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LAMAR COUNTY, MISSISSIPPI
Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2008

LAMAR COUNTY
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LAMAR COUNTY, MISSISSIPPI

FINANCIAL SECTION

WRIGHT CPA GROUP, PLLC



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INDEPENDENT AUDITORS' REPORT ON THE PRIMARY GOVERNMENT BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Lamar County, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of and for the year ended September 30, 2008, 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 referred to above 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 statements. The amount by which the 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 Lamar County, Mississippi, as of September 30, 2008, or the changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of September 30, 2008, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Lamar County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the primary financial statements but is supplementary information required by the Governmental Accounting Standards Board. The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Wright CPA Group, PLLC

Wright CPA Group, PLLC

June 29, 2009

LAMAR COUNTY, MISSISSIPPI

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

LAMAR COUNTY
Statement of Net Assets
September 30, 2008

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 10,629,432
Property tax receivable	17,329,471
Fines receivable (net of allowance for uncollectibles)	12,103
Intergovernmental receivables	703,309
Other receivables	227,236
Restricted assets	228,937
Non-depreciable capital assets	8,420,437
Depreciable capital assets, net of accumulated depreciation	65,685,125
Total assets	<u>103,236,050</u>
LIABILITIES	
Claims payable	1,420,747
Accrued expenses	341,403
Intergovernmental payables	556,695
Accrued interest payable	237,791
Deferred revenue	17,329,471
Long-term liabilities:	
Due within one year:	
Capital debt	2,091,230
Non-capital debt	53,202
Due in more than one year:	
Capital debt	9,530,957
Non-capital debt	397,939
Total liabilities	<u>31,959,435</u>
NET ASSETS	
Invested in capital assets, net of related debt	61,581,093
Restricted for:	
Expendable:	
General government	3,668,824
Public safety	1,065,655
Public works	3,917,033
Health & welfare	63,143
Culture and recreation	314,298
Debt service	105,920
Nonexpendable	
Unrestricted	560,649
Total net assets	<u>\$ 71,276,615</u>

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

LAMAR COUNTY
Statement of Activities
September 30, 2008

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
Primary government:					
Governmental activities:					
General government	\$ 7,060,879	235,471	320,816		(6,504,592)
Public Safety	8,100,517	519,707	388,559	70,000	(7,122,251)
Public works	16,324,846		299,110	1,409,511	(14,616,225)
Health and welfare	573,648		14,481		(559,167)
Culture and recreation	1,049,349				(1,049,349)
Conservation of natural resources	635,906		202,913		(432,993)
Economic development and assistance	245,748		70,000	1,498,346	1,322,598
Interest on long-term debt	464,217				(464,217)
Total Governmental Activities	\$ 34,455,110	755,178	1,295,879	2,977,857	(29,426,196)
General revenues:					
Property taxes					\$ 20,714,463
Road & bridge privilege taxes					629,881
Grants & contributions - not specific					4,495,469
Unrestricted investment income					809,603
Miscellaneous					2,570,883
Total General Revenues					29,220,299
Changes in Net Assets					(205,897)
Net Assets - Beginning					71,482,512
Net Assets - Ending					\$ 71,276,615

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

LAMAR COUNTY
Balance Sheet - Governmental Funds
September 30, 2008

	Major Funds		Other	Total
	General fund	Road Maintenance Fund	Governmental Funds	Governmental Funds
ASSETS				
Cash	\$ 5,429,643	1,056,014	4,143,775	10,629,432
Property tax receivable	9,324,540	3,775,000	4,229,931	17,329,471
Fines receivable (net of allowance)				-
Intergovernmental receivables	671,169	20,018	12,122	703,309
Other receivables	137,859	5,808	83,569	227,236
Due from other funds		132,373	78,780	211,153
Restricted assets			228,937	228,937
Total assets	\$ 15,563,211	4,989,213	8,777,114	29,329,538
LIABILITIES & FUND BALANCES				
Liabilities:				
Amounts held in custody				-
Claims payable	544,529	641,017	235,201	1,420,747
Accrued expenses	217,234	59,073	65,096	341,403
Intergovernmental payables	507,333		49,362	556,695
Due to other funds	211,153			211,153
Deferred revenue	9,324,540	3,775,000	4,229,931	17,329,471
Total liabilities	10,804,789	4,475,090	4,579,590	19,859,469
Fund Balances:				
Reserved for:				
Debt service			228,937	228,937
Unreserved, reported in:				
General fund	4,758,422			4,758,422
Special revenue funds		514,123	3,162,085	3,676,208
Debt service			105,920	105,920
Capital project			700,582	700,582
Total fund balances	4,758,422	514,123	4,197,524	9,470,069
Total liabilities and fund balances	\$ 15,563,211	4,989,213	8,777,114	29,329,538

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

LAMAR COUNTY
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,470,069
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Fines receivable assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	12,103
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 \$105,528,604	74,105,562
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(12,073,328)
Debt service expenditures are recognized only when payment is due and, therefore, accrued interest expenditures are not reported in the funds.	(237,791)
Total Net Assets - Governmental Activities	<u>\$ 71,276,615</u>

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

LAMAR COUNTY
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2008

	Major Funds		Other	Total
	General fund	Road Maintenance Fund	Governmental Funds	Governmental Funds
REVENUES				
Property taxes	\$ 11,658,317	4,571,077	4,485,069	20,714,463
Road and Bridge privilege taxes		629,881		629,881
Licenses, commissions and other revenue	679,637		38,554	718,191
Fines and forfeitures	444,100		2,251	446,351
Intergovernmental revenues	4,173,348	948,604	3,869,169	8,991,121
Charges for services	235,471		519,707	755,178
Interest income	531,898	105,761	171,944	809,603
Miscellaneous revenues	349,420	36,101	792,774	1,178,295
Total revenues	<u>18,072,191</u>	<u>6,291,424</u>	<u>9,879,468</u>	<u>34,243,083</u>
EXPENDITURES				
General Government	8,907,560		375,749	9,283,309
Public Safety	6,349,066		2,024,931	8,373,997
Public Works	33,387	7,987,183	6,851,161	14,871,731
Health and Welfare	473,746		85,476	559,222
Culture and Recreation	819,891		216,973	1,036,864
Conservation of Natural Resources	635,906			635,906
Economic Development and Assistance	146,368		96,430	242,798
Undesignated				-
Debt Service				-
Principal	283,240	752,778	1,238,009	2,274,027
Interest	16,403	65,084	398,265	479,752
Agent fees			2,950	2,950
Total expenditures	<u>17,665,567</u>	<u>8,805,045</u>	<u>11,289,944</u>	<u>37,760,556</u>
Excess of revenues over (under) expenditures	<u>406,624</u>	<u>(2,513,621)</u>	<u>(1,410,476)</u>	<u>(3,517,473)</u>
OTHER FINANCIAL SOURCES (USES)				
Long-term capital debt issued	1,831,586	260,000		2,091,586
Proceeds from sale of capital assets		83,625	5,000	88,625
Transfers in	609,121	900,000	1,492,067	3,001,188
Transfers out	(2,298,667)	(93,400)	(609,121)	(3,001,188)
Total Other Financing Sources (Uses)	<u>142,040</u>	<u>1,150,225</u>	<u>887,946</u>	<u>2,180,211</u>
Net Change in Fund Balance	548,664	(1,363,396)	(522,530)	(1,337,262)
Fund Balances - Beginning	<u>4,209,758</u>	<u>1,877,519</u>	<u>4,720,054</u>	<u>10,807,331</u>
Fund Balance- Ending	<u>\$ 4,758,422</u>	<u>514,123</u>	<u>4,197,524</u>	<u>9,470,069</u>

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

LAMAR COUNTY

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended September 30, 2008

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,337,262)
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 were exceeded by depreciation in the current period.	1,074,161
In the Statement of Activities, only gains and losses from disposition of capital assets are reported, whereas in the Governmental Funds, proceeds from disposition of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount the proceeds from disposition of capital and non-capital assets (\$88,625 proceeds from sale plus \$21,263 insurance proceeds for wrecked vehicles) exceeded the gain from disposition (\$14,240).	(95,657)
Fine revenue recognized in the modified accrual accounting in the funds during the current year is increased on the Statements of Activities using the full-accrual basis of accounting.	12,103
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 exceeded debt proceeds.	182,441
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:	
Increase in compensated balances	(57,218)
Decrease in interest from accrual	15,535
Changes in Net Assets of Governmental Activities	<u>\$ (205,897)</u>

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

Exhibit 5

LAMAR COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash	<u>\$ 798,908</u>
Total Assets	<u>\$ 798,908</u>
 LIABILITIES	
Intergovernmental payables	<u>\$ 798,908</u>
Total Liabilities	<u>\$ 798,908</u>

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

LAMAR COUNTY, MISSISSIPPI

NOTES TO THE FINANCIAL STATEMENTS

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Individual Component Unit Disclosures.

Blended Component Units

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

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

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(1) Summary of Significant Accounting Policies (Continued)

funds to repay the debt pursuant to a lease agreement. See Note 10 for further disclosure concerning the issuance of certificates of participation (COPs) and related capital facilities.

C. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its blended component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment 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 a separate accounting entity. 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 and fiduciary funds. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

D. Measurement Focus and Basis of Accounting.

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

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(1) Summary of Significant Accounting Policies (Continued)

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty 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 - Accounts for all activities of the general government for which a separate fund has not been established.

Road Maintenance Fund - Accounts for monies from specific revenue sources that are restricted for road maintenance.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Capital Projects Funds - These funds are used to account for the construction of infrastructure assets and buildings.

FIDUCIARY FUND TYPES

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

E. Account Classifications.

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

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(1) Summary of Significant Accounting Policies (Continued)

F. Deposits.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements. Cash includes cash on hand, demand deposits, and all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

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

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

I. Restricted Assets.

Non-General Obligation debt issuance trust agreements require assets to be held and/or used as specified in the trust agreements and have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental-activities column in the government-wide financial statement. 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.

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 activities. 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.

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(1) Summary of Significant Accounting Policies (Continued)

The following schedule details those thresholds.

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

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

K. Long-term liabilities.

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

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

L. Equity Classifications.

Government-wide Financial Statements:

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

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

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

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(1) Summary of Significant Accounting Policies (Continued)

M. Property Tax Revenues.

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

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

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

N. Intergovernmental Revenues in Governmental Funds.

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

O. Compensated Absences.

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

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(2) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$11,428,340 and the bank balance was \$12,121,476. 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.

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

(3) Restricted Assets.

The Trust Agreement between Lamar County and its Trustee for its \$5,775,000 Lamar County Certificates of Participation (Lamar County, Mississippi Jail Project), Series 2001, requires a Debt Service Reserve Requirement of \$227,437 and an Administrative Expense Fund Requirement of \$1,500. The Trustee shall administer the fund during the life of the Certificates of Participation. At September 30, 2008, the amount of restricted assets maintained by the Trustee was \$228,937.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance	General	\$ 132,373
Other Governmental	General	<u>78,780</u>
		<u>\$ 211,153</u>

The receivables represent the tax revenue collected but not settled until October 2008. All interfund balances are expected to be repaid within one year from the date of the financial statements.

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Road Maintenance	General	\$ 900,000
Other Governmental	General	1,398,667
Other Governmental	Road Maintenance	93,400
General	Other Governmental	609,121
		<u>\$ 3,001,188</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tax Credit	\$ 345,751
Additional Privilege Tax	30,221
Oil, Gas and Timber Severance	226,266
Other Reimbursements	<u>101,071</u>
Total Governmental Receivables	<u>\$ 703,309</u>

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

	Balance at 9/30/2007	Additions	Deletions	Adjustments	Balance at 9/30/2008
<u>Non-depreciable capital assets</u>					
Land	\$ 1,361,863	358,335			1,720,198
Construction in progress	3,107,772	5,079,503		(1,487,036)	6,700,239
Total Non-depreciable capital assets	4,469,635	5,437,838	-	(1,487,036)	8,420,437
<u>Depreciable capital assets</u>					
Infrastructure	139,532,252	39,819		1,393,946	140,966,017
Buildings	13,511,924	721,583		93,090	14,326,597
Improvements other than buildings	306,311				306,311
Mobile equipment	7,267,837	644,115	310,985	846,537	8,447,504
Furniture & equipment	1,752,815	727,252	21,443		2,458,624
Leased property under capital leases	5,555,213			(846,537)	4,708,676
Total depreciable capital assets	167,926,352	2,132,769	332,428	1,487,036	171,213,729
Less accumulated depreciation for:					
Infrastructure	88,923,185	4,627,804			93,550,989
Buildings	1,822,189	285,022			2,107,211
Improvements other than buildings	117,098	12,256			129,354
Mobile equipment	4,786,922	609,482	225,506	612,279	5,783,177
Furniture & equipment	1,137,992	354,723	11,263		1,481,452
Leased property under capital leases	2,481,541	607,159		(612,279)	2,476,421
Total accumulated depreciation	99,268,927	6,496,446	236,769	-	105,528,604
Total depreciable capital assets, net	68,657,425	(4,363,677)	95,659	1,487,036	65,685,125
Governmental activities capital assets, net	\$ 73,127,060	1,074,161	95,659	-	74,105,562

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(6) Capital Assets (Continued)

Adjustments to fixed assets resulted from leased property under capital leases that were paid off during the fiscal year and allocated to their appropriate classification and from reclassifications of completed work on buildings and infrastructure from construction in progress to depreciable assets.

Construction in progress as of 9/30/08 consisted of four state aid road projects and of Lamar County Central Office Complex scheduled for completion in 2009.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 516,099
Public safety	510,835
Public works	5,442,602
Health and welfare	14,425
Culture and recreation	<u>12,485</u>
 Total governmental activities depreciation expense	 \$ <u>6,496,446</u>

(7) 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, 2008, to January 1, 2009. 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 finances its exposure to risk of loss relating to employee health and accident coverage through a commercial insurance company.

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(8) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

Classes of Property		Governmental Activities
Mobile Equipment	\$	4,708,676
Less: Accumulated Depreciation		<u>(2,476,421)</u>
Leased Property Under Capital Leases	\$	<u>2,232,255</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 781,111	74,223
2010	697,409	27,782
2011	457,923	15,274
2012	185,553	8,251
2013	74,415	4,154
2014-2018	<u>20,177</u>	<u>821</u>
Total	<u>\$ 2,216,588</u>	<u>\$ 130,505</u>

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(9) Long-term Debt.

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Lamar County G.O. Refunding Bonds, Series 2002	\$ 2,355,000	3.8 to 4.0	07-2013
B. Limited Obligation Bonds:			
Certificates of Participation (Jail Project), Series 2001	\$ 4,270,000	4.6 to 5.1	09-2021
C. Capital Leases:			
3: Vacuum Tanker Trucks (Oloh, Central Lamar, Hickory Grove)	65,364	5.71	08-2010
Fire Truck (Northeast Lamar)	74,098	3.64	05-2013
Fire Truck Mini-Pumper (Progress)	51,066	3.67	04-2013
Fire Truck (Purvis)	57,389	3.67	04-2013
Fire Truck (Black Creek)	85,080	3.84	12-2012
Fire Truck (Progress)	45,162	3.84	12-2012
Fire Truck (Hickory Grove)	35,591	3.64	04-2013
2: Case Motorgraders	175,000	2.82	08-2011
Kobeco Track Hoe	85,000	2.82	08-2011
Pothole Patcher	33,437	3.18	06-2010
2: 2006 Knuckleboom Loaders	65,192	3.42	09-2010
2: Wheel Loaders	163,475	3.64	04-2009
2: International Garbage Trucks	40,548	3.77	02-2011
2: Garbage Bodies	30,411	3.77	02-2011
International Limb Truck	62,285	3.89	03-2011
2: Broce Brooms	36,359	3.89	10-2010
Mini-Pumper (Southwest)	109,822	4.07	05-2014
2: Garbage Trucks & Bodies	118,665	4.02	05-2011
Caterpillar Excavator	125,440	3.94	12-2009
10: 2007 Mack Trucks	693,100	3.81	03-2012
Asphalt Distribution Truck	64,104	3.34	03-2011
Total Capital Leases	2,216,588		
E. Other Loans:			
Capital Improvement Loan (United Protective Clothing)	209,178	3.75	Apr-11
Capital Improvement Loan (Pine Ridge Fire Truck)	118,149	2.00	04-2017
Capital Improvement Loan (Southwest Fire Truck)	100,390	2.00	03-2017

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(9) Long-term Debt (continued).

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
E. Other Loans (continued)			
Capital Improvement Loan (Lumberton Fire Truck)	152,318	2.00	01-2017
Capital Improvement Loan (Sumrall Fire Truck)	152,318	2.00	01-2017
Capital Improvement Loan (Central Lamar Fire Station)	231,586	3.00	10-2028
Note to Regions Bank, Lamar County Office Complex	1,600,000	2.50	01-2013
City of Purvis Inter-local Agreement (United Protective Clothing)	37,857	3.75	09-2010
Lamar County Economic Development District Inter-local Agreement (United Protective Clothing)	70,542	3.75	09-2010
Capital Improvement Loan (Multipurpose Building)	216,659	3.00	08-2014
Total Other Loans	2,888,997		
Total Outstanding Debt	\$ 11,730,585		

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

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 580,000	89,333	245,000	205,123	538,321	75,989
2010	595,000	68,743	260,000	194,833	554,907	52,879
2011	615,000	46,728	270,000	183,653	470,141	38,366
2012	280,000	22,743	280,000	171,773	436,605	28,068
2013	285,000	11,543	295,000	158,893	447,482	17,924
2014 and thereafter			2,920,000	695,826	441,541	47,630
Total	\$ 2,355,000	239,090	4,270,000	1,610,101	2,888,997	260,856

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(9) Long-term Debt (Continued)

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Balance Sept. 30, 2008	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 285,525	57,218	-	342,743	-
General obligation bonds	2,930,000		575,000	2,355,000	580,000
Limited obligation bonds	4,510,000		240,000	4,270,000	245,000
General obligation notes	84,382		84,382	-	-
Capital leases	3,129,649	260,000	1,173,061	2,216,588	781,111
Other loans	1,258,995	1,831,586	201,584	2,888,997	538,321
Total	<u>\$ 12,198,551</u>	<u>2,148,804</u>	<u>2,274,027</u>	<u>12,073,328</u>	<u>2,144,432</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2008, the amount of outstanding debt was equal to 0.42% of the latest property assessments.

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

(10) Contingencies.

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

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

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.

Justice Court - During the audit of the fiscal year ending September 30, 2003, we noted discrepancies in Justice Court deposits. The matter was turned over to the Office of the State Auditor for further investigation; however, no final outcome has been reached.

(11) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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

Pearl River Valley Opportunity, Inc., operates in a district composed of the counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law.

The Lamar County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Lamar County Board of Supervisors appoints one of the nine members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Lamar County Board of Supervisors appoints one of the nine members of the board of commissioners. The county provides only modest financial support for the entity.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Lamar County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion, and Pearl River. The Lamar County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$476,133 for maintenance and support of the college in the fiscal year 2008.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Lamar County Board of Supervisors appoints one of the seven members of the board of directors. Each entity provides modest financial support when funds are required. The county appropriated \$98,825 for support of the district in fiscal year 2008.

LAMAR COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2008

(12) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 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, 2008, 2007 and 2006 were \$1,034,934, \$ 887,158 and \$745,642, respectively, equal to the required contributions for each year.

(13) No commitment debt (not included in Financial Statements)

No commitment debt is repaid only by entities for which the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. The debt explicitly states the absence of an obligation by the county other than possibly assisting creditors in exercising their rights in the event of default. The principal amount of such debt is disclosed as follows:

Description	Balance at 9/30/08
Home Depot TIF Bonds	\$ 515,000

(14) Subsequent Events.

Subsequent to September 30, 2008, the county issued the following debt obligation(s):

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10-22-08	3.210%	\$ 180,000	Lease Purchase	Property Tax
10-22-08	3.090%	\$ 180,000	Lease Purchase	Property Tax
10-22-08	3.090%	\$ 67,000	Lease Purchase	Property Tax
04-13-09	4.125%	\$ 1,357,500	General Obligation Bond	Property Tax

LAMAR COUNTY, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

LAMAR COUNTY
Budgetary Comparison Schedule
Budget and Actual (Non-GAAP Basis)
General Fund
FYE September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 11,231,333	11,611,671	11,611,671	-
Licenses, commissions and other revenue	530,500	637,304	637,304	-
Fines and forfeitures	397,100	472,571	472,571	-
Special assessments			-	
Intergovernment revenues	2,902,200	4,216,208	4,216,208	-
Charges for services	190,000	246,404	246,404	-
Interest income	310,700	517,237	517,237	-
Miscellaneous revenues	370,734	487,156	487,156	-
TOTAL REVENUES	15,932,567	18,188,551	18,188,551	-
EXPENDITURES				
General Government	8,044,090	9,158,419	9,158,419	-
Public Safety	5,240,478	5,778,374	5,778,374	-
Public Works		32,152	32,152	-
Health and Welfare	485,761	473,746	473,746	-
Culture and Recreation	1,379,664	1,030,647	1,030,647	-
Conservation of Natural Resources	118,523	113,380	113,380	-
Economic Development and Assistance	599,603	533,505	533,505	-
Debt Service	742,607	858,914	858,914	-
TOTAL EXPENDITURES	16,610,726	17,979,137	17,979,137	-
Excess of revenues over (under) expenditures	(678,159)	209,414	209,414	-
OTHER FINANCIAL SOURCES (USES)				
Proceeds from long term debt	1,672,191	1,831,586	1,831,586	-
Transfers in (out)	(1,565,000)	(1,689,546)	(1,689,546)	-
Total Other Financing Sources (Uses)	107,191	142,040	142,040	-
Net Change in Fund Balance	\$ (570,968)	351,454	351,454	-
Fund Balance - Beginning			4,209,758	
Net adjustment for revenue accruals			(116,360)	
Net adjustment for expenditure accruals			313,570	
Fund Balance - Ending			\$ 4,758,422	

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

LAMAR COUNTY
Budgetary Comparison Schedule
Budget and Actual (Non-GAAP Basis)
Road Maintenance Fund
FYE September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 4,464,632	4,565,595	4,565,595	-
Road and bridge privilege taxes	555,000	627,829	627,829	-
Intergovernment revenues	815,000	945,422	945,422	-
Interest income	70,000	108,219	108,219	-
Miscellaneous revenues	10,500	39,468	39,468	-
TOTAL REVENUES	5,915,132	6,286,533	6,286,533	
EXPENDITURES				
Public Safety			-	
Public works	6,891,738	7,346,872	7,346,872	-
Debt service:	526,204	817,862	817,862	-
TOTAL EXPENDITURES	7,417,942	8,164,734	8,164,734	-
Excess of Revenues over (under) Expenditures	(1,502,810)	(1,878,201)	(1,878,201)	-
OTHER FINANCING SOURCES (USES)				
Proceeds of long-term capital debt	675,000	260,000	260,000	
Proceeds from sale of capital assets		83,625	83,625	-
Transfers in (out)	(972,190)	806,600	806,600	-
TOTAL OTHER FINANCING SOURCES	(972,190)	1,150,225	1,150,225	-
Net Change in Fund Balance	<u>\$ (2,475,000)</u>	<u>(727,976)</u>	<u>(727,976)</u>	-
Fund Balance - Beginning			1,877,519	
Net Adjustment for Revenue Accruals			4,891	
Net Adjustment for Expenditure Accruals			(640,311)	
Fund Balance - Ending			<u>\$ 514,123</u>	

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

LAMAR COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2008

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Road Maintenance
Net change in Fund Balance, Budget (Cash Basis)	\$ 351,454	(727,976)
Increase (Decrease)		
Net adjustments for revenue accruals	(116,360)	4,891
Net adjustments for expenditure accruals	313,570	(640,311)
Net change in Fund Balance, Actual (GAAP Basis)	\$ <u>548,664</u>	<u>(1,363,396)</u>

LAMAR COUNTY, MISSISSIPPI

SUPPLEMENTAL INFORMATION

LAMAR COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2008

Operating Expenditures, Cash Basis:

Waste Disposal contract	\$	427,264
Salaries		882,132
Expendable Commodities:		
Gasoline and petroleum products		127,540
Repair parts		38,734
Clothing		8,359
Maintenance		11,117
Supplies		<u>15,089</u>

Solid waste cash basis operating expenditures	1,510,235
---	-----------

Full cost expenses:

Indirect administrative costs	2,880
Depreciation on equipment	86,034
Net effect of other accrued expenses	<u>100,609</u>

Solid waste full cost operating expenses	<u>189,523</u>
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Total Expenditures	<u><u>\$ 1,699,758</u></u>
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LAMAR COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-through Garntor/Program Title	Federal CFDA #	Pass-through Agency #	Federal Expenditures
Department of Agriculture			
Emergency Watershed Protection Grant	10.923	EPW NRCS	<u>\$ 202,913</u>
Department of Housing and Urban Development			
Community Development Block Grant	14.228	R-103-037-02-KED	<u>1,073,122 *</u>
Department of Justice, passed through MS Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06HR1371***	<u>70,000</u>
US Department of Transportation			
Highway Planning and Construction Grant	20.205	BR NBIS 068 B	13,910
Highway Planning and Construction Grant	20.205	STP-8750-00	1,402,578 *
Total US Department of Transportation			<u>1,416,488</u>
Department of Homeland Security, passed through MS Dept. of Fin. & Admin			
State Domestic Preparedness Equip. Support Grant	97.004	#06LE037	3,284
State Domestic Preparedness Equip. Support Grant	97.004	3SSGEX-001	75,000
State Domestic Preparedness Equip. Support Grant	97.004	07HS037	47,612
Staffing for Adequate Fire and Emergency Response	97.083	SAFER Grant	88,539
			<u>214,435</u>
Department of Homeland Security			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 1604	490,704
Hazard Mitigation Grant	97.039	1604-1039	226,329
			<u>717,033</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,693,991</u></u>

* - denotes a major program
See accompanying notes to schedule of expenditures of federal awards.

LAMAR COUNTY
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

NOTE A – BASIS OF PRESENTATION

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

LAMAR COUNTY

SPECIAL REPORTS

WRIGHT CPA GROUP, PLLC



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

Members of the Board of Supervisors
Lamar County, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lamar County, Mississippi, as of and for the year ended September 30, 2008, 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 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 Lamar County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lamar County, Mississippi's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Lamar County, Mississippi'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 Lamar County, Mississippi'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 Lamar County, Mississippi's financial statements that is more than inconsequential will not be prevented or detected by Lamar County, Mississippi's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in the 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 Lamar County, Mississippi's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 08-1 to be material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lamar County, Mississippi's primary government 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*.

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

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

Wright CPA Group, PLLC

Wright CPA Group, PLLC
June 29, 2009

WRIGHT CPA GROUP, PLLC



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

Members of the Board of Supervisors
Lamar County, Mississippi

Compliance

We have audited the compliance of Lamar County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. Lamar County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lamar County, Mississippi's management. Our responsibility is to express an opinion on Lamar County, Mississippi's compliance based on our audit.

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

In our opinion, Lamar County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

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

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

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

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

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

Wright CPA Group, PLLC

WRIGHT CPA GROUP, PLLC.
June 29, 2009

WRIGHT CPA GROUP, PLLC



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

Members of the Board of Supervisors
Lamar County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Lamar County, Mississippi, as of and for the year ended September 30, 2008. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

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

The results of our audit procedures did not disclose any significant noncompliance with the aforementioned code sections.

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 Lamar County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Wright CPA Group, PLLC

Wright CPA Group, PLLC

June 29, 2009

LAMAR COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2008

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

LAMAR COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2008

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
12/3/2007	Material and labor to repair AC unit in county jail struck by lightning	\$ 21,500	Hub Refrigeration

Schedule 3

LAMAR COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2008

Date	Item Purchased	Amount Paid	Vendor
2/4/2008	Recording System for for county court reporter	\$ 8,754	Stenograph, LLC
9/2/2008	Tasers for sheriff's department	\$ 22,485	Barney's Police Supply

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Lamar County, Mississippi

In planning and performing our audit of the financial statements of Lamar County, Mississippi for the year ended September 30, 2008, we considered Lamar County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Lamar County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 29, 2009, on the financial statements of Lamar County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors,

1. Finding

Management's communication regarding federal fund tracking and documentation compliance should be improved to effectively prevent misuse of Federal funds.

Recommendation

We recommend the county establish an effective means of documentation and communication to ensure the proper compliance regulations are maintained regarding Federal funds.

Response

The county will establish an effective means of documentation and communication to ensure the proper compliance regulations are maintained regarding Federal funds.

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

2. Finding

Cash receipts transactions processing should be improved in the suboffices to prevent embezzlement of cash.

Recommendation

Management should implement appropriate procedures for opening mail and processing cash receipts.

Response

The county will establish effective procedures for cash receipts processing in suboffices.

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.

Wright CPA Group, PLLC

Wright CPA Group, PLLC
June 29, 2009

LAMAR COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | |
| | Governmental activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General fund | Unqualified |
| | Countywide Road fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Material noncompliance relating to the primary government financial statements? | No |
| 3. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiency identified that is not considered to be material weaknesses? | No |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Reportable condition identified that is not considered to be material weaknesses? | No |
| 6. | Any audit finding reported as required by Section __.510 (a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | a. Federal-Aid Highway Grant, CFDA # 20.205 | |
| | b. Community Development Block Grant, CFDA # 14.218 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315 (b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

Board of Supervisors,
Significant Deficiency

08-1. Finding

Significant Deficiency – Material Weakness

Generally accepted accounting principles require the financial data for the county's component units to be reported with 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. The financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow the 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.

Response

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

Section 3: Federal Award Findings and Questioned Costs

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