the prior year's audit report, management did not effectively document all federal monies on the county's subsidiary records. The county did not properly complete the federal grant activity schedule for the fiscal year September 30, 2009. As a result, a major federal program was erroneously omitted on the grant activity schedule and was detected by the auditor. Audit adjustments were proposed to management and made to correct the omission. The failure to properly complete the federal grant activity schedule increases the possibility of excluding a federal grant on the Schedule of Expenditures of Federal Awards.

Recommendation

The county should properly complete the federal grant activity schedule and ensure that the grant activity schedule includes all federal programs of the county.

Board of Supervisors' Response

The county will properly complete the federal grant activity schedule to ensure compliance.

Justice Court Clerk.

2. Finding

An effective system of internal control over the collection, recording and disbursement of cash should include maintaining cash journals and the supporting documentation. The following deficiencies were noted in the accounting for cash:

- a. The bank statements were not properly reconciled to the corresponding cash journals.
- b. The Justice Court Clerk did not prepare the report at September 30th identifying the distribution of all funds held by the clerk at the fiscal year-end and did not submit this report to the Chancery Clerk by October 31st.

Without adequate accounting records, inaccurate information may be reported and the possibility of the loss or misappropriation of public funds is increased.

Recommendation


The Justice Court Clerk should properly reconcile the bank statements to the corresponding cash journals, prepare the required distribution of cash report at September 30th of each year and submit this report each year to the Chancery Clerk by October 31st.

Justice Court Clerk's Response

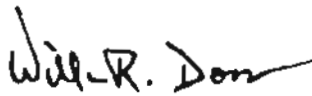
After meeting with County Administrator, Chuck Bennett, Lamar County Justice Court will comply with the above recommendation.

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

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



STACEY E. PICKERING
State Auditor



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

May 27, 2010

LAMAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

LAMAR COUNTY

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LAMAR COUNTY

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:

Governmental activities	Qualified
Aggregate discretely presented component units	Adverse
General Fund	Unqualified
Countywide Road Maintenance Fund	Unqualified
Aggregate remaining fund information	Unqualified

2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes
 - b. Significant deficiency identified that is not considered to be a material weakness? Yes

3. Noncompliance material to the financial statements noted? No

Federal Awards:

4. Internal control over major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified that are not considered to be material weaknesses? None Reported

5. Type of auditor's report issued on compliance for major federal programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section ____ .510(a) of OMB Circular A-133? No

7. Federal programs identified as major programs:
 - a. Community facilities loans and grants, CFDA #10.766
 - b. Community development block grants/state's program, CFDA #14.228
 - c. Highway planning and construction, CFDA #20.205

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

9. Auditee qualified as a low-risk auditee? No

10. Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? No

LAMAR COUNTY

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

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1. Finding

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

Recommendation

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

Board of Supervisors' Response

The Board of Supervisors does not feel that the cost associated with providing financial data for its separate component units outweighs the efforts of accepting an adverse opinion presented on the component units.

Significant Deficiency - Material Weakness

09-2. Finding

Lamar County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the county's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as a single employer defined benefit health care plan. GASB Statement No. 45 requires the county to report on an accrual basis the liability associated with other postemployment benefits. The county does not issue a publicly available financial report for their health insurance plan. However, the county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

The Board of Supervisors does not feel that the cost associated with providing financial data associated with its retirement benefits outweighs the efforts of accepting a qualified opinion.

LAMAR COUNTY

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

Significant Deficiency - Material Weakness

09-3. Finding

An effective system of internal control over investments should include accurate subsidiary records. Investments were not recorded properly in the prior year, and therefore, cash was understated by \$228,937 at September 30, 2008. As a result, a prior period adjustment was necessary to properly record investments at September 30, 2009. Failure to keep appropriate and accurate subsidiary records could result in reporting incorrect amounts in the financial statements and increases the risk of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should keep appropriate and accurate subsidiary records for investments.

Board of Supervisors' Response

The understated investment funds have been properly recorded and the board will properly report the investments in the future.

Significant Deficiency - Material Weakness

09-4. Finding

An effective system of internal control over other liabilities includes maintenance of accurate subsidiary records. The ending balance of accrued interest payable as reported in the prior year audit report was overstated by \$181,271. As a result, an adjustment to the beginning balance was necessary to balance to the county's records at September 30, 2009. The failure to maintain an effective system of accounting for other liabilities could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should implement procedures necessary to maintain accurate subsidiary records documenting the existence, completeness and valuation of other liabilities.

Board of Supervisors' Response

The Board of Supervisors will implement the procedures to maintain accurate records.

LAMAR COUNTY

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

Inventory Control Clerk.

Significant Deficiency - Material Weakness

09-5. Finding

Adequate internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include description of assets, cost, locations, acquisition dates, disposition dates, methods of disposition and other relevant information. The presence of these data elements in capital assets records helps identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The test results indicated the following deficiencies in the capital assets records:

- a. The beginning amounts for some asset classes and their related accumulated depreciation did not agree to the prior year ending balances.
- b. Adequate numbering of assets is an important internal control. Per physical observation, certain equipment was not tagged properly.
- c. The capital assets records erroneously included assets which should have been deleted during the fiscal year.

The failure to properly maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Inventory Control Clerk should implement procedures to properly maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

Inventory Control Clerk's Response

Balances for accumulated depreciation will be adjusted to agree with the audit balance at September 30, 2009. Assets will be tagged as required and asset deletions will be recorded as required.

Justice Court Clerk.

Significant Deficiency

09-6. Finding

Accountability and stewardship are overall goals in evaluating the recording, collecting and supporting documentation of the Justice Court fines receivable transactions. Based upon audit procedures performed, adequate control procedures were not in place over the case files supporting the documentation of the fines receivable transactions. Supporting documentation for some case files were missing. These conditions could result in unrecorded transactions, misstated financial reports, undetected errors, or misappropriation of funds.

LAMAR COUNTY

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

Recommendation

The Justice Court Clerk should ensure effective controls are put into place to properly account for case files supporting the Justice Court fines receivable transactions.

Justice Court Clerk's Response

Lamar County Justice Court will comply with the recommendation of the State Auditor's Office.

Section 3: Federal Award Findings and Questioned Costs

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