

MONROE COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2007

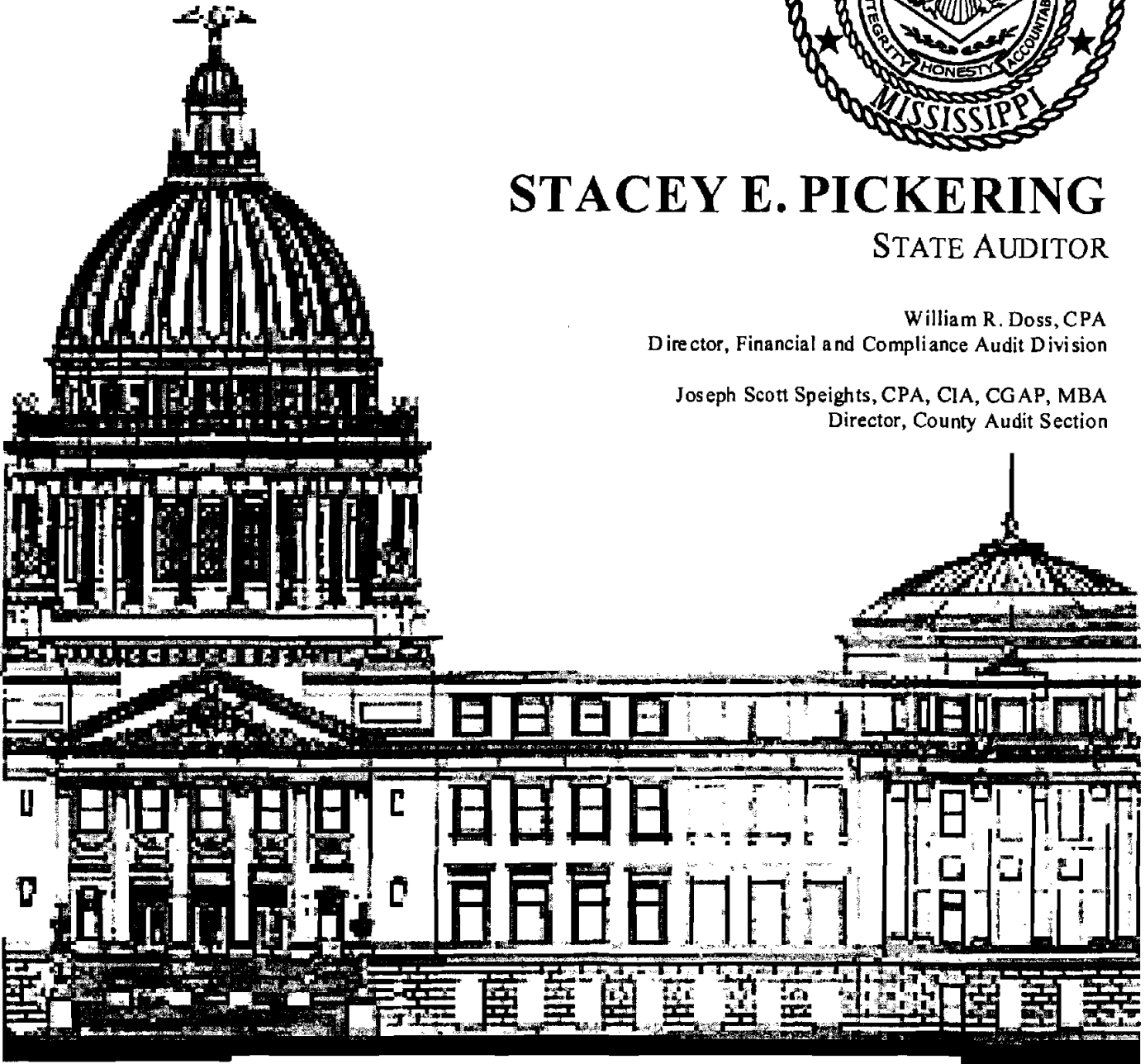


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
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A Report from the County Audit Section

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MONROE COUNTY
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MONROE COUNTY

FINANCIAL SECTION

MONROE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
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, 2007, 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, 2007, 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, 2007, 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.

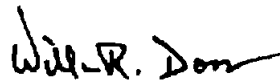
In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2009, on our consideration of Monroe County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



STACEY E. PICKERING
State Auditor



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

June 29, 2009

MONROE COUNTY

FINANCIAL STATEMENTS

MONROE COUNTY

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MONROE COUNTY
Statement of Net Assets
September 30, 2007

Exhibit I

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 12,305,866	779,972	13,085,838
Accrued interest receivable	62,165	1,638	63,803
Property tax receivable	9,161,282	64,530	9,225,812
Accounts receivable (net of allowance for uncollectibles of \$253,089)		220,574	220,574
Fines receivable (net of allowance for uncollectibles of \$777,101)	149,637		149,637
Loans receivable	356,785		356,785
Capital leases receivable	3,793,818		3,793,818
Intergovernmental receivables	315,850		315,850
Other receivables	78,721	90,085	168,806
Internal balances	(1,307)	1,307	
Restricted assets - investments	912,231		912,231
Capital assets:			
Land and construction in progress	1,521,731	17,371	1,539,102
Other capital assets, net	52,513,168	486,392	52,999,560
Total Assets	81,169,947	1,661,869	82,831,816
LIABILITIES			
Claims payable	788,625	77,774	866,399
Claims and judgments liability	34,532		34,532
Amounts held in custody for others	25,521		25,521
Intergovernmental payables	322,863	3,429	326,292
Accrued interest payable	291,331		291,331
Deferred revenue	9,762,127	64,530	9,826,657
Unearned revenue		82,585	82,585
Long-term liabilities			
Due within one year:			
Capital debt	894,478	106,672	1,001,150
Non-capital debt	573,735		573,735
Due in more than one year:			
Capital debt	11,451,453	242,681	11,694,134
Non-capital debt	8,367,412	24,266	8,391,678
Total Liabilities	32,512,077	601,937	33,114,014
NET ASSETS			
Invested in capital assets, net of related debt	41,688,968	154,410	41,843,378
Restricted:			
Expendable:			
General government	727,036		727,036
Debt service	2,786,945		2,786,945
Public safety	1,294,900		1,294,900
Public works	974,140	905,522	1,879,662
Health and welfare	157,711		157,711
Culture and recreation	57,914		57,914
Economic development	2,035,706		2,035,706
Other purposes	42,320		42,320
Unrestricted	(1,107,770)		(1,107,770)
Total Net Assets	\$ 48,657,870	1,059,932	49,717,802

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

MONROE COUNTY
Statement of Activities
For the Year Ended September 30, 2007

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 4,521,192	967,282	120,055		(3,433,855)		(3,433,855)
Public safety	3,789,764	1,004,938	89,198	140,745	(2,554,883)		(2,554,883)
Public works	5,060,419	6,500	709,383	657,975	(3,686,561)		(3,686,561)
Health and welfare	517,038		63,525		(453,513)		(453,513)
Culture and recreation	164,872				(164,872)		(164,872)
Education	2,500				(2,500)		(2,500)
Conservation of natural resources	149,946			5,192	(144,754)		(144,754)
Economic development and assistance	268,616				(268,616)		(268,616)
Interest on long-term debt	1,087,739				(1,087,739)		(1,087,739)
Total Governmental Activities	<u>15,562,086</u>	<u>1,978,720</u>	<u>982,161</u>	<u>803,912</u>	<u>(11,797,293)</u>	<u>0</u>	<u>(11,797,293)</u>
Business-type activities:							
Solid waste	<u>1,476,483</u>	<u>1,337,103</u>	<u>8,520</u>	<u>0</u>	<u>0</u>	<u>(130,860)</u>	<u>(130,860)</u>
Total Primary Government	<u>\$ 17,038,569</u>	<u>3,315,823</u>	<u>990,681</u>	<u>803,912</u>	<u>(11,797,293)</u>	<u>(130,860)</u>	<u>(11,928,153)</u>
General revenues:							
Property taxes					\$ 9,943,149	75,636	10,018,785
Road & bridge privilege taxes					431,453		431,453
Grants and contributions not restricted to specific programs					1,995,432		1,995,432
Unrestricted interest income					694,671	33,858	728,529
Miscellaneous					741,424		741,424
Transfers					7,492	(7,492)	
Total General Revenues and Transfers					<u>13,813,621</u>	<u>102,002</u>	<u>13,915,623</u>
Changes in Net Assets					<u>2,016,328</u>	<u>(28,858)</u>	<u>1,987,470</u>
Net Assets - Beginning					46,316,920	1,088,790	47,405,710
Prior period adjustments					324,622		324,622
Net Assets - Beginning, as restated					<u>46,641,542</u>	<u>1,088,790</u>	<u>47,730,332</u>
Net Assets - Ending					<u>\$ 48,657,870</u>	<u>1,059,932</u>	<u>49,717,802</u>

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

MONROE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2007

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Lane Furniture Industries I&S Fund		
ASSETS					
Cash	\$ 6,198,277	741,571	1,465,480	3,900,538	12,305,866
Investments - restricted				912,231	912,231
Accrued interest receivable	28,420		4,378	29,367	62,165
Property tax receivable	4,278,501	2,261,448	539,658	2,081,675	9,161,282
Fines receivable (net of allowance for uncollectibles of \$777,101)	149,637				149,637
Loans receivable				356,785	356,785
Capital lease receivable	65,625		1,869,109	1,859,084	3,793,818
Intergovernmental receivables	182,278	133,572			315,850
Other receivables	27,640			51,081	78,721
Due from other funds		71,177	8,877	28,612	108,666
Advances to other funds	95,847				95,847
Total Assets	\$ 11,026,225	3,207,768	3,887,502	9,219,373	27,340,868
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 397,123	335,975		55,527	788,625
Claims and judgments liability	34,532				34,532
Amounts held in custody for others	25,521				25,521
Intergovernmental payables	288,322	10,549		2,440	301,311
Due to other funds	131,525				131,525
Advances from other funds		95,847			95,847
Deferred revenue	4,493,763	2,261,448	2,408,767	3,940,759	13,104,737
Total Liabilities	5,370,786	2,703,819	2,408,767	3,998,726	14,482,098
Fund balances:					
Reserved for:					
Debt service			1,478,735	1,599,541	3,078,276
Loans receivable				356,785	356,785
Advances	95,847				95,847
Unemployment compensation				42,320	42,320
Unreserved - undesignated, reported in:					
General Fund	5,559,592				5,559,592
Special Revenue Funds		503,949		3,222,001	3,725,950
Total Fund Balances	5,655,439	503,949	1,478,735	5,220,647	12,858,770
Total Liabilities and Fund Balances	\$ 11,026,225	3,207,768	3,887,502	9,219,373	27,340,868

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, 2007

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 12,858,770
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 \$77,594,256.	54,034,899
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	149,637
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(21,287,078)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(291,331)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>3,192,973</u>
Total Net Assets - Governmental Activities	<u>\$ 48,657,870</u>

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

MONROE COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2007

Exhibit 4

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Countywide Road Maintenance Fund	Lane Furniture Industries I & S Fund		
REVENUES					
Property taxes	\$ 4,837,105	2,529,960	591,400	1,984,684	9,943,149
Road and bridge privilege taxes		431,453			431,453
Licenses, commissions and other revenue	434,124			11,679	445,803
Fines and forfeitures	442,692				442,692
Intergovernmental revenues	2,259,826	1,189,635		342,911	3,792,372
Charges for services	409,090	6,500		616,046	1,031,636
Interest income	247,212	34,490	148,460	264,509	694,671
Miscellaneous revenues	127,448	127,105	209,061	270,813	734,427
Total Revenues	<u>8,757,497</u>	<u>4,319,143</u>	<u>948,921</u>	<u>3,490,642</u>	<u>17,516,203</u>
EXPENDITURES					
Current:					
General government	4,198,283			228,463	4,426,746
Public safety	2,951,703			1,260,439	4,212,142
Public works	564,185	4,432,489		304,028	5,300,702
Health and welfare	411,712			67,483	479,195
Culture and recreation	89,934			74,938	164,872
Education	2,500				2,500
Conservation of natural resources	149,946				149,946
Economic development and assistance	248,919			19,697	268,616
Debt service:					
Principal	33,919	101,490	469,668	811,418	1,416,495
Interest	2,518	8,807	405,601	686,665	1,103,591
Total Expenditures	<u>8,653,619</u>	<u>4,542,786</u>	<u>875,269</u>	<u>3,453,131</u>	<u>17,524,805</u>
Excess of Revenues over (under) Expenditures	<u>103,878</u>	<u>(223,643)</u>	<u>73,652</u>	<u>37,511</u>	<u>(8,602)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	96,634	24,164			120,798
Proceeds from sale of capital assets		25,761			25,761
Transfers in	35,460			486,694	522,154
Transfers out		(22,643)		(492,019)	(514,662)
Lease principal payments	5,820		264,826	85,983	356,629
Total Other Financing Sources and Uses	<u>137,914</u>	<u>27,282</u>	<u>264,826</u>	<u>80,658</u>	<u>510,680</u>
Net Changes in Fund Balances	241,792	(196,361)	338,478	118,169	502,078
Fund Balances - Beginning	<u>5,413,647</u>	<u>700,310</u>	<u>1,140,257</u>	<u>5,102,478</u>	<u>12,356,692</u>
Fund Balances - Ending	<u>\$ 5,655,439</u>	<u>503,949</u>	<u>1,478,735</u>	<u>5,220,647</u>	<u>12,858,770</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, 2007

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 502,078
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 \$2,076,626 exceeded depreciation of \$1,497,520 in the current period.	579,106
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$22,174 and the proceeds from the sale of \$25,761 in the current period.	(47,935)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$1,416,495 exceeded debt proceeds of \$120,798.	1,295,697
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	58,589
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The increase in compensated absences	(19,563)
The reduction in accrued interest payable	15,852
Under the modified accrual basis of accounting used in the Governmental Funds, only current financial resources are reported as revenues. However, in the Statement of Activities, which is presented on the accrual basis, revenues are reported when earned, regardless of when revenues are available. Thus, the change in net assets differs from the change in fund balances by the amount of the revenues that were deferred in the Governmental Funds in the prior fiscal year.	(10,867)
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	<u>(356,629)</u>
Change in Net Assets of Governmental Activities	<u>\$ 2,016,328</u>

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

MONROE COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2007

Exhibit 5

	Business-type Activities - Enterprise Fund Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 779,972
Accrued interest receivable	1,638
Property tax receivable	64,530
Accounts receivable (net of allowance for uncollectibles of \$253,089)	220,574
Other receivables	90,085
Due from other funds	1,307
Total Current Assets	<u>1,158,106</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	17,371
Other capital assets, net	486,392
Total Noncurrent Assets	<u>503,763</u>
Total Assets	<u>1,661,869</u>
LIABILITIES	
Current liabilities:	
Claims payable	77,774
Intergovernmental payables	3,429
Deferred revenue	64,530
Unearned revenue	82,585
Capital debt:	
Capital leases payable	106,672
Total Current Liabilities	<u>334,990</u>
Noncurrent liabilities:	
Liabilities payable from restricted assets	
Capital debt:	
Capital leases payable	242,681
Non-capital debt:	
Compensated absences payable	24,266
Total Noncurrent Liabilities	<u>266,947</u>
NET ASSETS	
Invested in capital assets, net of related debt	154,410
Restricted for:	
Public works	905,522
Total Net Assets	<u>\$ 1,059,932</u>

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

MONROE COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2007

	Business-type Activities - Enterprise Fund Solid Waste Fund
Operating Revenues	
Charges for services	\$ <u>1,337,103</u>
Operating Expenses	
Personal services	693,884
Contractual services	458,588
Materials and supplies	178,832
Depreciation expense	98,715
Indirect administrative cost	18,497
Total Operating Expenses	<u>1,448,516</u>
Operating Income (Loss)	<u>(111,413)</u>
Nonoperating Revenues (Expenses)	
Property tax	75,636
Interest income	33,858
Grants	8,520
Gain (loss) on sale of capital assets	(16,396)
Interest expense	(11,571)
Net Nonoperating Revenue (Expenses)	<u>90,047</u>
Net Income (Loss) before Transfers	(21,366)
Transfers out	<u>(7,492)</u>
Changes in Net Assets	(28,858)
Net Assets - Beginning	<u>1,088,790</u>
Net Assets - Ending	<u>\$ <u>1,059,932</u></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, 2007

Exhibit 7

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste <u>Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,330,832
Payments to suppliers	(632,809)
Payments to employees	(704,945)
Payments to General Fund for indirect costs	(18,497)
Net Cash Provided (Used) by Operating Activities	<u>(25,419)</u>
Cash Flows From Noncapital Financing Activities	
Grants received	8,520
Cash received from property taxes	75,674
Cash received from other funds:	
Interfund loan repayments	10,236
Cash paid to other funds:	
Operating transfers out	(7,492)
Interfund loan repayments	(59,400)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>27,538</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	2,319
Acquisition and construction of capital assets	(14,188)
Principal paid on long-term debt	(75,776)
Interest paid on debt	(11,571)
Other receipts (payments)	(1,976)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(101,192)</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>34,962</u>
Net Cash Provided (Used) by Investing Activities	<u>34,962</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(64,111)
Cash and Cash Equivalents at Beginning of Year	<u>844,083</u>
Cash and Cash Equivalents at End of Year	<u>\$ 779,972</u>

MONROE COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2007

(Exhibit 7 Continued)

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste <u>Fund</u>
Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(111,413)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	98,715
Provision for uncollectible accounts	25,671
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(38,015)
(Increase) decrease in other receivables	3,157
Increase (decrease) in claims payable	(7,715)
Increase (decrease) in intergovernmental payable	3,429
Increase (decrease) in compensated absences liability	(2,164)
Increase (decrease) in unearned revenue	<u>2,916</u>
Total Adjustments	<u>85,994</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(25,419)</u></u>

Noncash Capital Financing Activity:

Monroe County lease purchased mobile equipment for \$86,435 for four years at 4.52% interest.
No principal payments were made on the lease during the year.

Monroe County lease purchased mobile equipment for \$180,245 for five years at 4.27% interest.
Principal payments of \$30,236 were made on the lease during the year.

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

MONROE COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2007

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 150,448
Accrued interest receivable	140
Due from other funds	<u>21,552</u>
Total Assets	<u>\$ 172,140</u>
LIABILITIES	
Intergovernmental payables	\$ 172,140
Total Liabilities	<u>\$ 172,140</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, 2007

(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-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.

MONROE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

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, 2007

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

The county reports the following major Governmental Funds:

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

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

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

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPE

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

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

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, 2007

I. Capital Assets.

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

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

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

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

	<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, 2007

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, 2007

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) Prior Period Adjustment.

A summary of significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct errors in capital assets, net of accumulated depreciation	\$ <u><u>324,622</u></u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2007, was \$13,236,286, and the bank balance was \$13,779,619. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

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

Investments balances at September 30, 2007, 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>912,231</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 Money Market Mutual Funds is not backed by the full faith and credit of the federal government.

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2007:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance	General Fund	\$ 71,177
Lane Furniture Industries I & S	General Fund	8,877
Other Governmental Funds	General Fund	28,612
Solid Waste	General Fund	1,307
Agency Funds	General Fund	<u>21,552</u>
Total		<u>\$ 131,525</u>

The receivables represent the tax and court revenues collected but not settled until October, 2007. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

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

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Countywide Road Maintenance	\$ 22,643
General Fund	Solid Waste	7,492
Other Governmental Funds	Other Governmental Funds	<u>492,019</u>
Total		<u>\$ 522,154</u>

The purpose of transfers to the General Fund was to reclassify excess insurance premiums. The purpose of the transfer to Other Governmental Funds was to transfer tax collections to trustee accounts. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2007, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 168,834
Reimbursement for state aid road	15,222
Reimbursement for asphalt - City of Amory	118,350
Reimbursement for housing prisoners - U.S. Marshall	5,373
Reimbursement for housing prisoners - City of Amory	4,260
Reimbursement for housing prisoners - Town of Smithville	40
Reimbursement for housing prisoners - City of Starkville	1,720
Reimbursement for narcotic salary - City of Tupelo	2,051
Total Governmental Activities	\$ <u>315,850</u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2007, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Receivable</u>
Holley Performance Products	11/21/2000	5.75%	12/01/2016	\$ <u>356,785</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2007:

Governmental activities:

	<u>Balance Oct. 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2007</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,391,473			130,258	1,521,731
Total non-depreciable capital assets	1,391,473	0	0	130,258	1,521,731
<u>Depreciable capital assets:</u>					
Infrastructure	107,367,872	681,339			108,049,211
Buildings	12,614,724	772,028		(1,177,876)	12,208,876
Improvements other than buildings	4,995,460			(2,920,192)	2,075,268

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments *	Balance Sept. 30, 2007
Mobile equipment	3,051,186	489,486	432,501	2,976,681	6,084,852
Furniture and equipment	1,143,900	101,210	14,436		1,230,674
Leased property under capital leases	498,706	32,563		(72,726)	458,543
Total depreciable capital assets	<u>129,671,848</u>	<u>2,076,626</u>	<u>446,937</u>	<u>(1,194,113)</u>	<u>130,107,424</u>
Less accumulated depreciation for:					
Infrastructure	66,179,047	652,099			66,831,146
Buildings	5,327,957	196,863		(1,363,738)	4,161,082
Improvements other than buildings	676,198	83,011		(4,687)	754,522
Mobile equipment	4,710,785	387,922	386,012	51,265	4,763,960
Furniture and equipment	818,314	139,239	12,991	(18,954)	925,608
Leased property under capital leases	171,915	38,386		(52,363)	157,938
Total accumulated depreciation	<u>77,884,216</u>	<u>1,497,520</u>	<u>399,003</u>	<u>(1,388,477)</u>	<u>77,594,256</u>
Total depreciable capital assets, net	<u>51,787,632</u>	<u>579,106</u>	<u>47,934</u>	<u>194,364</u>	<u>52,513,168</u>
Governmental activities capital assets, net	<u>\$ 53,179,105</u>	<u>579,106</u>	<u>47,934</u>	<u>324,622</u>	<u>54,034,899</u>

* Adjustments are to reclassify paid out lease purchases, to correct asset classifications, to add assets omitted in prior year and to correct errors in asset valuations.

Business-type activities:

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments	Balance Sept. 30, 2007
Non-depreciable capital assets:					
Land	\$ 17,371				17,371
Total non-depreciable capital assets	<u>17,371</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>17,371</u>
Depreciable capital assets:					
Mobile equipment	824,931	14,188	187,149		651,970
Leased property under capital leases	202,214	266,680			468,894
Total depreciable capital assets	<u>1,027,145</u>	<u>280,868</u>	<u>187,149</u>	<u>0</u>	<u>1,120,864</u>

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

	Balance Oct. 1, 2006	Additions	Deletions	Adjustments	Balance Sept. 30, 2007
<u>Less accumulated depreciation for:</u>					
Mobile equipment	662,321	22,583	168,434		516,470
Leased property under capital leases	41,870	76,132			118,002
Total accumulated depreciation	704,191	98,715	168,434	0	634,472
 Total depreciable capital assets, net	 322,954	 182,153	 18,715	 0	 486,392
 Business-type activities capital assets, net	 \$ 340,325	 182,153	 18,715	 0	 503,763

Depreciation expense was charged to the following functions:

	Amount
Governmental activities:	
General government	\$ 60,310
Public safety	377,365
Public works	1,022,002
Health and welfare	37,843
 Total Governmental activities depreciation expense	 \$ 1,497,520
 Business-type activities:	
Solid waste	\$ 98,715
 Total Business-type activities depreciation expense	 \$ 98,715

(8) Commitment.

On May 24, 2002, the Monroe County Board of Supervisors entered into an interlocal agreement with the City of Aberdeen, Mississippi, in which they agreed to be responsible for the repayment of a \$500,000 Capital Improvements Revolving Loan issued through the Mississippi Development Authority to construct a building to be leased to a boat manufacturing operation. The interest rate on this loan is 3.00%. This loan will mature on February 1, 2023. The principal balance outstanding on this loan is \$410,681 at September 30, 2007.

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(9) 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, 2007, to January 1, 2008. 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. Beginning in 1997 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund to account for and finance its uninsured risk of loss.

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

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

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2007, the amount of these liabilities was \$0. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2005 - 2006	\$ 20,654	749,315	768,849	1,120
2006 - 2007	\$ 1,120		1,120	0

The county terminated its risk management fund on January 31, 2006, and a commercial insurance company began providing employee health and accident coverage. In February, 2007, the county purchased a bridge plan for the purpose of lowering and limiting the medical costs incurred by the employees. Liabilities for this plan include an amount for claims that have been incurred but not paid. At September 30, 2007, the amount of unpaid claims incurred by the county was \$34,532. These liabilities are reported in the General Fund on Exhibit 1.

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(10) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$130,740 for the year ended September 30, 2007. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2008	\$ 116,510
2009	102,650
2010	96,000
2011	<u>82,500</u>
 Total Minimum Payments Required	 \$ <u><u>397,660</u></u>

(11) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2007:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2007, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 379,818	129,932
2009	398,648	111,103
2010	418,460	91,290
2011	439,308	70,443
2012	461,245	48,505
2013 - 2017	681,132	119,099
2018 - 2022	405,525	29,935
2023 - 2027	<u>8,837</u>	<u>538</u>
 Total	 \$ <u><u>3,192,973</u></u>	 <u><u>600,845</u></u>

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2007:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 398,010	468,894
Furniture and equipment	<u>60,533</u>	<u> </u>
Total	458,543	468,894
Less: Accumulated depreciation	<u>157,938</u>	<u>118,002</u>
Leased Property Under Capital Leases	<u>\$ 300,605</u>	<u>350,892</u>

The following is a schedule by years of the total payments due as of September 30, 2007:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 134,478	9,513	106,672	12,507
2009	99,894	4,811	106,100	8,949
2010	56,400	1,856	76,276	4,321
2011	<u>15,159</u>	<u>221</u>	<u>60,305</u>	<u>1,534</u>
Total	<u>\$ 305,931</u>	<u>16,401</u>	<u>349,353</u>	<u>27,311</u>

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(12) Long-term Debt.

Debt outstanding as of September 30, 2007, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Road and bridge refunding bonds	\$ 2,445,000	4.15/4.50%	04/01/2014
Countywide road construction bonds	490,000	4.30%	06/01/2013
Lane Furniture bonds	4,150,000	6.00/6.75%	10/01/2021
Jail project bonds	<u>4,840,000</u>	3.00/4.25%	09/01/2022
Total General Obligation Bonds	\$ <u>11,925,000</u>		
B. Limited Obligation Bonds:			
Hospital Series 2001 A bonds	\$ 1,395,000	4.10/5.25%	07/01/2026
Hospital Series 2001 B bonds	<u>3,045,000</u>	5.80/7.50%	07/01/2026
Total Limited Obligation Bonds	\$ <u>4,440,000</u>		
C. Capital Leases:			
Computer system	\$ 10,480	3.05%	02/07/2008
Asphalt paver	38,150	3.14%	02/15/2009
Compactor	38,509	3.69%	05/15/2009
Asphalt zipper	36,432	3.69%	06/15/2009
Three Case tractors and bushogs	72,126	3.90%	08/09/2010
Diebold voting machines	87,333	4.35%	04/01/2011
Shouldering machine	<u>22,901</u>	4.29%	07/02/2010
Total Capital Leases	\$ <u>305,931</u>		
D. Other Loans:			
Holley Performance - CDBG loan	\$ 356,785	5.75%	12/01/2016
Lane Furniture I & S - CAP loan	813,458	3.00%	12/01/2022
Lane Furniture I & S - TVA loan	1,169,786	4.00%	11/15/2012
Lane Furniture I & S - MBIA loan	1,285,000	4.00%	12/01/2022
Innovative Sports Design - CAP loan	<u>744,436</u>	3.00%	05/01/2021
Total Other Loans	\$ <u>4,369,465</u>		

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Business-type Activities:			
Capital Leases:			
Garbage truck	\$ 39,688	3.19%	03/15/2010
Case tractor and scraper	73,221	3.92%	12/15/2009
2008 International	86,435	4.52%	08/12/2011
Mack truck	<u>150,009</u>	4.27%	10/18/2011
Total Capital Leases	\$ <u>349,353</u>		

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>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 820,000	574,518	125,000	291,965
2009	850,000	538,526	135,000	285,253
2010	895,000	500,551	140,000	277,880
2011	940,000	459,994	155,000	270,050
2012	4,185,000	1,640,886	910,000	1,194,950
2013 - 2017	3,545,000	722,951	1,250,000	853,500
2018 - 2022	<u>690,000</u>	<u>25,912</u>	<u>1,725,000</u>	<u>370,499</u>
Total	\$ <u>11,925,000</u>	<u>4,463,338</u>	<u>4,440,000</u>	<u>3,544,097</u>

<u>Year Ending September 30</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 388,735	155,777
2009	399,117	142,995
2010	417,586	127,027
2011	431,608	110,403
2012	1,394,929	354,248
2013 - 2017	1,055,316	143,951
2018 - 2022	<u>282,174</u>	<u>9,736</u>
Total	\$ <u>4,369,465</u>	<u>1,044,137</u>

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2007, the amount of outstanding debt was equal to 6.73% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2007:

	Balance Oct. 1, 2006	Additions	Reductions	Adjustments	Balance Sept. 30, 2007	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 227,118	19,563			246,681	
General obligation bonds	12,720,000		795,000		11,925,000	820,000
Limited obligation bonds	4,560,000		120,000		4,440,000	125,000
Capital leases	320,542	120,798	135,409		305,931	134,478
Other loans	4,735,551		366,086		4,369,465	388,735
Total	\$ 22,563,211	140,361	1,416,495	0	21,287,077	1,468,213
Business-type Activities:						
Compensated absences	\$ 26,430		2,164		24,266	
Capital leases	158,449	266,680	75,776		349,353	106,672
Total	\$ 184,879	266,680	77,940	0	373,619	106,672

(13) Contingencies.

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

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

MONROE COUNTY

Notes to Financial Statements For the Year Ended September 30, 2007

(14) 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.

(15) 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 2007.

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The governing body is a 40-member board of directors, with five appointed by the Board of Supervisors of each member county. The county appropriated \$41,744 for maintenance and support of the district in fiscal year 2007.

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 2007.

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 \$1,559,104 for maintenance and support of the college in fiscal year 2007.

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 support of Lift, Inc. in fiscal year 2007.

MONROE COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2007

(16) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2007 was 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2007, 2006 and 2005 were \$582,321, \$523,817 and \$524,403, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2007, Monroe County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
03/15/2008	3.95%	\$ 60,998	Capital lease	Ad valorem taxes
12/03/2008	3.30%	81,560	Capital lease	Ad valorem taxes and user fees
04/14/2009	3.00%	1,247,933	Capital lease	Ad valorem taxes and user fees

MONROE COUNTY

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MONROE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY

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MONROE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,836,987	4,904,626	4,841,889	(62,737)
Licenses, commissions and other revenue	407,721	407,721	439,959	32,238
Fines and forfeitures	331,490	331,490	455,832	124,342
Intergovernmental revenues	2,229,500	2,229,500	2,362,298	132,798
Charges for services	350,000	350,000	337,605	(12,395)
Interest income	147,000	147,000	255,957	108,957
Miscellaneous revenues	76,350	76,350	132,601	56,251
Total Revenues	8,379,048	8,446,687	8,826,141	379,454
EXPENDITURES				
Current:				
General government	4,082,528	4,241,017	3,967,808	(273,209)
Public safety	2,776,090	2,985,164	2,982,432	(2,732)
Public works	410,581	569,996	566,759	(3,237)
Health and welfare	325,373	333,268	331,781	(1,487)
Culture and recreation	90,000	90,000	90,000	
Education	2,500	2,500	2,500	
Conservation of natural resources	161,073	164,073	152,348	(11,725)
Economic development and assistance	221,744	221,744	216,445	(5,299)
Debt service:				
Principal	54,548	54,548	54,548	
Interest	53,844	34,584	15,163	(19,421)
Total Expenditures	8,178,281	8,696,894	8,379,784	(317,110)
Excess of Revenues over (under) Expenditures	200,767	(250,207)	446,357	696,564
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets			1,398	1,398
Transfers in	5,000	5,000	75,652	70,652
Total Other Financing Sources and Uses	5,000	5,000	77,050	72,050
Net Change in Fund Balance	205,767	(245,207)	523,407	768,614
Fund Balances - Beginning	0	203,112	0	(203,112)
Fund Balances - Ending	\$ 205,767	(42,095)	523,407	565,502

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, 2007

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,617,116	2,617,116	2,531,483	(85,633)
Road and bridge privilege taxes	436,000	436,000	434,128	(1,872)
Intergovernmental revenues	1,021,500	1,173,500	1,174,413	913
Charges for services	6,000	6,000	6,500	500
Interest income	20,000	50,000	50,634	634
Miscellaneous revenues	1,000	118,000	120,665	2,665
Total Revenues	<u>4,101,616</u>	<u>4,400,616</u>	<u>4,317,823</u>	<u>(82,793)</u>
EXPENDITURES				
Current:				
Public works	3,769,366	4,513,687	4,513,687	
Debt service:				
Principal	101,490	101,490	101,490	
Interest	10,675	8,807	8,807	
Total Expenditures	<u>3,881,531</u>	<u>4,623,984</u>	<u>4,623,984</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>220,085</u>	<u>(223,368)</u>	<u>(306,161)</u>	<u>(82,793)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out		(10,310)	(10,310)	
Other financing sources	6,400	31,300	31,341	41
Total Other Financing Sources and Uses	<u>6,400</u>	<u>20,990</u>	<u>21,031</u>	<u>41</u>
Net Change in Fund Balance	226,485	(202,378)	(285,130)	(82,752)
Fund Balances - Beginning	<u>0</u>	<u>202,384</u>	<u>1,026,702</u>	<u>824,318</u>
Fund Balances - Ending	<u>\$ 226,485</u>	<u>6</u>	<u>741,572</u>	<u>741,566</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, 2007

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:

	<u>Governmental Fund Types</u>	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ 523,407	(285,130)
Increase (Decrease)		
Net adjustments for revenue accruals	(35,030)	(470,434)
Net adjustments for expenditure accruals	<u>(246,585)</u>	<u>559,203</u>
GAAP Basis	\$ <u>241,792</u>	<u>(196,361)</u>

MONROE COUNTY

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MONROE COUNTY

SPECIAL REPORTS

MONROE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Monroe County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe County, Mississippi, as of and for the year ended September 30, 2007, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 29, 2009. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items 07-1 through 07-5 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-1, 07-2, 07-3 and 07-5 to be material weaknesses.

Compliance and Other Matters

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

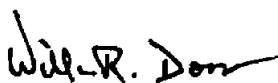
However, we noted certain matters that we reported to the management of Monroe County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 29, 2009, included within this document.

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

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



STACEY E. PICKERING
State Auditor



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

June 29, 2009



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
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, 2007. 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.

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

Board of Supervisors.

1. Finding

Section 31-7-13(k), Miss. Code Ann. (1972), requires the Board of Supervisors to approve and document emergency purchases on its minutes at the board meeting next following the emergency purchase. Furthermore, when an emergency purchase has been properly authorized by the Board of Supervisors or its designee, the related purchase requisition, purchase order and receiving report may be prepared and processed within three working days of the emergency. The Board of Supervisors did not document the approval of an emergency purchase on its minutes in a timely manner. Purchasing documents relating to the emergency purchase did not accompany the invoices. The lack of proper approval and documentation could result in unauthorized purchases.

Recommendation

The Board of Supervisors should approve and document in their minutes all emergency purchases at the board meeting next following the emergency purchase and prepare and process all necessary purchasing documents within three (3) working days of the emergency.

Board of Supervisors' Response

The Board will make a concerted effort in the future to comply with the auditor's recommendation.

Inventory Control Clerk.

2. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. Audit procedures performed indicated the following deficiencies in the capital asset inventory system:

- a. The automated weather system recorded as improvements other than buildings was depreciated incorrectly because the salvage value and the life of the equipment was incorrect.
- b. The beginning balances for mobile equipment for Solid Waste, an enterprise fund and governmental activities did not agree with the ending balances of the prior year. Some equipment was transferred from Solid Waste, a business-type activity to the Road Department in the governmental activities. The transaction occurred without going through a reclassification process.
- c. As reported in the prior year's audit report, several buildings and some mobile equipment were included that were below the established dollar thresholds.
- d. Some assets leased under capital leases to industries were deleted at a different amount than the amount shown on the prior year's capital assets report.
- e. Some assets that were not included on the prior year's capital asset depreciation schedule appeared on the current year schedule of depreciation.
- f. Some land and buildings involving the Monroe County Hospital were not included in the capital assets. The county used market value for the land and buildings for these assets. The county elected to correct these and used historical costs arrived by a price deflator.

Failure to properly maintain an inventory system for capital assets could result in errors in the capital asset categories and values reported in the financial statements.

Recommendation

The Inventory Control Clerk should ensure that all items are recorded and valued properly in the county's capital asset records. The Inventory Control Clerk should also ensure that only assets that exceed the established thresholds are capitalized. The Inventory Control Clerk should ensure that documentation is maintained for the valuation of capital assets.

Inventory Control Clerk's Response

- a. The salvage value and life of the equipment has been corrected.
- b. I have talked to Gordon Easterling about this and he is working on a reclassification process for Solid Waste to correct this problem. I am attaching a subsidiary ledger for the ending of the 2005-2006 year and the beginning of the 2006-2007 year showing that the balances between the two years do agree for the total of all fixed assets. I have also attached a subsidiary ledger for Solid Waste only and Exclude Solid Waste. By combining the totals of both reports, the balances between the two years do agree.
- c. This has been corrected.
- d. When transferring assets at year-end to the next year, if data is compiled on two screens to make up the asset value, only one screen is transferred due to a system problem. The total remains correct unless you go into the screen to make a change or delete the item. At that time, the system only recognizes the first screen and it changes the value of the asset. I have talked to Gordon Easterling about this and this problem is being corrected.
- e. These assets were buildings that were added due to a prior year finding. This has been corrected.
- f. This has been corrected.

Road Manager.

3. Finding

An effective system of internal control over the county's infrastructure should include adequate documentation for the inclusion of donated roads. Donated items are to be recorded at fair market value. There was no documentation on how fair market value was determined. This could result in not accurately reporting infrastructure.

Recommendation

The Road Manager should ensure the documentation on how fair market value was determined for all donated roads is adequate and on file.

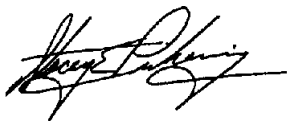
Road Manager's Response

I have already established a procedure that went into place in the 2007-2008 year. This has been corrected.

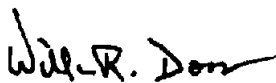
In our opinion, except for the noncompliance referred to in the preceding paragraph, Monroe County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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.



STACEY E. PICKERING
State Auditor



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

June 29, 2009

MONROE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2007

Schedule 1

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

MONROE COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2007

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/08/2006	Repairs	\$ 4,075	Remote Systems Integration	Lightning damage to automated weather system.

MONROE COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2007

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
05/23/2007	Computer software	\$ 5,870	Tri-State Consulting Services

MONROE COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Monroe County, Mississippi

In planning and performing our audit of the financial statements of Monroe County, Mississippi for the year ended September 30, 2007, 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 29, 2009, on the financial statements of Monroe County, Mississippi.

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

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

Chancery Clerk.

I. Finding

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

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

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

Recommendation

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

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

Chancery Clerk's Response

Receipts for payment of taxes have been hand written by our office for twenty-five years plus at the auditor on site's recommendation. I certainly do not see how that would alter proper control over the receipt process. Nevertheless, this office will make an effort to comply with the auditor's recommendation on this issue as well the other recommended control features to make up an adequate system of control.

2. Finding

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

Recommendation

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

Chancery Clerk's Response

In the future, personal payments to employees will not be included on the county's payroll reports, even though there is clear documentation of what is paid personally by the clerk. The intent was for the employees to get social security credit for the gift payments as well.

3. Finding

An effective system of accounting for fee income should include a fee account cash journal to account for the receipts and expenses related to the operation of the office. The fee account cash journal was not maintained correctly. All fees could not be traced to the fee account cash journal and the annual report filed with the Office of the State Auditor. All fee expenses were not correctly posted in the fee account cash journal. As a result, the 2007 annual report filed with the Office of the State Auditor and the Public Employee's Retirement System was not an accurate report.

Recommendation

The Chancery Clerk should ensure that the fee account cash journal is properly maintained and includes the expenses related to the operation of the office. The Chancery Clerk should file an amended annual report with both the Office of the State Auditor and the Public Employee's Retirement System.

Chancery Clerk's Response

The remaining lunacy revenue that is shown not found is included in court costs paid to the clerk. It's now run through court as it should be. The archival fees are not an expense to the clerk; they were already subtracted from the revenue. If it's to be counted as an expense, it would need to be added back to the revenues first. I agree that the \$77,000 for lien searches and notary fees failed to be added to line 43. I feel the journal is accurate with this last exception. Please give me the final verdict. I will amend accordingly.

4. Finding

Section 7-7-221(1), Miss. Code Ann. (1972), requires a synopsis of the annual audit report of the fiscal and financial affairs of the county to be published as soon as possible after the Chancery Clerk receives a copy of the report. The 2006 fiscal year audit report's synopsis was not published.

Recommendation

The Chancery Clerk should publish a synopsis of the annual audit report that includes all the required information, as required by law.

Chancery Clerk's Response

Since I've been clerk, at the conclusion of every audit this office received a letter stating what was to be included in the synopsis publication, with examples. In addition, we never received a paper copy to copy. My secretary questioned if we needed to publish a synopsis at the time. I indicated we had always received instruction in the past, but had not received any at that time. I do not feel we should have a finding in regard to this matter. Once we were told we still needed to get it done, we immediately did it.

Sheriff.

5. Finding

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

Recommendation

The Sheriff should only collect monies authorized by law.

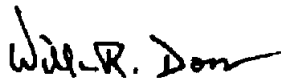
Sheriff's Response

Our department will abide by the audit findings.

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



STACEY E. PICKERING
State Auditor



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

June 29, 2009

MONROE COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

MONROE COUNTY

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MONROE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Countywide Road Maintenance Fund | Unqualified |
| | Lane Furniture Industries I & S Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

07 - 1. Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records. Management does not have personnel who possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements, the auditor was relied on to perform these tasks. Without adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial transactions are recorded, presented and disclosed in accordance with generally accepted accounting principles.

MONROE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2007

Board of Supervisors' Response

Preparation of these statements have been done by the auditor in the past. The implementation of GASB now requires these statements be done independent of the State Auditor or otherwise a finding will be forthcoming if the State Auditor has to prepare. Presently, Monroe County does not feel they can properly prepare them. In the near future, we hope to correct this.

Significant Deficiency - Material Weakness

07 - 2. 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 Board will make an effort to comply with the auditor's recommendation to provide this financial data. Presently, Monroe County does not feel they can properly prepare the financial statements. In the future, we hope to correct this.

Significant Deficiency - Material Weakness

07 - 3. Finding

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

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

MONROE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2007

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

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

Recommendation

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

Board of Supervisors' Response

The Board has had considerable discussion regarding the airport. In the future, the Board will ensure that there are adequate controls over the collecting, recording and disbursement functions as well as ensuring that records documenting daily collections are properly maintained and that controls are in place to properly safeguard cash collections.

Chancery Clerk.

Significant Deficiency

07 - 4. Finding

An effective system of internal control over cash should include prompt remittance of checks for payment to vendors. A check was issued and recorded on the cash disbursements journal on September 24, 2007. This check cleared the bank on November 2, 2007, and was marked by vendor as payment for November 1, 2007. A wire transfer was made for the same amount on October 1, 2007. No other check was written to this vendor in November. As a result of this check not being remitted in a timely manner, the county's debt payments did not agree with the bank's confirmation.

Recommendation

The Chancery Clerk should ensure that all checks are remitted for payment in a timely manner.

MONROE COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2007

Chancery Clerk's Response

Attached is a copy of the amortization schedule and claims history for the lease purchase for Solid Waste. The bank's confirmation and payment history are also attached. The confirmation shows \$86,435.54 for total principal payment. The amortization schedule adds to \$86,435.40. I have called Carolyn Crain at Trustmark Bank and she hasn't got back with me on this. The payment history shows payments posted for September, 2007.

Payments were made as follows:

<u>Payment Due Date</u>	<u>Check Number</u>	<u>Check Date</u>
09/01/2007	7125	09/24/2007
10/01/2007	Wire Transfer	10/01/2007
11/01/2007	67716	10/05/2007
12/01/2007	68327	11/09/2007
01/01/2008	68936	12/07/2007

Inventory Control Clerk.

Significant Deficiency - Material Weakness

07 - 5. Finding

An effective system of internal control over capital assets should include using correct asset categories, salvage values and useful lives, recording asset deletions at recorded costs, and following established dollar thresholds for capital assets. Audit procedures performed indicated the following deficiencies in the capital asset inventory system:

- a. The automated weather system recorded as improvements other than buildings was depreciated incorrectly because the salvage value and the life of the equipment was incorrect.
- b. The beginning balances for mobile equipment for Solid Waste, an enterprise fund, and governmental activities do not agree with the ending balances of the prior year. Some equipment was transferred from Solid Waste, a business-type activity, to the Road Department in the governmental activities. The transaction occurred without going through a reclassification process.
- c. As reported in the prior year's audit report, several buildings and some mobile equipment were included that were below the established dollar thresholds.
- d. Some assets leased under capital leases to industries were deleted at a different amount than the amount shown on the prior year capital assets report.
- e. Some assets that were not included on the prior year capital asset depreciation schedule appeared on the current year schedule of depreciation.
- f. Some land and buildings involving the Monroe County Hospital were not included in the capital assets. The county used market value for the land and buildings for these assets. The county elected to correct these and used historical costs arrived by a price deflator.

Failure to properly maintain an inventory system for capital assets could result in errors in the capital asset categories and values reported in the financial statements.

MONROE COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2007

Recommendation

The Inventory Control Clerk should ensure that all items are recorded and valued properly in the county's capital asset records. The Inventory Control Clerk should also ensure that only assets that exceed the established thresholds are capitalized. The Inventory Control Clerk should ensure that documentation is maintained for the valuation of capital assets.

Inventory Control Clerk's Response

- a. The salvage value and life of the equipment has been corrected.
- b. I have talked to Gordon Easterling about this and he is working on a reclassification process for Solid Waste to correct this problem. I am attaching a subsidiary ledger for the ending of the 2005-2006 year and the beginning of the 2006-2007 year showing that the balances between the two years do agree for the total of all fixed assets. I have also attached a subsidiary ledger for Solid Waste only and Exclude Solid Waste. By combining the totals of both reports, the balances between the two years do agree.
- c. This has been corrected.
- d. When transferring assets at year-end to the next year, if data is compiled on two screens to make up the asset value, only one screen is transferred due to a system problem. The total remains correct unless you go into the screen to make a change or delete the item. At that time, the system only recognizes the first screen and it changes the value of the asset. I have talked to Gordon Easterling about this and this problem is being corrected.
- e. These assets were buildings that were added due to a prior year finding. This has been corrected.
- f. This has been corrected.

MONROE COUNTY

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MONROE COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

MONROE COUNTY

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MONROE COUNTY
BOARD OF SUPERVISORS



RANDLE GRAY, *District 1*
WILLIAM W. "Billy" KIRKPATRICK, *District 2*
JAMES BRUCE WEST, *District 3*
FULTON WARE, *District 4*
SYKES LAGRONE, *District 5*
JOHN M. CREEKMORE, *Attorney*
RONNIE BOOZER, *Clerk*

PHONE (662) 369-8143 • FAX (662) 369-7928
POST OFFICE BOX 578
ABERDEEN, MISSISSIPPI 39730

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ending September 30, 2006

Office of the State Auditor
P. O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Monroe County respectfully submits the following schedult of prior audit finding relative to federal awards.

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT/PASSED-THROUGH
THE MISSISSIPPI DEVELOPMENT AUTHORITY/PASSED-THROUGH
THE CITY OF NETTLETON, MISSISSIPPI**

FINDING NO. 06-7: 14.228 Community Development Block Grants/
State's Program - Grant Number 1120-03-273-ED-01

**APPALACHIAN REGIONAL COMMISSION/PASSED-THROUGH THE MISSISSIPPI
DEPARTMENT OF TRANSPORTATION-OFFICE OF STATE AID ROAD
CONSTRUCTION**

FINDING NO. 06-7: 23.002 Appalachian Area Development - Grant
Number APL-0048(32)B

Condition: Compliance Requirement: Subrecipient Monitoring -
Controls over Subrecipient Monitoring Should be Strengthened

The OMB Circular A-133 Compliance Supplement specifies that the pass-through entity should monitor subrecipients through reporting, site visits, regular contact or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. During our audit test procedures, we noted that there were no procedures in place to monitor the Division of State Aid Road's use of federal awards in regard to the Peoplounger Access Road grant. Without adequate controls to monitor the subrecipients' use of federal funds, the could fail to comply with federal requirements. Also, federal noncompliance by subrecipients could occur and not be detected promptly.

Recommendation: The Monroe County Board of Supervisors should take steps to ensure that monitoring procedures are implemented to oversee subrecipients of federal awards.

Current Status: Corrective action was taken for future projects of this type. A checklist of monitoring procedures (reports, site visits, regular contact, etc.) have been implemented to assure compliance with laws, regulations, and the provisions of contracts regarding federal awards.

With kindest regards,



Ronnie Boozer, Clerk
Monroe County Board of Supervisors