

LAWRENCE COUNTY, MISSISSIPPI

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

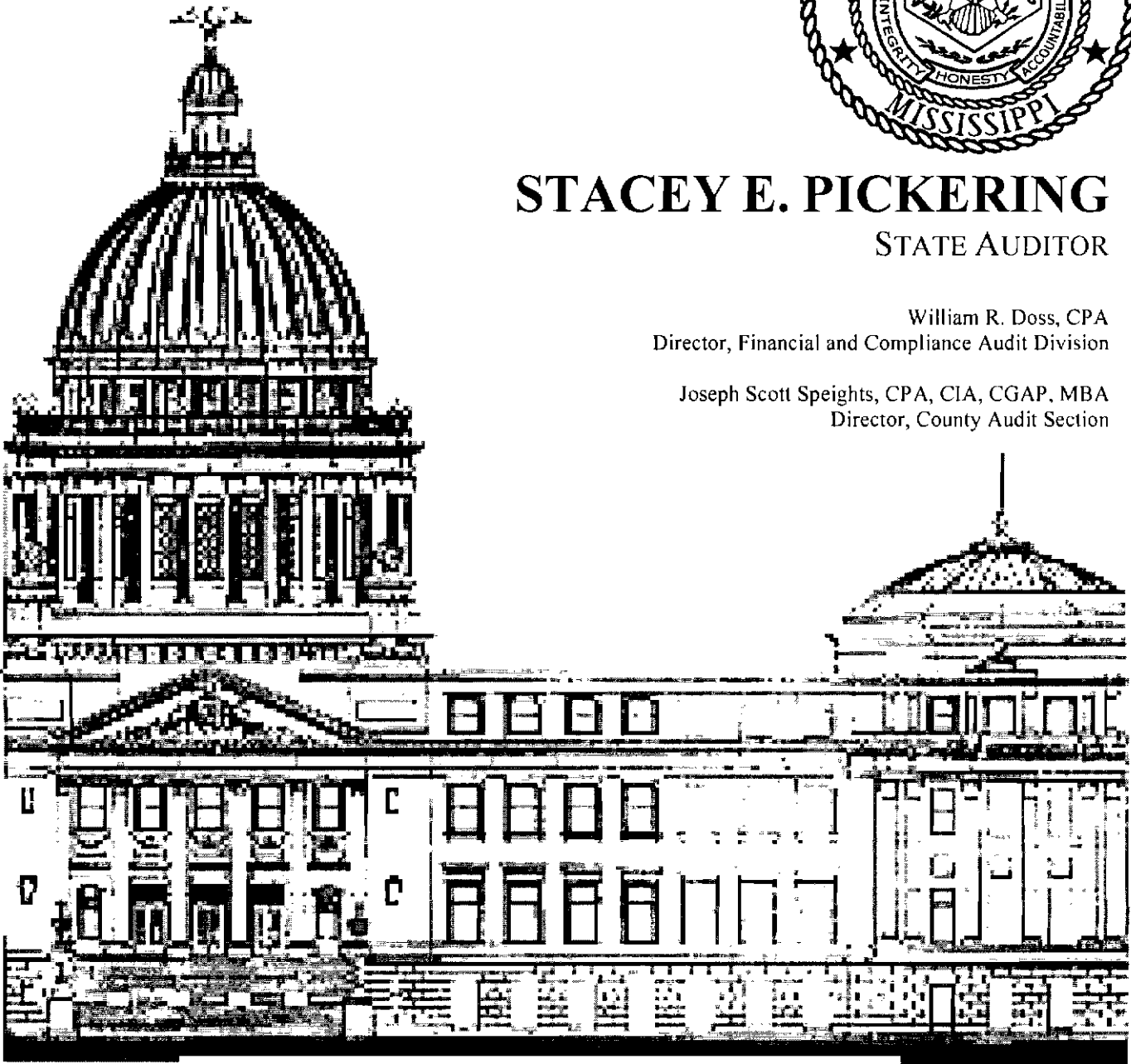


STACEY E. PICKERING

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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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

September 17, 2010

Members of the Board of Supervisors
Lawrence County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Lawrence County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Lawrence County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Lawrence County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

LAWRENCE COUNTY

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LAWRENCE COUNTY

FINANCIAL SECTION

LAWRENCE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence 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.

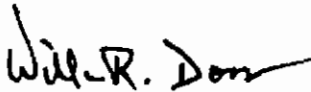
In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Lawrence County, Mississippi, as of September 30, 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 the governmental activities, each major fund and the aggregate remaining fund information of Lawrence 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010, on our consideration of Lawrence County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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



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

September 17, 2010

LAWRENCE COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

LAWRENCE COUNTY

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LAWRENCE COUNTY, MISSISSIPPI

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

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

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

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

FINANCIAL HIGHLIGHTS

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

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

Total net assets decreased \$1,404,373, which represents a 3% decrease from the prior fiscal year. If an analysis is made without the Capital Assets and Long-Term debt there was a decrease of \$99,366, which represents a 1.3% decrease from the prior fiscal year. The County's ending cash balance decreased by \$132,097, which represents a 1.8% decrease from the prior fiscal year.

LAWRENCE COUNTY, MISSISSIPPI

The County had \$9,903,790 in total revenues. Tax revenues account for \$5,306,993 or 54% of total revenues. Operating grants, capital grants, and contributions account for \$2,804,451 or 28% of total revenues.

The County had \$11,308,163 in total expenditures, which represents an increase of \$734,042 or 6.9% increase from the prior fiscal year. Expenses in the amount of \$3,435,343 were offset by grants, outside contributions, or charges for services. The remainder of expenditures of \$7,872,820 was offset by general revenues and accumulated cash.

Among major funds, the General Fund had \$4,486,414 in revenues and other financing sources and \$4,692,486 in expenditures and other financing uses. The General Fund's fund balance decreased \$206,072 over the prior year.

Capital assets, net of accumulated depreciation, decreased by \$2,025,510.

Long-term debt decreased by \$735,503. The decrease in long-term debt is due to small additions of \$36,455 and repayments in the amount of \$771,958 made by the county.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

LAWRENCE COUNTY, MISSISSIPPI

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

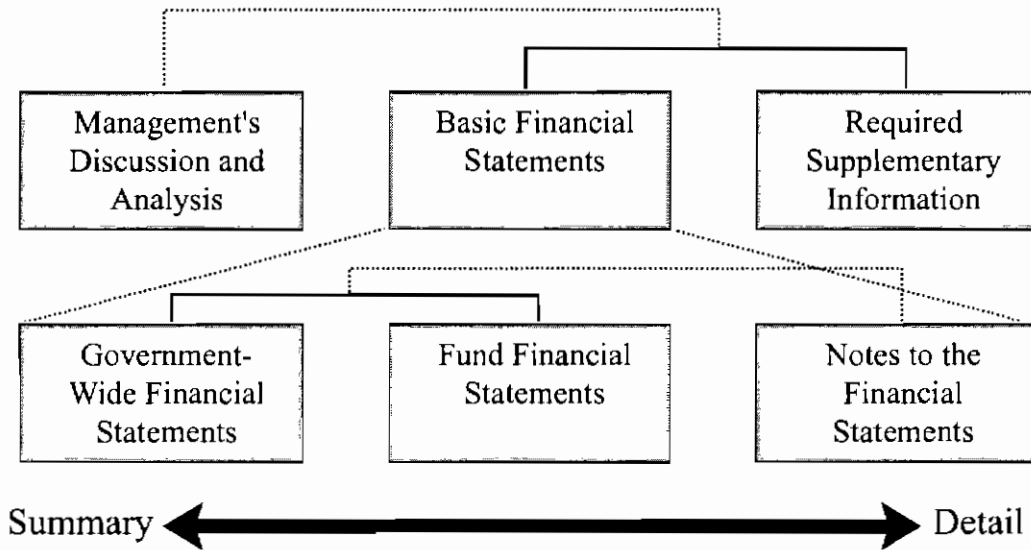


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

LAWRENCE COUNTY, MISSISSIPPI

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

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

LAWRENCE COUNTY, MISSISSIPPI

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

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

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

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

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

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

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

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

LAWRENCE COUNTY, MISSISSIPPI

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

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

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

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

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

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

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

LAWRENCE COUNTY, MISSISSIPPI

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information could be found on pages 45 and 46 of this report.

Lawrence County is subject to a Single Audit, due to the amount of Federal Grants it receives. Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 50 of this report.

GOVERNMENT-WIDE FINANCIAL

Net Assets – Net assets may serve over time as a useful indicator of government’s financial position. In the case of Lawrence County, assets exceeded liabilities by \$45,685,805 as of September 30, 2009.

By far, the largest portion of the County’s net assets (83.3%) reflects its investment in capital assets (e.g. roads, bridges, land, construction in progress, buildings, mobile equipment, furniture & equipment, and leased property under capital lease) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County’s net assets for the fiscal year ended September 30, 2009, as compared to fiscal year ended September 30, 2008.

	09/30/09	09/30/08
	Governmental Activities	Governmental Activities
Assets:		
Current Assets	\$ 13,514,433	\$ 13,561,424
Capital Assets, Net	40,042,985	42,068,495
Total Assets	\$ 53,557,418	\$ 55,629,919
Liabilities:		
Current Liabilities	\$ 5,778,921	\$ 5,711,546
Long-Term Debt Outstanding	2,092,692	2,828,195
Total Liabilities	\$ 7,871,613	\$ 8,539,741
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 38,064,857	\$ 39,369,864
Restricted	4,201,545	4,188,921
Unrestricted	3,419,403	3,531,393
Total Net Assets	\$ 45,685,805	\$ 47,090,178

LAWRENCE COUNTY, MISSISSIPPI

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

- The Board of Supervisors used accumulated cash balances to avoid tax increases.
- \$771,958 of long-term debt principal was retired.
- \$36,455 in long-term debt was issued.
- Capital assets increased by \$858,608 from increases in construction in progress, infrastructure, mobile equipment, furniture and equipment, and leased property under capital leases

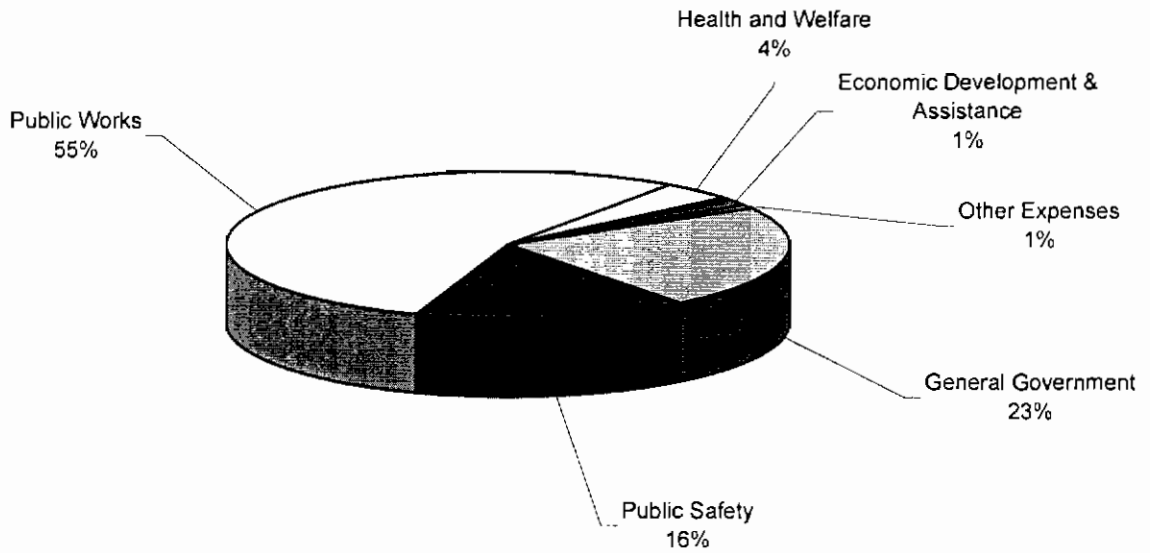
Changes in Net Assets—Lawrence County’s total revenues for the fiscal year ended September 30, 2009 was \$9,903,790. The total cost for all services provided was \$11,308,163 the decrease in net assets were \$1,404,373. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2009, as compared to fiscal year ended September 30, 2008.

	09/30/09	09/30/08
Revenues:		
Program Revenues:		
Charges for Services	\$ 630,892	\$ 632,997
Operating & Capital Grants and Contributions	2,804,451	1,602,258
Taxes	5,306,993	5,047,427
Road and Bridge privilege taxes	187,716	184,339
General Grants and Contributions	584,254	1,006,085
Interest & Miscellaneous	389,484	650,077
Total Revenues	\$ 9,903,790	\$ 9,123,183
Expenses:		
General Government	\$ 2,590,430	\$ 4,685,392
Public Safety	1,776,906	1,709,130
Public Works	6,144,523	3,464,194
Health and Welfare	472,742	405,023
Culture and Recreation	10,212	10,663
Conservation of Natural Resources	46,883	45,983
Economic Development & Assistance	165,838	145,610
Interest on Long-term Debt	100,629	108,126
Total Expenses	\$ 11,308,163	\$ 10,574,121
Decrease in Net Assets	\$ (1,404,373)	\$ (1,450,938)

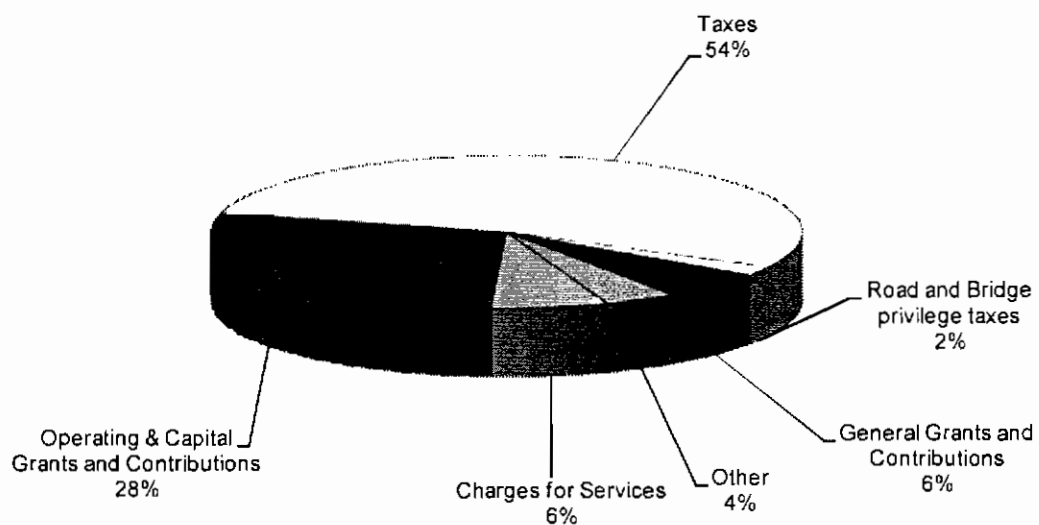
LAWRENCE COUNTY, MISSISSIPPI

The following charts present a summary of the sources and uses of the County's revenues for the fiscal year ended September 30, 2009.

HOW COUNTY REVENUES ARE USED



WHERE THE COUNTY GETS ITS REVENUE



LAWRENCE COUNTY, MISSISSIPPI

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

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

	Total Costs	Net Costs
General Government	\$ 2,590,430	\$ 2,118,206
Public Safety	1,776,906	1,421,806
Public Works	6,144,523	3,646,889
Health and Welfare	472,742	386,057
Culture and Recreation	10,212	10,212
Conservation of Natural Resources	46,883	46,883
Economic Development and Assistance	165,838	142,138
Interest on Long-Term Debt	100,629	100,629
	\$ 11,308,163	\$ 7,872,820

FINANCIAL ANALYSIS OF THE COUNTY’S FUNDS

Governmental funds – At the close of the fiscal year, Lawrence County’s governmental funds reported a combined fund balance of \$6,572,962, a decrease of \$198,868. The decrease is 2.9% of the total fund balance.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$206,072. This decrease is mainly due to a large increase in expenditures and revenues remained close to the same.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

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

LAWRENCE COUNTY, MISSISSIPPI

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2009, Lawrence County's total gross capital assets were \$113,156,122. This includes roads, bridges, other infrastructure, land, construction in progress, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents an increase from the previous year of \$858,608.

Total accumulated depreciation as of September 30, 2009 was \$73,113,137, including \$2,905,541 of depreciation expense for the year. The balance in total net capital assets was \$40,042,985 at year-end.

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

Capital Asset Values

Asset Classification	Balance 10/1/2008	Additions	Deletions	Adjustments	Balance 9/30/2009
Land	\$ 429,166				\$ 429,166
Construction in Progress	-	43,784			43,784
Infrastructure	97,485,070	516,036			98,001,106
Buildings	7,990,212		49,586		7,940,626
Mobile Equipment	3,973,062	270,963	19,140	501,084	4,725,969
Furniture and Equipment	377,691	68,598			446,289
Leased Property under Capital Leases	2,042,313	36,455	8,502	(501,084)	1,569,182
TOTALS	\$ 112,297,514	\$ 935,836	\$ 77,228	\$ -	\$ 113,156,122

Capital Asset Accumulated Depreciation

Asset Classification	Balance 10/1/2008	Additions	Deletions	Adjustments	Balance 9/30/2009
Infrastructure	\$ 63,912,212	\$ 2,283,182			\$ 66,195,394
Buildings	2,449,876	155,826			2,605,702
Mobile Equipment	2,864,916	300,542	13,770	327,045	3,478,733
Furniture and Equipment	294,247	21,451			315,698
Leased Property under Capital Leases	707,768	144,540	7,653	(327,045)	517,610
TOTALS	\$ 70,229,019	\$ 2,905,541	\$ 21,423	\$ -	\$ 73,113,137

LAWRENCE COUNTY, MISSISSIPPI

Debt Administration – At September 30, 2009, Lawrence County had \$2,092,692 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, capital leases and other loans. Of this debt, \$681,104 was due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. As of September 30, 2009, Lawrence County’s outstanding debt was equal to .50% of the latest property assessments.

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

	Balance 10/1/2008	Additions	Reductions	Balance 9/30/2009	Due Within One Year
General Obligation Bonds	991,458		221,458	770,000	180,000
Limited Obligation Bonds	15,000		15,000	-	-
Capital Leases	880,150	36,455	367,860	548,745	284,674
Other Loans	941,587		167,640	773,947	216,430
Total	\$ 2,828,195	\$ 36,455	\$ 771,958	\$ 2,092,692	\$ 681,104

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

CURRENT AND FUTURE ITEMS OF IMPACT

Lawrence County has two projects going during the fiscal year 2009-2010. The first project involves the continuation of construction on U. S. Highway 44. The county is also in the process of having a sprinkler system installed at the hospital. At this time this is all of the projects that Lawrence County will be involved in during the next fiscal year.

The budget for the next fiscal year reflected a decrease of \$279,463 or 3.1% in revenues and a decrease of \$333,515 or 3.4% in expenses. There is expected to be a decrease in net assets of the County.

Lawrence County has an unemployment rate of 11.6% versus 8.1% a year ago. This compares unfavorably with the state average rate of 10.1%.

LAWRENCE COUNTY, MISSISSIPPI

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

LAWRENCE COUNTY

FINANCIAL STATEMENTS

LAWRENCE COUNTY

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LAWRENCE COUNTY
Statement of Net Assets
September 30, 2009

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 7,138,397
Property tax receivable	5,089,000
Fines receivable (net of allowance for uncollectibles of \$560,381)	882,497
Capital leases receivable	312,722
Intergovernmental receivables	90,827
Other receivables	990
Capital assets:	
Land and construction in progress	472,950
Other capital assets, net	39,570,035
Total Assets	<u>53,557,418</u>
LIABILITIES	
Claims payable	548,116
Intergovernmental payables	95,257
Accrued interest payable	3,124
Deferred revenue	5,118,545
Other payables	13,879
Long-term liabilities	
Due within one year:	
Capital debt	634,604
Non-capital debt	46,500
Due in more than one year:	
Capital debt	1,343,524
Non-capital debt	68,064
Total Liabilities	<u>7,871,613</u>
NET ASSETS	
Invested in capital assets, net of related debt	38,064,857
Restricted:	
Expendable:	
General government	254,686
Debt service	839,763
Public safety	817,744
Public works	2,011,006
Health and welfare	239,373
Culture and recreation	1,955
Unemployment compensation	12,194
Capital projects	24,824
Unrestricted	3,419,403
Total Net Assets	<u>\$ 45,685,805</u>

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

LAWRENCE COUNTY
Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,590,430	394,696	11,106	66,422	(2,118,206)
Public safety	1,776,906	212,458	142,642		(1,421,806)
Public works	6,144,523	23,738	653,455	1,820,441	(3,646,889)
Health and welfare	472,742		86,685		(386,057)
Culture and recreation	10,212				(10,212)
Conservation of natural resources	46,883				(46,883)
Economic development and assistance	165,838		23,700		(142,138)
Interest on long-term debt	100,629				(100,629)
Total Governmental Activities	\$ 11,308,163	630,892	917,588	1,886,863	(7,872,820)
General revenues:					
Property taxes					\$ 5,306,993
Road & bridge privilege taxes					187,716
Grants and contributions not restricted to specific programs					584,254
Unrestricted interest income					87,638
Miscellaneous					301,846
Total General Revenues					6,468,447
Changes in Net Assets					(1,404,373)
Net Assets - Beginning					47,090,178
Net Assets - Ending					\$ 45,685,805

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

LAWRENCE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Engineer's Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 2,735,394	59,007	4,343,996	7,138,397
Property tax receivable	3,222,000		1,867,000	5,089,000
Fines receivable (net of allowance for uncollectibles of \$560,381)	882,497			882,497
Capital lease receivable			312,722	312,722
Intergovernmental receivables	49,935	9,620	31,272	90,827
Other receivables	990			990
Due from other funds			32,671	32,671
Advances to other funds	9,500			9,500
Total Assets	\$ 6,900,316	68,627	6,587,661	13,556,604
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 285,719	65,051	197,346	548,116
Intergovernmental payables	89,433			89,433
Due to other funds	38,495			38,495
Advances from other funds			9,500	9,500
Deferred revenue	4,104,497		2,179,722	6,284,219
Other payables	13,879			13,879
Total Liabilities	4,532,023	65,051	2,386,568	6,983,642
Fund balanees:				
Reserved for:				
Debt service			842,887	842,887
Advances	9,500			9,500
Unemployment compensation			12,194	12,194
Unreserved - undesignated, reported in:				
General Fund	2,358,793			2,358,793
Special Revenue Funds		3,576	3,321,188	3,324,764
Capital Project Funds			24,824	24,824
Total Fund Balances	2,368,293	3,576	4,201,093	6,572,962
Total Liabilities and Fund Balances	\$ 6,900,316	68,627	6,587,661	13,556,604

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

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

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,572,962
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 \$73,113,137.	40,042,985
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	882,497
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(2,092,692)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(3,124)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>283,177</u>
Total Net Assets - Governmental Activities	\$ <u><u>45,685,805</u></u>

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

LAWRENCE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2009

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Engineer's Fund		
REVENUES				
Property taxes	\$ 3,386,893		1,920,100	5,306,993
Road and bridge privilege taxes			187,716	187,716
Licenses, commissions and other revenue	96,483		5,476	101,959
Fines and forfeitures	141,482		3,978	145,460
Intergovernmental revenues	565,403	1,820,441	1,002,863	3,388,707
Charges for services	68,972		152,735	221,707
Interest income	55,895		31,743	87,638
Miscellaneous revenues	95,448		206,398	301,846
Total Revenues	<u>4,410,576</u>	<u>1,820,441</u>	<u>3,511,009</u>	<u>9,742,026</u>
EXPENDITURES				
Current:				
General government	2,464,571		95,686	2,560,257
Public safety	1,524,981		276,927	1,801,908
Public works		1,817,367	2,323,572	4,140,939
Health and welfare	218,870		245,337	464,207
Culture and recreation			7,769	7,769
Conservation of natural resources	46,883			46,883
Economic development and assistance	27,360		138,478	165,838
Debt service:				
Principal	20,291		751,667	771,958
Interest	6,627		95,793	102,420
Total Expenditures	<u>4,309,583</u>	<u>1,817,367</u>	<u>3,935,229</u>	<u>10,062,179</u>
Excess of Revenues over (under) Expenditures	<u>100,993</u>	<u>3,074</u>	<u>(424,220)</u>	<u>(320,153)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			36,455	36,455
Proceeds from sale of capital assets			5,777	5,777
Transfers in	75,838		416,316	492,154
Transfers out	(382,903)	(16,134)	(93,117)	(492,154)
Lease principal payments			79,053	79,053
Total Other Financing Sources and Uses	<u>(307,065)</u>	<u>(16,134)</u>	<u>444,484</u>	<u>121,285</u>
Net Changes in Fund Balances	(206,072)	(13,060)	20,264	(198,868)
Fund Balances - Beginning	<u>2,574,365</u>	<u>16,636</u>	<u>4,180,829</u>	<u>6,771,830</u>
Fund Balances - Ending	<u>\$ 2,368,293</u>	<u>3,576</u>	<u>4,201,093</u>	<u>6,572,962</u>

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

LAWRENCE COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (198,868)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$2,905,541 exceeded capital outlays of \$935,836 in the current period.	(1,969,705)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$50,028 and the proceeds from the sale of \$5,777 in the current period.	(55,805)
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.	161,764
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 \$771,958 exceeded debt proceeds of \$36,455.	735,503
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the amount of decrease in accrued interest payable.	1,791
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	<u>(79,053)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(1,404,373)</u></u>

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

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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 452,072
Due from other funds	<u>5,824</u>
Total Assets	<u>\$ 457,896</u>
LIABILITIES	
Amounts held in custody for others	\$ 302,984
Intergovernmental payables	<u>154,912</u>
Total Liabilities	<u>\$ 457,896</u>

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

LAWRENCE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Lawrence County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Lawrence County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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

LAWRENCE COUNTY

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental 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.

Engineer's Fund - This fund is used to account for all activities of the construction and maintenance of roads and bridges within the county partially or fully funded with state and federal funds.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

LAWRENCE COUNTY

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

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

LAWRENCE COUNTY

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

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

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

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

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

LAWRENCE COUNTY

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

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$7,590,469, and the bank balance was \$7,661,981. 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.

LAWRENCE COUNTY

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

(3) 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>
Other Governmental Funds	General Fund	\$ 32,671
Agency Funds	General Fund	5,824
Total		<u>\$ 38,495</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. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	<u>\$ 9,500</u>

The receivable represents a cash shortage in the prior year in the Special Revenue Funds.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 75,838
Other Governmental Funds	General Fund	382,903
Other Governmental Funds	Engineer's Fund	16,134
Other Governmental Funds	Other Governmental Funds	17,279
Total		<u>\$ 492,154</u>

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

(4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 48,375
Disaster grants - public assistance reimbursement	30,374
State aid road reimbursement	9,620
Reimbursement for food stamps/welfare	1,560
MDOT litter grant	898
Total Governmental Activities	<u>\$ 90,827</u>

LAWRENCE COUNTY

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

(5) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 429,166				429,166
Construction in progress		43,784			43,784
Total non-depreciable capital assets	<u>429,166</u>	<u>43,784</u>	<u>0</u>	<u>0</u>	<u>472,950</u>
<u>Depreciable capital assets:</u>					
Infrastructure	97,485,070	516,036			98,001,106
Buildings	7,990,212		49,586		7,940,626
Mobile equipment	3,973,062	270,963	19,140	501,084	4,725,969
Furniture and equipment	377,691	68,598			446,289
Leased property under capital leases	2,042,313	36,455	8,502	(501,084)	1,569,182
Total depreciable capital assets	<u>111,868,348</u>	<u>892,052</u>	<u>77,228</u>	<u>0</u>	<u>112,683,172</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	63,912,212	2,283,182			66,195,394
Buildings	2,449,876	155,826			2,605,702
Mobile equipment	2,864,916	300,542	13,770	327,045	3,478,733
Furniture and equipment	294,247	21,451			315,698
Leased property under capital leases	707,768	144,540	7,653	(327,045)	517,610
Total accumulated depreciation	<u>70,229,019</u>	<u>2,905,541</u>	<u>21,423</u>	<u>0</u>	<u>73,113,137</u>
Total depreciable capital assets, net	<u>41,639,329</u>	<u>(2,013,489)</u>	<u>55,805</u>	<u>0</u>	<u>39,570,035</u>
Governmental activities capital assets, net	<u>\$ 42,068,495</u>	<u>(1,969,705)</u>	<u>55,805</u>	<u>0</u>	<u>40,042,985</u>

* An adjustment was made for the reclassification of paid-off capital leases to mobile equipment.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 68,661
Public safety	208,098
Public works	2,574,020
Health and welfare	52,319
Culture and recreation	2,443
Total governmental activities depreciation expense	<u>\$ 2,905,541</u>

LAWRENCE COUNTY

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

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>
Hospital sprinkler system	\$ 673,600	09-2010

(6) Claims and Judgments.

Risk Financing.

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

(7) Capital Leases.

As Lessor:

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

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2009, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 80,886	9,781
2011	78,513	7,987
2012	34,578	6,089
2013	36,586	3,775
2014	38,712	1,755
2015	13,902	158
Total	\$ 283,177	29,545

LAWRENCE COUNTY

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

As Lessee:

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 1,569,182
Less: Accumulated depreciation	<u>517,610</u>
Leased Property Under Capital Leases	<u>\$ 1,051,572</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2010	\$ 284,674	16,339
2011	167,311	6,501
2012	79,807	2,153
2013	<u>16,953</u>	<u>179</u>
Total	<u>\$ 548,745</u>	<u>25,172</u>

(8) 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:			
Series 1998 jail bonds	\$ 515,000	4.30%/4.75%	04-2013
Series 1998A jail bonds	<u>255,000</u>	4.90%	07-2013
Total General Obligation Bonds	<u>\$ 770,000</u>		
B. Capital Leases:			
Excavator	\$ 54,077	3.41%	09-2010
Tractor and mower	7,431	3.49%	07-2010
Kubota tractor with wood mower	16,520	3.96%	04-2011
Kubota tractor	14,022	4.04%	08-2011
New Holland tractor with tractor mower	15,453	4.07%	10-2010
Kubota tractor with boom mower	21,503	3.96%	04-2011
Caterpillar 420D backhoe	19,725	3.79%	01-2011
Tractor	5,345	3.65%	08-2010
Asphalt paver	24,105	4.25%	11-2010
Garbage truck	30,422	3.99%	06-2011
GMC pickup with flatbed	1,040	4.03%	11-2009
Garbage truck & Pac Mac container unit	1,120	3.13%	10-2009
Garbage truck - compactor	54,326	4.13%	08-2012

LAWRENCE COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Backhoe loader	6,220	4.13%	05-2010
Sheriff's car	13,369	3.77%	01-2012
Sheriff's car	12,654	3.41%	03-2011
Excavator	43,720	4.44%	11-2012
Excavator	35,193	3.85%	02-2013
Extendahoe	23,994	3.45%	05-2012
International garbage truck	39,733	3.24%	06-2013
(3) Kubota tractors	31,850	3.04%	07-2011
(2) Dump trucks	26,233	3.49%	08-2012
Caterpillar tractor	21,441	3.15%	08-2011
Superior broom	29,249	3.28%	11-2012
Total Capital Leases	\$ 548,745		
C. Other Loans:			
CAP loan	\$ 174,372	2.00%	11-2017
CAP loan	186,951	5.66%	02-2015
Southern Pine loan	95,833	0.00%	08-2011
Hospital note - revenue note	139,564	4.95%	10-2011
District 2 fire truck loans	33,914	3.00%	02-2015
Road and bridge construction loan	120,000	3.87%	12-2010
District 2 fire truck loan	23,313	2.00%	12-2015
Total Other Loans	\$ 773,947		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2010	\$ 180,000	36,428	216,430	26,181
2011	185,000	27,968	214,697	19,124
2012	195,000	19,278	111,484	11,946
2013	210,000	10,080	67,598	6,965
2014			70,409	4,154
2015 - 2019			93,329	2,736
Total	\$ 770,000	93,754	773,947	71,106

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.

LAWRENCE COUNTY

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

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

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept. 30, 2009	Amount due within one Year
Governmental Activities:						
General obligation bonds	\$ 991,458		221,458		770,000	180,000
Limited obligation bonds	15,000		15,000		0	
Capital leases	880,150	36,455	367,860		548,745	284,674
Other loans	941,587		167,640		773,947	216,430
Total	<u>\$ 2,828,195</u>	<u>36,455</u>	<u>771,958</u>	<u>0</u>	<u>2,092,692</u>	<u>681,104</u>

(9) Contingencies.

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

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

Hospital Revenue Note Contingencies - The county issues revenue notes to provide funds for constructing and improving capital facilities of the Lawrence County Hospital. Revenue notes are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these notes because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue notes outstanding at September 30, 2009, is \$73,681.

(10) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Copiah-Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The Lawrence County Board of Supervisors appoints two of the 27 members of the college board of trustees. The county appropriated \$429,890 for maintenance and support of the college in fiscal year 2009.

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$27,360 for support of the district in fiscal year 2009.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The Lawrence County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$22,500 for support in fiscal year 2009.

LAWRENCE COUNTY

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

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

(11) Defined Benefit Pension Plan.

Plan Description. Lawrence County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 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 \$281,452, \$253,262 and \$236,065, respectively, equal to the required contributions for each year.

(12) Subsequent Events.

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

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/15/2009	3.38%	\$ 104,998	Capital lease	District 3 road and bridge revenue
02/01/2010	3.00%	105,922	Other loan	Tax levy
02/18/2010	3.15%	26,993	Capital lease	General county revenues
03/01/2010	3.00%	150,004	Other loan	Fire rebate funds and tax levy
05/07/2010	3.13%	44,134	Capital lease	Tax levy
06/14/2010	3.23%	72,890	Capital lease	Tax levy
07/16/2010	2.79%	20,000	Capital lease	Tax levy
07/27/2010	3.15%	45,180	Capital lease	Tax levy

LAWRENCE COUNTY

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LAWRENCE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

LAWRENCE COUNTY

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LAWRENCE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 3,247,000	3,392,375	3,392,375	
Licenses, commissions and other revenue	85,000	94,656	94,656	
Fines and forfeitures	150,000	146,142	146,142	
Intergovernmental revenues	670,000	825,794	825,794	
Charges for services	55,000	49,596	49,596	
Interest income	97,500	56,405	56,405	
Miscellaneous revenues	85,000	113,089	113,089	
Total Revenues	<u>4,389,500</u>	<u>4,678,057</u>	<u>4,678,057</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,332,659	2,419,488	2,419,488	
Public safety	1,359,500	1,537,200	1,537,200	
Health and welfare	163,900	179,319	179,319	
Education	300,000	248,820	248,820	
Conservation of natural resources	47,456	47,487	47,487	
Economic development and assistance	146,860	142,360	142,360	
Total Expenditures	<u>4,350,375</u>	<u>4,574,674</u>	<u>4,574,674</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>39,125</u>	<u>103,383</u>	<u>103,383</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	226,754	81,251	81,251	
Other financing uses	<u>(477,754)</u>	<u>(388,805)</u>	<u>(388,805)</u>	
Total Other Financing Sources and Uses	<u>(251,000)</u>	<u>(307,554)</u>	<u>(307,554)</u>	<u>0</u>
Net Change in Fund Balance	(211,875)	(204,171)	(204,171)	0
Fund Balances - Beginning	<u>2,237,071</u>	<u>2,698,316</u>	<u>2,698,316</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,025,196</u>	<u>2,494,145</u>	<u>2,494,145</u>	<u>0</u>

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

LAWRENCE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Engineer's Fund
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ 750.000	1,318,621	1,318,621	0
Total Revenues	<u>750.000</u>	<u>1,318,621</u>	<u>1,318,621</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	750.000	1,356,510	1,340,376	16.134
Total Expenditures	<u>750.000</u>	<u>1,356,510</u>	<u>1,340,376</u>	<u>16.134</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(37,889)</u>	<u>(21,755)</u>	<u>16.134</u>
OTHER FINANCING SOURCES (USES)				
Other financing uses			(16,134)	(16,134)
Total Other Financing Sources and Uses	<u>0</u>	<u>0</u>	<u>(16,134)</u>	<u>(16,134)</u>
Net Change in Fund Balance	0	(37,889)	(37,889)	0
Fund Balances - Beginning	<u>28,000</u>	<u>96,896</u>	<u>96,896</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 28,000</u>	<u>59,007</u>	<u>59,007</u>	<u>0</u>

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

LAWRENCE COUNTY

Notes to the 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 each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Engineer's Fund
Budget (Cash Basis)	\$ (204,171)	(37,889)
Increase (Decrease)		
Net adjustments for revenue accruals	96,707	9,620
Net adjustments for expenditure accruals	(98,608)	15,209
GAAP Basis	\$ (206,072)	(13,060)

LAWRENCE COUNTY

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LAWRENCE COUNTY

SUPPLEMENTAL INFORMATION

LAWRENCE 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 Business - Cooperative Service Rural business enterprise grants	10.769	N/A	\$ <u>23,478</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority HOME investment partnership program	14.239	1220-M08-SG-280-361	<u>63,250</u>
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	MS-038-039(1)B	* <u>1,274,421</u>
U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	1837-DR-MS	<u>153,428</u>
Total Expenditures of Federal Awards			\$ <u><u>1,514,577</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program

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

Operating Expenditures, Cash Basis:

Salaries	\$	190,404
Expendable Commodities:		
Gasoline and petroleum products		4,447
Repair parts		8,961
Contractual services		136,641
Supplies		<u>6,648</u>

Solid Waste Cash Basis Operating Expenditures 347,101

Full Cost Expenses:

Depreciation on equipment	65,806
Depreciation on building	72
Interest on solid waste debt	6,744
Other	<u>3,285</u>

Solid Waste Full Cost Operating Expenses \$ 423,008

WALTHAM COUNTY

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LAWRENCE COUNTY

SPECIAL REPORTS

WALTHALL COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Lawrence County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lawrence 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 September 17, 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

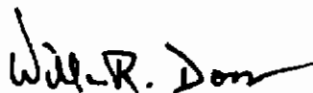
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose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

Compliance and Other Matters

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

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

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



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

September 17, 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
Lawrence County, Mississippi

Compliance

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

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

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

Internal Control Over Compliance

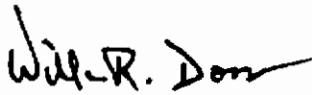
The management of Lawrence County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lawrence County,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

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

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

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

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



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

September 17, 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
Lawrence County, Mississippi

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

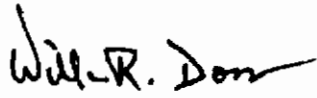
The Board of Supervisors of Lawrence County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing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

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

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

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

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

A handwritten signature in black ink that reads "Will R. Dooss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

September 17, 2010

LAWRENCE COUNTY

Schedule 1

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

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

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

Schedule 2

Our test results did not identify any emergency purchases.

LAWRENCE COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2009

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
10/06/2008	Missilite expanded clay	\$	8,470	Big River Industries
10/28/2008	Missilite expanded clay		21,175	Big River Industries
08/04/2009	Computer		6,680	Premise
08/21/2009	E-911 radio system		118,603	Comsouth
08/21/2009	E-911 equipment		325,896	Comsouth

WALTHAM COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lawrence County, Mississippi

In planning and performing our audit of the financial statements of Lawrence County, Mississippi for the year ended September 30, 2009, we considered Lawrence County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lawrence County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 17, 2010, on the financial statements of Lawrence County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

A handwritten signature in black ink that reads "Will R. Dooss".

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

September 17, 2010

WALTHALL COUNTY

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LAWRENCE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

WALTHALL COUNTY

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LAWRENCE 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 | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Engineer's Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section ____,510(a) of OMB Circular A-133? | No |
| 7. | Federal program identified as a major program: | |
| | Highway planning and construction, CFDA #20.205 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____,315(b) of OMB Circular A-133? | No |

LAWRENCE COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 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 two years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

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

Board of Supervisors' Response

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

Significant Deficiency - Material Weakness

09-2. Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received. As reported in the prior year's audit report, the county did not report all federal grant expenditures or erroneously included expenditures on the Schedule of Expenditures of Federal Awards for the fiscal year ended September 30, 2009. As a result, several corrections were proposed by the auditor and made by the county to the Schedule of Expenditures of Federal Awards. The failure to properly complete the Schedule of Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures.

Recommendation

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

Board of Supervisors' Response

We will comply.

LAWRENCE COUNTY

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

Circuit Clerk.

Significant Deficiency

09-3. Finding

An effective system of internal control should include maintaining cash journals and reconciling the bank statements to the cash journals. As reported in the prior year's audit report, the fee account bank statement was not reconciled to the fee account cash journal. A cash balance was not being maintained in the fee account cash journal. Failure to reconcile the fee account bank statement to the fee account cash journal could result in the loss of public funds.

Recommendation

The Circuit Clerk should ensure that a cash balance is maintained in the fee account cash journal and that the fee account bank statement is reconciled to the fee account cash journal.

Circuit Clerk's Response

Will comply.

Justice Court Clerk.

Significant Deficiency

09-4. Finding

An effective system of internal control over cash receipts in the Justice Court Clerk's office should include making daily bank deposits. Bank deposits were not made on a daily basis during the fiscal year ended September 30, 2009. Failure to make daily bank deposits could result in the loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should ensure that bank deposits are made on a daily basis.

Justice Court Clerk's Response

I would like to explain the reasons bank deposits were not made on a daily basis.

The Deputy Clerk that helped me with making the daily deposits is no longer employed with our office. After her resignation this left me as the only clerk to make deposits which resulted in them not being made on a daily basis.

I have tried to teach another Deputy Clerk how to make the deposit and the importance of posting everything correctly which has not been very successful. Most deposits I would have to end up making corrections to the accounting part when I returned. I then began to only have her to make a deposit when very necessary.

Upon finding and recommendation I will comply and make deposits on a daily basis in the future.

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.