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# **MONROE COUNTY, MISSISSIPPI**

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2010

MONROE COUNTY  
TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITOR'S REPORT.....	2
FINANCIAL STATEMENTS .....	4
Statement of Net Assets.....	5
Statement of Activities.....	6
Balance Sheet - Governmental Funds.....	8
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets.....	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	11
Statement of Net Assets - Proprietary Fund.....	12
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Fund.....	13
Statement of Cash Flows - Proprietary Fund.....	14
Statement of Fiduciary Assets and Liabilities.....	15
Notes to Financial Statements .....	16
REQUIRED SUPPLEMENTARY INFORMATION .....	34
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund.....	35
Countywide Road Maintenance Fund.....	36
Notes to the Required Supplementary Information.....	37
SUPPLEMENTAL INFORMATION.....	38
Schedule of Expenditures of Federal Awards.....	39
SPECIAL REPORTS.....	40
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 <i>Government Auditing Standards</i> .....	41
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	43
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)) .....	45
Limited Internal Control and Compliance Review Management Report .....	50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....	54

MONRCE COUNTY

FINANCIAL SECTION

# Windham and Lacey, PLLC

*Certified Public Accountants*

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Pearl, MS 39208  
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Members  
American Institute of CPAs  
Mississippi Society of CPAs

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Monroe County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Monroe County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

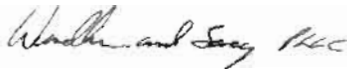
In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2011, on our consideration of Monroe County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Windham and Lacey, PLLC  
June 15, 2011

MONRCE COUNTY

FINANCIAL STATEMENTS

MONROE COUNTY  
Statement of Net Assets  
September 30, 2010

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
Cash	\$ 15,799,261	710,371	16,509,632
Property tax receivable	9,345,006	129,011	9,474,017
Accrued interest receivable	3,976	258	4,234
Accounts receivable (net of allowance for uncollectibles of \$385,018)		370,397	370,397
Fines receivable (net of allowance for uncollectibles of \$871,279)	205,032		205,032
Intergovernmental receivables	352,463		352,463
Loans receivable	261,064		261,064
Capital leases receivable	4,099,321		4,099,321
Other receivables	14,351		14,351
Internal balances	(2,053)	2,053	
Prepaid items	368,471		368,471
Restricted assets - investments	1,296,662		1,296,662
Capital assets:			
Land and construction in progress	2,417,106		2,417,106
Other capital assets, net	53,168,245	798,424	53,966,669
Total Assets	<u>87,328,905</u>	<u>2,010,514</u>	<u>89,339,419</u>
<b>LIABILITIES</b>			
Claims payable	1,545,233	72,393	1,617,626
Claims and judgments payable	66,746		66,746
Intergovernmental payables	276,003		276,003
Accrued interest payables	125,989		125,989
Unearned revenue		107,838	107,838
Deferred revenue	9,951,145	129,011	10,080,156
Compensated absences	443,149	37,771	480,920
Other payables	662,625		662,625
Long-term liabilities			
Due within one year:			
Capital debt	1,280,269	325,583	1,605,852
Non-capital debt	155,000		155,000
Due in more than one year:			
Capital debt	12,732,320	702,836	13,435,156
Non-capital debt	3,885,000		3,885,000
Total Liabilities	<u>31,123,479</u>	<u>1,375,432</u>	<u>32,498,911</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	41,572,762	(229,995)	41,342,767
Restricted:			
Expendable:			
Unemployment compensation	30,002		30,002
General government	273,053		273,053
Public safety	1,547,398		1,547,398
Public works	1,229,111	865,077	2,094,188
Health and welfare	20,086		20,086
Culture and recreation	94,195		94,195
Economic development	932,883		932,883
Debt service	7,036,150		7,036,150
Unrestricted	3,469,786		3,469,786
Total Net Assets	<u>\$ 56,205,426</u>	<u>635,082</u>	<u>56,840,508</u>

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

MONROE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
General government	\$ 4,754,002	1,258,646			(3,495,356)		(3,495,356)
Public safety	4,949,064	897,207	440,875	100,000	(3,510,982)		(3,510,982)
Public works	5,839,296	145,059	900,168	1,249,405	(3,544,664)		(3,544,664)
Health and welfare	924,799		145,837	557,976	(220,986)		(220,986)
Culture and recreation	122,170		37,500		(84,670)		(84,670)
Education	2,500				(2,500)		(2,500)
Conservation of natural resources	233,193		3,908		(229,285)		(229,285)
Economic development and assistance	1,030,155			691,056	(339,099)		(339,099)
Interest on long-term debt	752,208				(752,208)		(752,208)
Total Governmental Activities	18,607,387	2,300,912	1,528,288	2,598,437	(12,179,750)	0	(12,179,750)
Business-type Activities:							
Solid Waste	1,814,919	1,792,367	12,412			(10,140)	(10,140)
Total Business-type Activities	1,814,919	1,792,367	12,412	0	0	(10,140)	(10,140)
Total Primary Government	\$ 20,422,306	4,093,279	1,540,700	2,598,437	(12,179,750)	(10,140)	(12,189,890)

MONROE COUNTY  
Statement of Activities  
For the Year Ended September 30, 2010

(Exhibit 2 Continued)

	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government Governmental Activities	Business-type Activities	Total
General revenues:			
Property taxes	\$ 11,017,810	152,444	11,170,254
Road & bridge privilege taxes	429,685		429,685
Grants and contributions not restricted to specific programs	1,819,068		1,819,068
Unrestricted interest income	149,828	1,770	151,598
Contributions to Solid Waste fund	(9,840)	9,840	
Miscellaneous	\$57,046	6,726	563,772
Transfers	8,345	(8,345)	
Total General Revenues and Transfers	13,971,942	162,435	14,134,377
Changes in Net Assets	1,792,192	152,295	1,944,487
Net Assets - Beginning	54,413,234	482,787	54,896,021
Net Assets - Ending	\$ 56,205,426	635,082	56,840,508

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

MONROE COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2010

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Funds	Countywide Road Maintenance Fund		
<b>ASSETS</b>				
Cash	\$ 6,147,601	1,320,784	8,330,876	15,799,261
Investments - restricted			1,296,662	1,296,662
Loans receivable			261,064	261,064
Property tax receivable	4,645,097	2,533,366	2,166,543	9,345,006
Accrued interest receivable	1,932		1,890	3,822
Fines receivable, net of allowance for uncollectible of \$871,279	205,032			205,032
Capital lease receivable	56,250		4,043,071	4,099,321
Intergovernmental receivables	136,639	43,778	172,046	352,463
Deferred charges			368,471	368,471
Other receivables	349		14,156	14,505
Advances to other funds	103,904		95,847	199,751
Due from other funds	94,585	71,094	34,093	199,772
Total Assets	\$ 11,391,389	3,969,022	16,784,719	32,145,130
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 506,146	547,594	491,493	1,545,233
Claims and judgments payable			66,746	66,746
Intergovernmental payables	257,399			257,399
Due to other funds	125,844		94,585	220,429
Advances from other funds		95,847	103,904	199,751
Deferred revenue	4,906,379	2,533,366	6,209,614	13,649,359
Other payables	662,625			662,625
Total Liabilities	6,458,393	3,176,807	6,966,342	16,601,542
Fund balances:				
Reserved for:				
Debt service			3,668,958	3,668,958
Loans receivable			261,064	261,064
Advances		95,847	103,904	199,751
Unreserved, reported in:				
General Fund	4,932,996			4,932,996
Special revenue funds		696,368	5,665,965	6,362,333
Capital project funds			118,486	118,486
Total Fund Balances	4,932,996	792,215	9,818,377	15,543,588
Total Liabilities and Fund Balances	\$ 11,391,389	3,969,022	16,784,719	32,145,130

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

MONROE COUNTY  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
 September 30, 2010

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,543,588
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 \$79,988,632.	55,585,351
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	205,033
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(18,495,738)
Accrued interest payable is not due and payable in the current period and, therefore, are not deferred in the funds.	(125,989)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>3,493,181</u>
Total Net Assets - Governmental Activities	\$ <u><u>56,205,426</u></u>

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

## MONROE COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2010

	Major Funds			Total Governmental Funds
	General Funds	Countywide Road Maintenance Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 5,127,264	2,984,664	2,905,882	11,017,810
Road and bridge privilege taxes		429,685		429,685
Licenses, commissions and other revenue	462,858		33,904	496,762
Fines and forfeitures	541,001		32,335	573,336
Intergovernmental revenues	2,253,007	1,965,936	1,726,850	5,945,793
Charges for services	463,866		510,244	974,110
Interest income	13,265	1,114	135,449	149,828
Miscellaneous revenues	118,909	82,017	433,572	634,498
Total Revenues	<u>8,980,170</u>	<u>5,463,416</u>	<u>5,778,236</u>	<u>20,221,822</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,025,966		386,551	4,412,517
Public safety	4,098,870		1,314,775	5,413,645
Public works	132,299	5,015,926	544,619	5,692,844
Health and welfare	383,571		1,144,784	1,528,355
Culture and recreation	90,000		29,578	119,578
Education	2,500			2,500
Conservation of natural resources	179,449			179,449
Economic development and assistance	248,631		2,301,884	2,550,515
Debt service:				
Principal	37,053	49,058	1,208,156	1,294,267
Interest	2,776	3,544	881,137	887,457
Fiscal agent fees			9,349	9,349
Total Expenditures	<u>9,201,115</u>	<u>5,068,528</u>	<u>7,820,833</u>	<u>22,090,476</u>
Excess of Revenues over (under) Expenditures	<u>(220,945)</u>	<u>394,888</u>	<u>(2,042,597)</u>	<u>(1,868,654)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term non-capital debt issued	308,007	107,745	2,266,943	2,682,695
Proceeds from sale of capital assets	72,403	72,651		145,054
Transfers in			971,525	971,525
Transfers out	(230,809)	(28,373)	(703,998)	(963,180)
Lease principal payments	1,721		416,598	418,319
Total Other Financing Sources and Uses	<u>151,322</u>	<u>152,023</u>	<u>2,951,068</u>	<u>3,254,413</u>
Net Changes in Fund Balances	<u>(69,623)</u>	<u>546,911</u>	<u>908,471</u>	<u>1,385,759</u>
Fund Balances - Beginning	<u>5,002,619</u>	<u>245,304</u>	<u>8,909,906</u>	<u>14,157,829</u>
Fund Balances - Ending	<u>\$ 4,932,996</u>	<u>792,215</u>	<u>9,818,377</u>	<u>15,543,588</u>

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

MONROE COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,385,759
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,271,709 exceeded depreciation of \$1,431,829 in the current period.	839,880
In the Statement of Activities, only gains and losses from the disposal of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$146,876 and the proceeds from the sale of capital assets of \$145,054.	(291,930)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	79,579
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 of debt issued of \$2,682,695 and repayments of \$1,294,267.	(1,388,428)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change	
The increase in compensated absences	(57,375)
The reduction in accrued interest payable	135,249
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from the change in fund balances by the principal collections on the capital leases.	(418,319)
In the Statement of Activities the principal portion of capital leases receivable is reported as a component of revenue whereas in the Governmental Funds it is deferred. In the current fiscal year the county entered into a capital lease receivable with a company for the purchase of a county-owned building.	<u>1,507,777</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,792,192</u></u>

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

MONROE COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2010

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Fund
<b>ASSETS</b>	
Current assets:	
Cash	\$ 710,371
Accounts receivable (net of allowance for uncollectibles of \$385,018)	370,397
Accrued interest receivable	258
Property tax receivable	129,011
Due from other funds	2,053
Total Current Assets	<u>1,212,090</u>
Noncurrent assets:	
Capital assets, net	<u>798,424</u>
Total Noncurrent Assets	<u>798,424</u>
Total Assets	<u>2,010,514</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	72,393
Due within one year:	
Capital debt	<u>325,583</u>
Total Current Liabilities	<u>397,976</u>
Noncurrent liabilities:	
Deferred revenue	129,011
Unearned revenue	107,838
Compensated absences payable	37,771
Due in more than one year:	
Capital debt	<u>702,836</u>
Total Noncurrent Liabilities	<u>977,456</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	(229,995)
Unrestricted	<u>865,077</u>
Total Net Assets	<u>\$ 635,082</u>

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

MONROE COUNTY  
Statement of Revenues, Expenses and Changes in Fund Net Assets -  
Proprietary Fund  
For the Year Ended September 30, 2010

Exhibit 6

	Business-type Activities - Enterprise Fund Solid Waste Fund
Operating Revenues	
Charges for services	\$ 1,684,629
Other operating cash receipts	107,738
Total Operating Revenues	<u>1,792,367</u>
Operating Expenses	
Personal services	734,389
Contractual services	540,104
Materials and supplies	250,953
Depreciation expense	237,126
Indirect costs	14,792
Total Operating Expenses	<u>1,777,364</u>
Operating Income (Loss)	<u>15,003</u>
Nonoperating Revenues (Expenses)	
Property taxes	152,444
Operating grants	12,412
Capital contributions from governmental funds	9,840
Disposal of capital assets	6,726
Interest income	1,770
Interest expense	(37,555)
Net Nonoperating Revenue (Expenses)	<u>145,637</u>
Net Income (Loss) Before Transfers	160,640
Transfers out	(8,345)
Changes in Net Assets	<u>152,295</u>
Net Assets - Beginning	<u>482,787</u>
Net Assets - Ending	<u>\$ 635,082</u>

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

MONROE COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2010

Exhibit 7

	Business-type Activities - Enterprise Funds
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,657,376
Receipts from cities	107,740
Payments to suppliers	(786,016)
Payments to employees	(741,206)
Payments to General Fund for indirect costs	(14,792)
Net Cash Provided (Used) by Operating Activities	<u>223,102</u>
Cash Flows From Noncapital Financing Activities	
Cash received from property taxes	152,465
Operating grants received	12,412
Cash paid to other funds:	
Operating transfers out	(8,345)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>156,532</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	20,780
Principal paid on long-term debt	(333,232)
Interest paid on debt	(37,555)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(350,007)</u>
Cash Flows From Investing Activities	
Interest on deposits	1,673
Net Cash Provided (Used) by Investing Activities	<u>1,673</u>
Net Increase (Decrease) in Cash and Cash Equivalents	31,300
Cash and Cash Equivalents at Beginning of Year	<u>679,071</u>
Cash and Cash Equivalents at End of Year	<u>\$ 710,371</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 15,003
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	237,126
(Increase) decrease in accounts receivable	(28,467)
Increase (decrease) in claims payable	5,041
Increase (decrease) in compensated absences liability	(6,817)
Increase (decrease) in unearned revenue	1,216
Total Adjustments	<u>208,099</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 223,102</u>

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

MONROE COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2010

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 22
Accrued interest receivable	16
Due from other funds	<u>18,604</u>
Total Assets	<u>\$ 18,642</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 8,153
Intergovernmental payables	<u>10,489</u>
Total Liabilities	<u>\$ 18,642</u>

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

## MONROE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

- Cason Fire District
- Sipsey River Fire District
- Splunge Fire District
- Wren Fire District

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. Additionally, taxes are levied for the support of the business-type activity.

## MONROE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

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

#### Fund Financial Statements:

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

#### C. Measurement Focus and Basis of Accounting.

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

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

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

## MONROE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

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

The county reports the following major Governmental Funds:

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

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

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

Capital Projects Funds - These funds are used to account for resources that are to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of long term debt and federal and state grants.

#### PROPRIETARY FUND TYPE

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

## MONRGE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

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

#### H. Restricted Assets.

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

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

1. Capital Assets.

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

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

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

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

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

## MONROE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

#### J. Long-term Liabilities.

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

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

#### K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

#### L. Property Tax Revenues.

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

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

## MONROE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

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

#### M. Intergovernmental Revenues in Governmental Funds.

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

#### N. Compensated Absences.

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

#### (2) Beginning Fund Balance Adjustment

For the year beginning October 1, 2009, the County Reappraisal Fund and the Employee Medical Fund were reclassified from the General Fund to Other Governmental Funds. This resulted in a decrease and increase to the General Fund and Other Governmental Funds of \$1,732,565, respectively. Additionally, Lane Furniture I&S major fund was reclassified to Other Governmental Funds resulting in a decrease and increase to the Lane Furniture I&S major fund and Other Governmental Funds of \$705,179, respectively.

#### (3) Deposits and Investments.

##### Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$16,509,654, and the bank balance was \$16,694,118. 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.

**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.

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture related to special obligation bonds issued for the Monroe County, Mississippi, Aberdeen-Monroe County Hospital Project.

Investments balances at September 30, 2010, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Funds	Less than one year	\$ <u>1,296,662</u>	AAAm

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

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

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

(4) **Interfund Transactions and Balances.**

The following is a summary of interfund balances at September 30, 2010:

Due To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 34,093
Countywide Road Maintenance	General Fund	71,094
Solid Waste	General Fund	2,053
Agency Funds	General Fund	18,604
General Fund	Other Governmental Funds	<u>94,585</u>
Total		\$ <u>220,429</u>

Amounts listed are the tax revenues, justice court and circuit clerk fees collected in September, 2010 but not settled until October, 2010, and a temporary loan to cover debt payments in accordance with the leasing agreement.

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 103,904
Other Governmental Funds	Countywide Road Maintenance	<u>95,847</u>
Total		<u>\$ 199,751</u>

This represents the amount owed by the Countywide Road Maintenance for its pro-rata share of medical claims expenses and the amount owed to the General Fund for start up costs.

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Solid Waste Fund	\$ 8,345
Other Governmental Funds	Countywide Road Maintenance	28,373
Other Governmental Funds	Other Governmental Funds	703,998
Other Governmental Funds	General Fund	<u>230,809</u>
Total		<u>\$ 971,525</u>

The purpose of the transfers was to reclassify excess insurance premiums, transfer tax collections to trustee accounts and provide matching funds for construction projects. The transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 116,733
Reimbursement for housing prisoners - U.S. Marshall	2,488
Reimbursement for housing prisoners - Amory	2,825
Reimbursement for housing prisoners - Nettleton	125
Narcotic Officer reimbursement- Tupelo	3,050
State of Mississippi - CMRSB	18,838
State of Mississippi - Department of Public Safety	6,800
State of Mississippi - Homeland Security	4,618
State of Mississippi - Mississippi Development Authority	117,991
State of Mississippi - State Aid Road	<u>78,995</u>
Total	<u>\$ 352,463</u>

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(6) Loans Receivable.

Loans receivable balance at September 30, 2010, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Balance Receivable
Holley Performance Products	11/21/2000	5.75%	12/1/16	\$ <u>261,064</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Increases	Decreases	Transfers	Balance Sept. 30, 2010
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,774,401	42,421	(25,020)		1,791,802
Construction in progress	39,000	1,245,892		(659,588)	625,304
Total capital assets, not being depreciated	<u>1,813,401</u>	<u>1,288,313</u>	<u>(25,020)</u>	<u>(659,588)</u>	<u>2,417,106</u>
Capital assets, being depreciated:					
Buildings	14,303,199		(673,484)	659,588	14,289,303
Improvements other than buildings	2,075,268				2,075,268
Mobile equipment	6,798,007	259,018	(813,287)	129,460	6,373,198
Furniture and equipment	1,187,608	58,845	(44,905)		1,201,548
Property under capital leases	157,407	107,745		(129,460)	135,692
Infrastructure	<u>108,636,614</u>	<u>557,788</u>	<u>(112,534)</u>		<u>109,081,868</u>
Total capital assets being depreciated	<u>133,158,103</u>	<u>983,396</u>	<u>(1,644,210)</u>	<u>659,588</u>	<u>133,156,877</u>
Less: Accumulated depreciation for:					
Buildings	4,599,845	252,020	(525,318)		4,326,547
Improvements other than buildings	920,542	82,991			1,003,533
Mobile equipment	5,373,758	312,465	(722,418)	53,935	5,017,740
Furniture and equipment	913,057	84,265	(50,790)		946,532
Property under capital leases	72,379	18,919		(53,935)	37,363
Infrastructure	<u>68,054,522</u>	<u>681,169</u>	<u>(78,774)</u>		<u>68,656,917</u>
Total accumulated depreciation	<u>79,934,103</u>	<u>1,431,829</u>	<u>(1,377,300)</u>	<u>0</u>	<u>79,988,632</u>
Total capital assets, being depreciated, net	<u>53,224,000</u>	<u>(448,433)</u>	<u>(266,910)</u>	<u>659,588</u>	<u>53,168,245</u>
Governmental activities capital assets, net	\$ <u>55,037,401</u>	<u>839,880</u>	<u>(291,930)</u>	<u>0</u>	<u>55,585,351</u>

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

	Balance Oct. 1, 2009	Increases	Decreases	Transfers	Balance Sept. 30, 2010
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 17,371	9,840			27,211
Total capital assets, not being depreciated	<u>17,371</u>	<u>9,840</u>			<u>27,211</u>
Capital assets, being depreciated:					
Mobile equipment	630,720		(140,545)	202,214	692,389
Property under capital leases	1,356,962			(202,214)	1,154,748
Total capital assets being depreciated	<u>1,987,682</u>	<u>0</u>	<u>(140,545)</u>	<u>0</u>	<u>1,847,137</u>
Less: Accumulated depreciation for:					
Mobile equipment	542,511	36,972	(126,491)	126,260	579,252
Property under capital leases	422,778	200,154		(126,260)	496,672
Total accumulated depreciation	<u>965,289</u>	<u>237,126</u>	<u>(126,491)</u>	<u>0</u>	<u>1,075,924</u>
Total capital assets, being depreciated, net	<u>1,022,393</u>	<u>(237,126)</u>	<u>(14,054)</u>	<u>0</u>	<u>771,213</u>
Business-type activities capital assets, net	<u>\$ 1,039,764</u>	<u>(227,286)</u>	<u>(14,054)</u>	<u>0</u>	<u>798,424</u>

Depreciation expense was charged to the following functions:

Governmental activities.	
General government	\$ 138,687
Public safety	354,101
Public works	880,480
Health and welfare	16,748
Culture and recreation	2,592
Economic development	39,221
Total depreciation expense - governmental activities	<u>\$ 1,431,829</u>
Business-type activities	
Solid Waste	<u>\$ 237,126</u>

Commitments with respect to unfinished capital projects at September 30, 2010 consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Monroe County Health Department	\$408,834	March, 2011

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

Monroe County pays the premium on a single coverage high deductible policy for its employees. Employees may purchase additional coverage and pay the additional premium through a payroll deduction. Premium payments are based on an actuarial calculation.

Additionally, the county implemented bridge plan for the purpose of lowering and limiting the medical costs incurred by the employees as a result of the high deductible on the primary policy. The county funds this as a self-insured plan with a limit of \$4,500 per employee. Liabilities for this plan include an amount for claims that have been incurred but not yet paid. At September 30, 2010, the amount of unpaid claims incurred by the county was reported at \$66,746. These liabilities are reported on Exhibits 1 and 3.

(9) Operating Leases.

As Lessor.

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$130,465 for the year ended September 30, 2010. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2011	\$ 117,240
2012	34,740
2013	34,740
2014	34,740
2015	34,740
Total Minimum Payments Required	<u>\$ 256,200</u>

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(10) Capital Leases.

As Lessor:

The future minimum lease receivable and the present value of the net minimum lease receivables as of September 30, 2010, are as follows:

Year ended September 30	Principal	Interest
2011	\$ 439,831	114,278
2012	520,077	88,433
2013	279,366	69,124
2014	225,793	62,403
2015	232,306	55,892
2016-2020	1,155,952	177,444
2021-2025	639,856	38,566
Total	\$ 3,493,181	606,140

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Asset.	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 135,692	1,154,748
Less: Accumulated depreciation	(37,363)	(496,672)
Total	\$ 98,329	658,076

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	\$ 48,369	3,839	325,583	39,593
2012	34,392	2,436	277,193	28,430
2013	28,828	1,268	269,907	18,318
2014	22,901	467	155,736	9,545
2015	1,942	5		
Total	\$ 136,432	8,015	1,028,419	95,886

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(11) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road and bridge refunding bonds	\$ 1,495,000	4.15/4.50%	04/01/2014
Countywide road construction bonds	265,000	4.30%	06/01/2013
Lane Furniture bonds	3,565,000	6.00/6.75%	10/01/2021
Jail project bonds	<u>4,035,000</u>	3.00/4.25%	09/01/2022
Total General Obligation Bonds	\$ <u>9,360,000</u>		
Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Limited Obligation Bonds:			
Hospital Series 2001 A bonds	\$ 1,250,000	4.10/5.25%	07/01/2026
Hospital Series 2001 B bonds	<u>2,790,000</u>	5.80/7.50%	07/01/2026
Total Limited Obligation Bonds	\$ <u>4,040,000</u>		
C. Capital Leases:			
Computer system	\$ 32,003	3.95%	03/07/2013
Diebold voting machines	15,159	4.35%	04/01/2011
Excavator	<u>89,270</u>	4.29%	10/01/2015
Total Capital Leases	\$ <u>136,432</u>		
D. Other Loans:			
Holley Performance - CDBG loan	\$ 261,064	5.75%	12/01/2016
Lane Furniture I&S - MBIA loan	1,100,000	4.00%	12/01/2022
Innovative Sports Design - CAP loan	607,974	3.00%	05/01/2021
Homestretch, LLC	1,472,169	3.00%	03/01/2030
Various construction projects	<u>1,074,950</u>	4.95%	02/01/2030
Total Other Loans	\$ <u>4,516,157</u>		

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

Business-type Activities:

Capital Leases:				
2008 International	\$	21,258	4.52%	08/12/2011
Mack truck		42,377	4.27%	10/18/2011
Isuzu truck		50,559	3.31%	01/01/2013
Trucks and equipment		<u>914,225</u>	3.18%	04/01/2014

Total Capital Leases \$ 1,028,419

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 940,000	459,994	155,000	270,050
2012	980,000	416,795	160,000	261,192
2013	1,015,000	371,714	170,000	250,777
2014	970,000	324,824	180,000	239,747
2015	595,000	278,707	195,000	227,987
2016-2020	3,400,000	903,527	1,175,000	931,535
2021-2025	1,460,000	94,182	1,615,000	480,936
2026-2030			390,000	26,775
Total	<u>\$ 9,360,000</u>	<u>2,849,743</u>	<u>4,040,000</u>	<u>2,688,999</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2011	\$ 291,900	195,045
2012	306,212	156,371
2013	316,147	143,478
2014	331,621	130,028
2015	347,523	115,897
2016-2020	1,746,543	366,553
2021-2025	756,727	112,326
2026-2030	419,484	29,743
Total	<u>\$ 4,516,157</u>	<u>1,249,441</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation increases 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, 2010, the amount of outstanding debt was equal to 6.01% of the latest property assessments.

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Balance Sept. 30, 2010	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 385,774	57,375		443,149	
General obligation bonds	10,255,000		895,000	9,360,000	940,000
Limited obligation bonds	4,180,000		140,000	4,040,000	155,000
Capital leases	114,798	107,745	86,111	136,432	48,369
Other loans	2,114,363	2,574,950	173,156	4,516,157	291,900
<b>Total</b>	<b>\$ 17,049,935</b>	<b>2,740,070</b>	<b>1,294,267</b>	<b>18,495,738</b>	<b>1,435,269</b>
<b>Business-type Activities:</b>					
Compensated absences	\$ 44,588		6,817	37,771	
Capital leases	1,361,651		333,232	1,028,419	325,583
<b>Total</b>	<b>\$ 1,406,239</b>	<b>0</b>	<b>340,049</b>	<b>1,066,190</b>	<b>325,583</b>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, the Road Maintenance Fund and the Solid Waste Fund.

Prior-year Defeasance of Debt

In fiscal year 2005, the county defeased a \$6,250,000 bond for construction of a jail by the issuance of a \$5,340,000 refunding bond. The proceeds of the new bond were placed in an irrevocable trust to provide for all future debt service payments on the old bond. Accordingly, the trust assets and the liability for the defeased bond are not included in the county's financial statements. As of September 30, 2010, \$4,505,000 of bonds outstanding are considered defeased.

- (12) 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.

## MONROE COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

(13) Joint Venture.

The county participates in the following joint venture:

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

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Tombigbee Regional Library System operates in a district composed of the Counties of Choctaw, Clay, Monroe and Webster. The Monroe County Board of Supervisors appoints two of the five members of the library board of trustees. The county appropriated \$90,000 for maintenance and support of the library in fiscal year 2010.

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The governing body is a 40-member board of directors, with five appointed by the Board of Supervisors of each member county. The county appropriated \$53,744 for maintenance and support of the district in fiscal year 2010.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc and Union. The board of commissioners consists of one appointee from each county's Board of Supervisors. The county appropriated \$46,000 for maintenance and support of the commission in fiscal year 2010.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The governing body is a 30-member board of trustees, with six appointed by the Board of Supervisors of each member county. Monroe County appropriated \$1,581,110 for maintenance and support of the college in fiscal year 2010.

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

Lift, Inc., operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Monroe County Board of Supervisors appoints one of the 24 members of the board of directors. The county appropriated \$3,000 for the support of Lift, Inc., in fiscal year 2010.

MONROE COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2010

(15) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$723,246, \$698,737 and \$616,386, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Monroe County has evaluated events and transactions for potential recognition or disclosure through June 15, 2011, which is the date the financial statements were available to be issued.

As of June 15, 2011, Monroe County issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
12/03/2010	3.04%	\$	130,000	Lease purchase	Ad valorem taxes
12/21/2010	3.12%	\$	259,386	Lease purchase	Ad valorem taxes
02/25/2011	3.19%	\$	467,123	Lease purchase	Ad valorem taxes

The following bonds were issued to refund the associated bonds listed:

Road and Bridge Bond: 04/01/2011	2.00%	\$	1,190,000	Bonded debt	Ad valorem taxes
Hospital Bond Series B: 04/26/2011	Variable	\$	3,020,000	Bonded debt	Ad valorem taxes
Hospital Bond Series A: 06/09/2011	Variable	\$	1,285,000	Bonded debt	Ad valorem taxes
Lane Furniture: 04/01/2011	Variable	\$	3,420,000	Bonded debt	Ad valorem taxes

MONROE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 5,093,365	5,093,365	5,128,437	35,072
Licenses, commissions and other revenue	466,200	466,200	460,545	(5,655)
Fines and forfeitures	523,875	523,875	547,535	23,660
Intergovernmental revenues	2,256,442	2,256,442	2,250,001	(6,441)
Charges for services	813,150	813,150	472,835	(340,315)
Interest income	40,000	40,000	19,374	(20,626)
Miscellaneous revenues	67,950	67,950	120,784	52,834
Total Revenues	<u>9,260,982</u>	<u>9,260,982</u>	<u>8,999,511</u>	<u>(261,471)</u>
<b>EXPENDITURES</b>				
Current:				
General government	4,612,699	4,614,292	4,052,586	561,706
Public safety	4,175,049	4,323,720	4,097,853	225,867
Public works	154,397	154,397	136,878	17,519
Health and welfare	371,450	389,086	385,573	3,513
Culture and recreation	90,000	90,000	90,000	
Education	2,500	2,500	2,500	
Conservation of natural resources	170,807	185,296	178,773	(6,523)
Economic development and assistance	278,974	278,974	248,631	(30,343)
Debt service				
Principal			37,053	(37,053)
Interest			2,776	(2,776)
Total Expenditures	<u>9,855,876</u>	<u>10,038,265</u>	<u>9,232,623</u>	<u>805,642</u>
Excess of Revenues over (under) Expenditures	<u>(594,894)</u>	<u>(777,283)</u>	<u>(233,112)</u>	<u>544,171</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from long-term debt			308,007	308,007
Proceeds from sale of capital assets	5,000	70,423	72,403	1,980
Transfers in			14,792	14,792
Transfers out			(165,161)	(165,161)
Other financing uses		(194,324)		194,324
Total Other Financing Sources and Uses	<u>5,000</u>	<u>(123,901)</u>	<u>230,041</u>	<u>353,942</u>
Net Change in Fund Balance	(589,894)	(901,184)	(3,071)	898,113
Fund Balances - Beginning	<u>600,000</u>	<u>966,607</u>	<u>5,168,372</u>	<u>4,201,765</u>
Fund Balances - Ending	<u>\$ 10,106</u>	<u>65,423</u>	<u>5,165,301</u>	<u>5,099,878</u>

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

MONROE COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,864,200	2,864,200	2,984,843	120,643
Road and bridge privilege taxes	432,000	432,000	430,064	(1,936)
Fines and forfeitures	500	500		(500)
Intergovernmental revenues	2,016,956	2,016,956	1,922,158	(94,798)
Charges for services	6,000	6,000		(6,000)
Interest income	2,000	2,000	1,114	(886)
Miscellaneous revenues	4,450	4,450	82,017	77,567
Total Revenues	<u>5,326,106</u>	<u>5,326,106</u>	<u>5,420,196</u>	<u>94,090</u>
<b>EXPENDITURES</b>				
Current:				
Public works	5,478,202	5,478,202	4,804,723	673,479
Debt service:				
Principal			49,058	(49,058)
Interest			3,544	(3,544)
Total Expenditures	<u>5,478,202</u>	<u>5,478,202</u>	<u>4,857,325</u>	<u>620,877</u>
Excess of Revenues over (under) Expenditures	<u>(152,096)</u>	<u>(152,096)</u>	<u>562,871</u>	<u>714,967</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	3,000	3,000	72,651	69,651
Total Other Financing Sources and Uses	<u>3,000</u>	<u>3,000</u>	<u>72,651</u>	<u>69,651</u>
Net Change in Fund Balance	(149,096)	(149,096)	635,522	784,618
Fund Balances - Beginning	<u>150,000</u>	<u>150,000</u>	<u>685,262</u>	<u>535,262</u>
Fund Balances - Ending	\$ <u>904</u>	<u>904</u>	<u>1,320,784</u>	<u>1,319,880</u>

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

MONROE COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2010

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Countywide Road Maintenance Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ (3,071)	635,522
Increase (decrease)		
Net adjustments for revenue accruals	(19,341)	43,220
Net adjustments for expenditure accruals	31,508	(211,203)
Net adjustments for other financing sources/uses accrua s	(78,719)	79,372
Net Change in Fund Balance GAAP Basis	\$ (69,623)	546,911

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

MONROE COUNTY

SUPPLEMENTAL INFORMATION

MONROE COUNTY  
 Schedule of Expenditures of Federal Awards  
 September 30, 2010

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Grant Identification Number	Federal Disbursements/ Expenditures
U. S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community Development Block Grants/State's Programs	* 14 228	1125-08-048-20-02	\$ 486,566
Community Development Block Grants/State's Programs	* 14.255R	0008-08-04-PPR-01	<u>557,976</u>
Total U. S. Department of Housing and Urban Development			<u>1,044,542</u>
U. S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205	BR NBIS 071 B(48)	42,000
National Highway Traffic Safety Administration/Passed-through the Mississippi Department of Public Safety Planning DUI Enforcement Program	20.607	10-TA-1481	<u>44,793</u>
Total U. S. Department of Transportation			<u>86,793</u>
U. S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency Disaster Assistance Grants	97.036	FEMA-1906-DR-MS #095-99095-00	8,175
Disaster Assistance Grants	97.036		3,437
Hazard Mitigation Grants	97.039		13,917
Passed-through the Department of Homeland Security Performance Grants	97.042		<u>29,006</u>
Total U. S. Department of Homeland Security			<u>54,535</u>
Total Expenditures of Federal Awards			<u>\$ 1,185,870</u>

\* Denotes major program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

Basis of Presentation

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

MONROE COUNTY

SPECIAL REPORTS

# Windham and Lacey, PLLC

Certified Public Accountants

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

Members of the Board of Supervisors  
Monroe County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the major fund and the aggregate remaining fund information of Monroe County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 15, 2011. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 10-1 to be a material weakness.

Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Monroe County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 15, 2011, included within this document.

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

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



Windham and Lacey, PLLC  
June 15, 2011

# Windham and Lacey, PLLC

*Certified Public Accountants*

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

Members of the Board of Supervisors  
Monroe County, Mississippi

### Compliance

We have audited the compliance of Monroe County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2010. Monroe County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Monroe County, Mississippi's management. Our responsibility is to express an opinion on Monroe County, Mississippi's compliance based on our audit.

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

In our opinion, Monroe County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

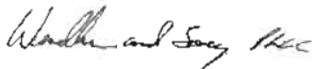
### Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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



Windham and Lacey, PLLC  
June 15, 2011

# Windham and Lacey, PLLC

*Certified Public Accountants*

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2708 Old Brandon Road  
Pearl, MS 39208  
(601)939-8676

Members  
American Institute of CPAs  
Mississippi Society of CPAs

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

Members of the Board of Supervisors  
Monroe County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Monroe County, Mississippi, as of and for the year ended September 30, 2010. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

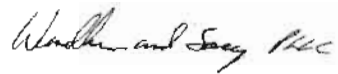
The Board of Supervisors of Monroe County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing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

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

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

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

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



Windham and Lacey, PLLC  
June 15, 2011

MONROE COUNTY  
Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2010

Schedule 1

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

MONROE COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2010

Schedule 2

Our tests results did not identify any emergency purchases.

MONROE COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2010

Schedule 3

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

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## LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Monroe County, Mississippi

In planning and performing our audit of the financial statements of Monroe County, Mississippi for the year ended September 30, 2010 we considered Monroe County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Monroe County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 15, 2011, on the financial statements of Monroe County, Mississippi.

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

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

Chancery Clerk.

1. Finding

Section 19-3-27, Miss. Code 1972 (Ann.), requires the Chancery Clerk, as clerk of the Board of Supervisors, to maintain a complete and correct record of the proceedings of the board. The minutes of each day's proceedings shall be signed by the president or vice president on or before the first Monday of the month following the day of adjournment and approved by the board as the first order of business on the first day of the next monthly meeting of the board. As of the date of fieldwork, the board minutes for the period subsequent to August 31, 2010 had not been prepared, signed by the president and approved by the board. This failure could invalidate the actions of the board.

Recommendations

The Chancery Clerk should take immediate steps to get the board minutes current.

Chancery Clerk's Response

I am taking action to bring the board minutes current.

2. Finding

Section 27-105-5 (6)(b), Miss. Code Ann. (1972), requires each public depositor to notify the State Treasurer no later than 30 days after the end of the fiscal year of all accounts, including the account balances, that it had with qualified public depositories as of the end of the fiscal year. The county submitted this report on May 17, 2011 for the year ended September, 30, 2010.

Recommendation

The chancery clerk should ensure that proper notification is made within the authorized time.

Chancery Clerk's Response

I inadvertently failed to send my report for the 2010 F/Y within the thirty days requirement. At the time I requested the year end balances on all accounts from the county's depositories. I will do this within the authorized time for the 2011 F/Y.

3. Finding

Section 9-1-43, Miss. Code 1972 (Ann.) requires the chancery clerk, on a calendar year basis, to file an "Annual Financial Report" relating to the operations of the office. On May 1, 2010 the chancery clerk retired but remained in office. As a result of the financial report had to be prepared and pro rated based on the time he served before and after he retired. It appears the calculations were not properly made.

Recommendation

The chancery clerk should file an amended report with the Public Employees Retirement System. This is to allow the clerk to know how much income he can earn in succeeding years should he remain in office as a retired elected official.

Chancery Clerk's Response

I will work with PERS in order to determine proper calculations of future income.

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

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

Windham and Lacey, PLLC  
June 15, 2011

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MONROE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MONROE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

*Financial Statements:*

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

*Federal Awards:*

- |     |   |               |
|-----|---|---------------|
| 4.  | Internal control over major programs:   |               |
|     | a. Material weakness identified?  | No            |
|     | b. Significant deficiency identified that is not considered to be a material weakness?  | None Reported |
| 5.  | Type of auditor's report issued on compliance for major programs:   | Unqualified   |
| 6.  | Any audit findings disclosed that are required to be reported in accordance with Section ____ .510 (a) of OMB Circular A-133?   | No            |
| 7.  | Federal programs identified as major programs:  |               |
|     | a. Community Development Block Grant, CFDA #14.228  |               |
|     | b. Community Development Block Grant, CFDA #14.255  |               |
| 8.  | The dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9.  | Auditee qualified as a low-risk auditee?  | No            |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315 (b) of OMB Circular A-133? | No            |

MONROE COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

10-1. Finding

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

Recommendation

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

Board of Supervisors' Response

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

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.