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**Jefferson County, Mississippi**  
Audited Financial Statements  
and Special Reports  
For the Year Ended  
September 30, 2010

**Fortenberry & Ballard, PC**  
Certified Public Accountant

## Jefferson County Location in Mississippi



Jefferson County was formed in 1799, named for Thomas Jefferson (first called “Pickering”). Jefferson County is about 527.2 square miles with a population of 9,740. Shelled by the gunboat “rattler” when Federal sailors were captured by Confederate cavalry while attending Sunday services, September 13, 1863.

**Jefferson County, Mississippi**  
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## FINANCIAL SECTION

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE BASIC  
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors  
Jefferson County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements 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 did not audit the financial statements of the Jefferson County Hospital, component unit, which represent 90%, 100%, and 72%, respectively, of the assets, net assets and revenues of the proprietary component units column. We did not audit the financial statements of the Jefferson County Nursing Home, component unit, which represent 10%, 0%, and 28%, respectively, of the assets, net assets and revenues of the proprietary component units column. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors.

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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2011 on our consideration of Jefferson 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 when assessing the results of our audit.

The Management's Discussion and Analysis and 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 and the other auditors have applied certain limited procedures, which consisted principally of inquires 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 Jefferson County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The accompanying combining statements for the component units are not a required part of the basic financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of the other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
June 14, 2011

Certified Public Accountants

## MANAGEMENT DISCUSSION AND ANALYSIS

**Jefferson County, Mississippi  
Management's Discussion & Analysis  
For the Year Ended September 30, 2010**

## **INTRODUCTION**

The discussion and analysis of Jefferson County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2010. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

## ***FINANCIAL HIGHLIGHTS***

- Total net assets increased \$1,437,111, including a prior period adjustment of \$44,872, which represents a 17% increase from the prior fiscal year. The County's ending cash balance increased by \$330,125 which represents a 22% increase from the prior fiscal year.
- The County had \$10,884,576 in total revenues. Tax revenues account for \$3,317,590 or 30% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$294,350 or 3% of total revenues.
- The County had \$9,492,337 in total expenses. Expenses in the amount of \$6,742,059 were offset by charges for services, grants, or outside contributions. General revenues of \$4,142,517 were adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$3,696,428 in revenues and \$3,693,701 in expenditures. The General Fund's fund balance increased \$2,727 over the prior year. Last year's revenues were \$3,226,879, and expenditures were \$4,024,176.
- The Garbage and Solid Waste Fund had \$427,431 in revenues and \$386,981 in expenditures. The Garbage and Solid Waste Fund's fund balance increased \$40,450 from the prior year.
- Another major fund, the County Wide Road Maintenance Fund, had \$1,448,776 in revenues, \$1,651,106 in expenditures and \$454,050 in other financing sources. The County Wide Road Maintenance Fund's fund balance increased \$251,720 from the prior year mainly due to the recognition of the other financing source - inception of leases.

- Capital assets, net of accumulated depreciation, increased by \$192,736 primarily due to additions to mobile equipment, furniture and equipment and leased property under capital leases in the governmental activities.
- Long-term debt in the governmental activities increased by \$1,343. The main reason for this increase was the addition of capital leases. Long-term debt in the business-type activities decreased \$372,534 due to principal retired during the year and a decrease in compensated absences.

***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

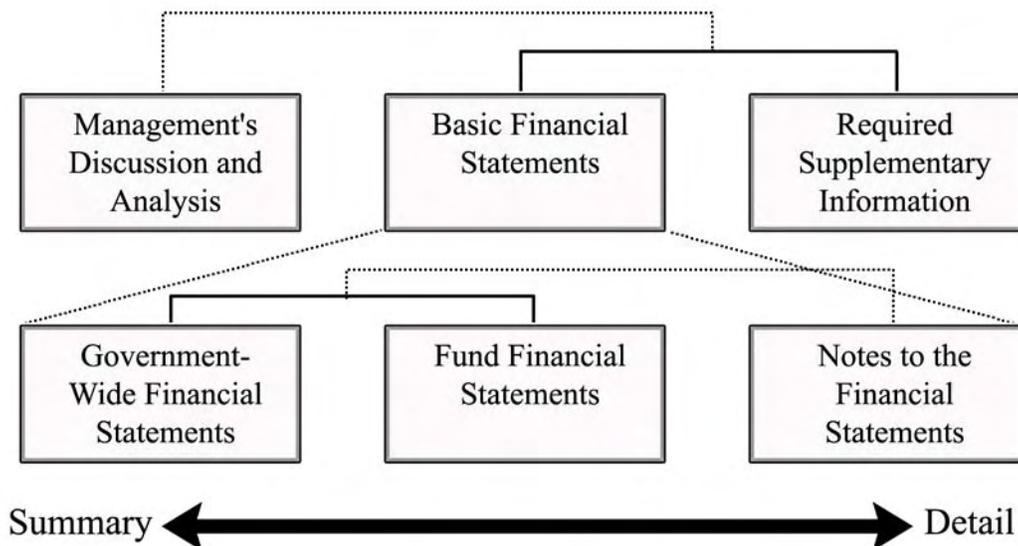


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

	Government-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	The County is the trustee or agent for someone else's resources
Required Financial Statements	* Statement of Net Assets * Statement of Operating Activities	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances	* Statement of Fiduciary Net Assets * Statement of Changes in Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets, liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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

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

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

These government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges.

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

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

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

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

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

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional special revenue major fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets** – Net assets may serve over time as a useful indicator of government's financial position. In the case of Jefferson County, assets exceeded liabilities by \$10,054,177 as of September 30, 2010.

A portion of the County's net assets (80%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, mobile equipment, furniture & equipment, leased property under capital leases) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net assets at September 30, 2010 and September 30, 2009.

Governmental Activities:

	<u>09/30/10</u>	<u>09/30/09</u>
Assets:		
Current assets	\$ 5,316,353	5,119,293
Capital assets, net	8,340,813	8,067,846
Total Assets	<u>13,657,166</u>	<u>13,187,139</u>
Liabilities:		
Current liabilities	4,955,095	5,152,501
Long-term debt outstanding	1,227,350	1,226,007
Total Liabilities	<u>6,182,445</u>	<u>6,378,508</u>
Net Assets:		
Invested in capital assets, net of related debt	7,167,770	6,900,350
Restricted assets	864,898	1,077,666
Unrestricted	(557,947)	(1,169,385)
Total Net Assets	<u>\$ 7,474,721</u>	<u>6,808,631</u>

Business-Type Activities:

	<u>09/30/10</u>	<u>09/30/09</u>
Assets:		
Current assets	\$ 1,886,759	1,407,830
Capital assets, net	3,026,711	3,106,942
Total Assets	<u>4,913,470</u>	<u>4,514,772</u>
Liabilities:		
Current liabilities	80,487	80,276
Long-term debt outstanding	2,253,527	2,626,061
Total Liabilities	<u>2,334,014</u>	<u>2,706,337</u>
Net Assets:		
Invested in capital assets, net of related debt	841,711	556,942
Restricted	1,737,745	1,251,493
Total Net Assets	<u>\$ 2,579,456</u>	<u>1,808,435</u>

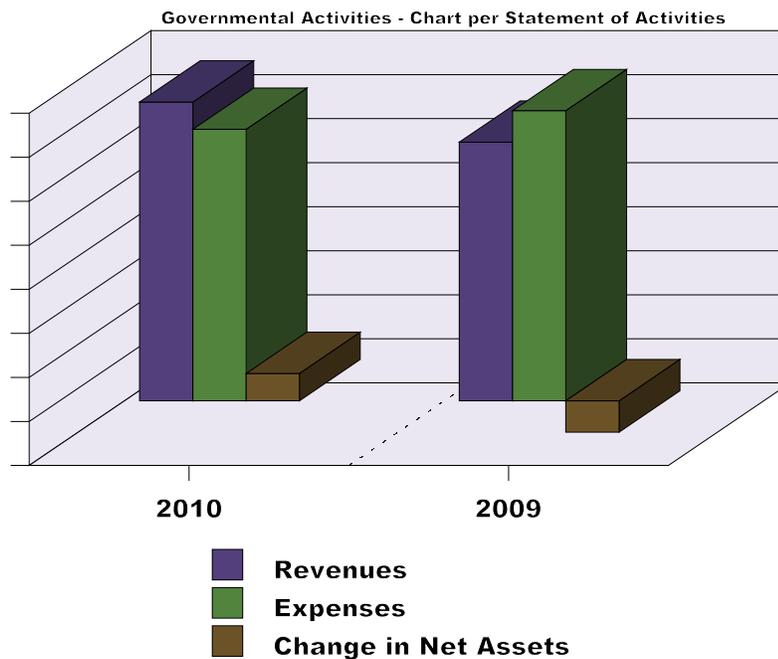
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- \$723,631 of long-term debt principal was retired. This figure includes the governmental and business-type activities of the County.
- A prior period adjustment was made in the amount of \$44,872 to correctly present the County's long-term debt.
- The County increased its short-term debt to reflect the outstanding and due in one year tax anticipation note in the amount of \$850,000.

**Changes in Net Assets** - Jefferson County's total revenues for the fiscal year ended September 30, 2010 were \$10,884,576. The total cost for all services provided was \$9,492,337 and the increase in net assets was \$1,437,111, including a prior period adjustment of \$44,872. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2010, as compared to fiscal year ended September 30, 2009.

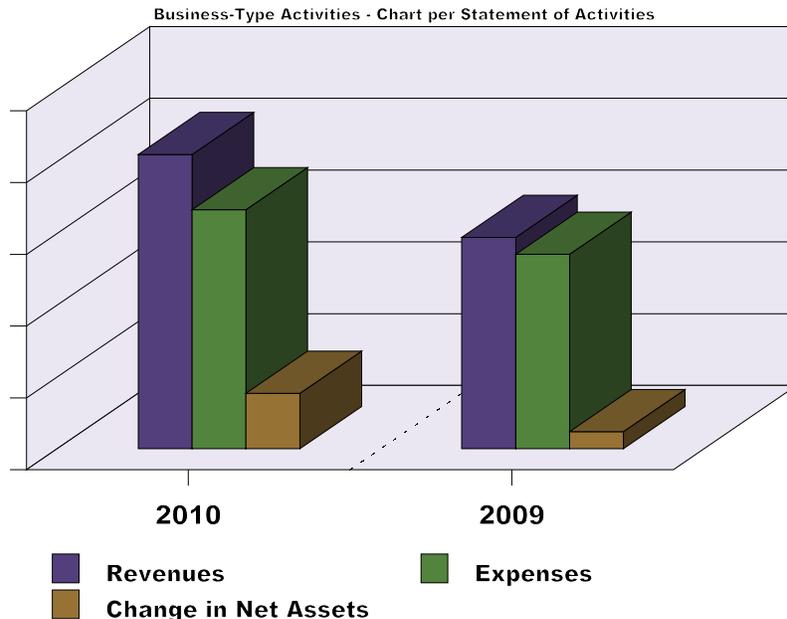
Governmental Activities:

	<b>For the year ended 09/30/10</b>	<b>For the year ended 09/30/09</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 932,424	1,065,489
Operating grants and contributions	1,230,095	700,613
Capital grants and contributions	481,664	98,268
General revenues:		
Taxes	3,317,590	2,966,243
Grants and contributions	322,325	375,580
Unrestricted interest income	16,380	30,070
Other	486,222	637,779
<b>Total Revenues</b>	<b>6,786,700</b>	<b>5,874,042</b>
<b>Expenses:</b>		
General government	2,619,833	2,910,536
Public safety	1,371,284	1,473,277
Public works	1,814,867	1,978,416
Health and welfare	157,534	83,039
Culture and recreation	114,268	10,434
Conservation of natural resources	33,374	37,646
Economic development and assistance	4,042	21,344
Interest on long term debt	50,280	72,181
<b>Total expenses</b>	<b>6,165,482</b>	<b>6,586,873</b>
<b>Increase/ (Decrease) in Net Assets</b>	<b>\$ 621,218</b>	<b>(712,831)</b>



Business-Type Activities:

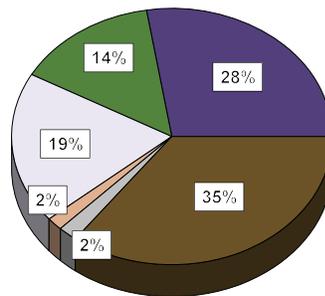
	<u>For the year ended 09/30/10</u>	<u>For the year ended 09/30/09</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,097,876	2,819,619
Operating grants and contributions		123,628
Total Revenues	<u>4,097,876</u>	<u>2,943,247</u>
Expenses:		
Business-type expenses	<u>3,326,855</u>	<u>2,707,628</u>
Total expenses	<u>3,326,855</u>	<u>2,707,628</u>
Increase/ (Decrease) in Net Assets	<u>\$ 771,021</u>	<u>235,619</u>



**Expenses** - The following table presents the cost of the various functional activities of the County. These include: General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance, and Interest on Long-Term Debt and Business-Type Activities. The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Jefferson County's taxpayers by each of these functions.

		<b>2010 Total Cost</b>	<b>2010 Net Cost</b>	<b>2009 Total Cost</b>	<b>2009 Net Cost</b>
Governmental Activities:					
General government	\$	2,619,833	(1,730,114)	2,910,536	(2,207,428)
Public safety		1,371,284	(1,027,656)	1,473,277	(1,331,514)
Public works		1,814,867	(739,777)	1,978,416	(986,882)
Health & welfare		157,534	(157,534)	83,039	(55,074)
Culture & recreation		114,268	221,478	10,434	(10,434)
Conservation of natural resources		33,374	(33,374)	37,646	(37,646)
Economic development		4,042	(4,042)	21,344	(21,344)
Interest on long-term debt		50,280	(50,280)	72,181	(72,181)
Business-type activities		3,326,855	771,021	2,707,628	235,619
<b>Total</b>	<b>\$</b>	<b>9,492,337</b>	<b>(2,750,278)</b>	<b>9,294,501</b>	<b>(4,486,884)</b>

**Expenses per Statement of Activities**



## ***FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS***

**Governmental funds** – At the close of the fiscal year, Jefferson County’s governmental funds reported a combined fund balance of \$113,001, an increase of \$354,499 from the prior year. The increase is due primarily to overall budget cutting.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$2,727. The fund balance of the Garbage & Solid

Waste Fund increased \$40,450 mainly due to increased collection efforts. The County Wide Road Maintenance Fund's fund balance increased \$251,720 mainly due to budget restraints. The Other Governmental Funds showed an increase of \$59,602.

**Proprietary fund** - The Jefferson-Franklin Correctional Facility is classified as a business-type activity. The net income in this fund was \$771,021.

### ***BUDGETARY HIGHLIGHTS OF MAJOR FUNDS***

Over the course of the year, Jefferson County revised its annual operating budget on several occasions. Budgeted revenues were changed as better estimates became available.

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

### ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

#### **Governmental Activities:**

**Capital Assets** – As of September 30, 2010 Jefferson County's total capital assets were \$12,027,548. This includes land, buildings, infrastructure, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents an increase from the previous year of \$493,649. Total accumulated depreciation as of September 30, 2010 was \$3,686,735, and depreciation expense was \$517,089 for the year. The balance in total net capital assets was \$8,340,813 at year-end.

		<u>2010</u>	<u>2009</u>	<u>% Change</u>
Land	\$	50,453	50,453	0.00%
Buildings		2,649,889	2,649,889	0.00%
Infrastructure		5,896,199	5,896,199	0.00%
Mobile equipment		2,194,314	1,945,637	12.78%
Furniture and equipment		282,358	115,028	145.47%
Leased property under capital leases		954,335	876,693	8.86%
Accumulated depreciation		(3,686,735)	(3,466,053)	6.37%
Total Capital Assets, net	\$	<u>8,340,813</u>	<u>8,067,846</u>	3.38%

**Debt Administration** – At September 30, 2010 Jefferson County had \$1,227,350 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, obligations under capital leases and compensated absences. Of this debt, \$302,241 is due within one year.

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
General obligation bonds	\$ 391,000	531,000	-26%
Limited obligation bonds	165,000	235,000	-30%
Capital leases payable	617,043	401,496	54%
Compensated absences	54,307	58,511	-7%
Total Long-Term Debt	\$ <u><u>1,227,350</u></u>	<u><u>1,226,007</u></u>	0%

**Business Type Activities:**

**Capital Assets** - As of September 30, 2010 Jefferson County's total capital assets were \$4,194,049. This includes land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. Total accumulated depreciation as of September 30, 2010 was \$1,167,338, and depreciation expense was \$80,231 for the year. The balance in total net capital assets was \$3,026,711 at year-end.

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Land	\$ 235,000	235,000	0.00%
Buildings	3,862,120	3,862,120	0.00%
Mobile equipment	34,930	34,930	0.00%
Furniture and equipment	30,619	30,619	0.00%
Leased property under capital leases	31,380	31,380	0.00%
Accumulated depreciation	(1,167,338)	(1,087,107)	7.38%
Total Capital Assets, net	\$ <u><u>3,026,711</u></u>	<u><u>3,106,942</u></u>	-2.58%

**Debt Administration** - At September 30, 2010 Jefferson County had \$2,253,527 in long-term debt outstanding. This includes limited obligation bonds and compensated absences. Of this debt, \$380,000 is due within one year.

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Limited obligation bonds	\$ 2,185,000	2,550,000	-14%
Compensated absences	68,527	76,061	-10%
Total Long-Term Debt	\$ <u><u>2,253,527</u></u>	<u><u>2,626,061</u></u>	-14%

## ***CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Jefferson County, Chancery Clerk's office at the following phone number: (601) 786-3021 or by mail at 307 Main Street, Fayette, Mississippi 38069.

## FINANCIAL STATEMENTS

**JEFFERSON COUNTY, MISSISSIPPI**STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
<i>Cash</i>	\$ 1,558,296	\$ 305,803	\$ 1,864,099	\$ 10,556,338
<i>Investments</i>	--	1,405,956	1,405,956	--
<i>Property tax receivable</i>	2,855,430	--	2,855,430	--
<i>Accounts receivable</i>	84,487	--	84,487	1,528,594
<i>Fines receivable, net</i>	174,284	--	174,284	--
<i>Loans receivable, net</i>	41,000	--	41,000	--
<i>Intergovernmental receivables</i>	501,525	--	501,525	--
<i>Other receivables</i>	101,331	175,000	276,331	--
<i>Prepaid items</i>	--	--	--	56,544
<i>Inventories</i>	--	--	--	202,737
<i>Other assets</i>	--	--	--	42,420
<i>Restricted assets</i>	--	--	--	152,721
<i>Capital assets:</i>				
<i>Land and Construction in progress</i>	50,453	235,000	285,453	116,997
<i>Other capital assets, net</i>	8,290,360	2,791,711	11,082,071	847,786
<b>Total Assets</b>	<b>13,657,166</b>	<b>4,913,470</b>	<b>18,570,636</b>	<b>13,504,137</b>
<b>Liabilities:</b>				
<i>Claims payable</i>	89,148	58,162	147,310	809,284
<i>Amounts held in custody for others</i>	178,322	--	178,322	--
<i>Intergovernmental payables</i>	71,442	--	71,442	--
<i>Accrued interest payable</i>	10,514	22,325	32,839	2,509
<i>Deferred revenue</i>	2,855,430	--	2,855,430	--
<i>Other payables</i>	1,750,239	--	1,750,239	79,392
<i>Long term liabilities:</i>				
<i>Due within one year:</i>				
<i>Capital related debt</i>	302,241	380,000	682,241	109,256
<i>Due beyond one year:</i>				
<i>Capital related debt</i>	870,802	1,805,000	2,675,802	910,192
<i>Non-capital related debt</i>	54,307	68,527	122,834	--
<b>Total Liabilities</b>	<b>6,182,445</b>	<b>2,334,014</b>	<b>8,516,459</b>	<b>1,910,633</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	7,167,770	841,711	8,009,481	(22,636)
Restricted For:				
Public Works	241,592	--	241,592	--
Public Safety	234,070	1,737,745	1,971,815	--
Debt Service	--	--	--	128,940
Health & Welfare	34,411	--	34,411	--
Culture & Recreation	85,706	--	85,706	--
Economic Development	33,369	--	33,369	--
Capital Projects	47,100	--	47,100	--
General Government	188,650	--	188,650	--
Non-spendable	--	--	--	215,471
Unrestricted	(557,947)	--	(557,947)	11,271,729
<b>Total Net Assets</b>	<b>\$ 7,474,721</b>	<b>\$ 2,579,456</b>	<b>\$ 10,054,177</b>	<b>\$ 11,593,504</b>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2010**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
General government	\$ 2,619,833	\$ 495,112	\$ 174,607	\$ 220,000	\$ (1,730,114)	\$	\$ (1,730,114)	
Public safety	1,371,284	154,638	94,587	94,403	(1,027,656)		(1,027,656)	
Public works	1,814,867	271,589	636,240	167,261	(739,777)		(739,777)	
Health & welfare	157,534	--	--	--	(157,534)		(157,534)	
Culture and recreation	114,268	11,085	324,661	--	221,478		221,478	
Conservation of natural resources	33,374	--	--	--	(33,374)		(33,374)	
Economic development & assistance	4,042	--	--	--	(4,042)		(4,042)	
Interest and fiscal charges	50,280	--	--	--	(50,280)		(50,280)	
Total Governmental Activities	<u>6,165,482</u>	<u>932,424</u>	<u>1,230,095</u>	<u>481,664</u>	<u>(3,521,299)</u>		<u>(3,521,299)</u>	
<b>Business-type Activities:</b>								
Jefferson County Correctional Facility	3,326,855	4,097,876	--	--	--	\$ 771,021	771,021	
Total Primary Government	<u>9,492,337</u>	<u>5,030,300</u>	<u>1,230,095</u>	<u>481,664</u>	<u>(3,521,299)</u>	<u>771,021</u>	<u>(2,750,278)</u>	
<b>COMPONENT UNITS:</b>								
Hospital	\$ 8,881,017	\$ 11,470,045	\$ 10,000					\$ 2,599,028
Nursing Home	4,118,531	4,431,658	--					313,127
Total Component Units	<u>12,999,548</u>	<u>15,901,703</u>	<u>10,000</u>					<u>2,912,155</u>
<b>General Revenues:</b>								
Property Taxes					3,219,969	--	3,219,969	--
Road and Bridge Privilege Taxes					97,621	--	97,621	--
Grants and Contributions Not Restricted to Specific Purposes					321,125	--	321,125	--
Unrestricted gifts and donations					1,200	--	1,200	--
Unrestricted investment earnings					16,380	--	16,380	93,733
Miscellaneous					486,222	--	486,222	--
Total General Revenues					<u>4,142,517</u>	--	<u>4,142,517</u>	<u>93,733</u>
Change in Net Assets					621,218	771,021	1,392,239	3,005,888
Net Assets - Beginning					6,808,631	1,808,435	8,617,066	8,588,278
Prior Period Adjustment					44,872	--	44,872	(662)
Net Assets - Restated					<u>6,853,503</u>	<u>1,808,435</u>	<u>8,661,938</u>	<u>8,587,616</u>
Net Assets - Ending					<u>7,474,721</u>	<u>2,579,456</u>	<u>10,054,177</u>	<u>11,593,504</u>

The accompanying notes are an integral part of this statement.

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**JEFFERSON COUNTY, MISSISSIPPI**

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2010

	General Fund	Garbage & Solid Waste
	<u>          </u>	<u>          </u>
<b>Assets:</b>		
<i>Cash and investments</i>	\$ 390,759	\$ --
<i>Property tax receivable</i>	2,111,677	147,752
<i>Accounts receivable</i>	--	84,487
<i>Fines receivable</i>	174,284	--
<i>Loans receivable</i>	--	--
<i>Intergovernmental receivables</i>	355,638	--
<i>Other receivables</i>	83,980	17,351
<i>Due from other funds</i>	--	1,841
<i>Advances to other funds</i>	20,500	3,800
<b>Total Assets</b>	<b>\$ 3,136,838</b>	<b>\$ 255,231</b>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
<i>Claims payable</i>	\$ 53,827	\$ 7,404
<i>Amounts held in custody for others</i>	178,322	--
<i>Intergovernmental payables</i>	71,442	--
<i>Due to other funds</i>	17,532	--
<i>Advances from other funds</i>	442,282	38,600
<i>Deferred revenue</i>	2,285,961	232,239
<i>Other payables</i>	646,716	577,293
<b>Total Liabilities</b>	<b>3,696,082</b>	<b>855,536</b>
<b>Fund Balances:</b>		
Reserved for:		
<i>Advances</i>	20,500	3,800
<i>Loans receivable</i>	--	--
<i>Debt service funds</i>	--	--
Unreserved, undesignated:		
<i>General fund</i>	(579,744)	--
<i>Special revenue funds</i>	--	(604,105)
<b>Total Fund Balances</b>	<b>(559,244)</b>	<b>(600,305)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,136,838</b>	<b>\$ 255,231</b>

The accompanying notes are an integral part of this statement.

County Wide Road Maintenance	Other Governmental Funds	Total Governmental Funds
\$ 462,665	\$ 704,872	\$ 1,558,296
332,601	263,400	2,855,430
--	--	84,487
--	--	174,284
--	41,000	41,000
38,225	107,662	501,525
--	--	101,331
11,689	4,002	17,532
62,800	592,359	679,459
<u>\$ 907,980</u>	<u>\$ 1,713,295</u>	<u>\$ 6,013,344</u>
\$ 23,430	\$ 4,487	\$ 89,148
--	--	178,322
--	--	71,442
--	--	17,532
66,830	131,747	679,459
332,601	263,400	3,114,201
306,000	220,230	1,750,239
<u>728,861</u>	<u>619,864</u>	<u>5,900,343</u>
62,800	592,359	679,459
--	41,000	41,000
--	(78,790)	(78,790)
--	--	(579,744)
116,319	538,862	51,076
<u>179,119</u>	<u>1,093,431</u>	<u>113,001</u>
<u>\$ 907,980</u>	<u>\$ 1,713,295</u>	<u>\$ 6,013,344</u>

**JEFFERSON COUNTY, MISSISSIPPI**

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET ASSETS  
 SEPTEMBER 30, 2010

Total fund balances - governmental funds balance sheet	\$ 113,001
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	8,340,813
Liabilities due in one year are not recognized in the funds.	(302,241)
Payables for bond principal which are not due in the current period are not reported in the funds.	(383,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(487,802)
Payables for bond interest which are not due in the current period are not reported in the funds.	(10,514)
Payables for compensated absences not due in the current period are not reported in the funds.	(54,307)
Fines and accounts receivable unavailable to pay for current expenditures are deferred in the funds.	<u>258,771</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 7,474,721</u>

The accompanying notes are an integral part of this statement.

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**JEFFERSON COUNTY, MISSISSIPPI**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Garbage & Solid Waste
<b>Revenues:</b>		
<i>Property taxes</i>	\$ 2,343,512	\$ 135,864
<i>Licenses, commissions and other revenues</i>	164,321	--
<i>Fines and forfeitures</i>	321,770	--
<i>Intergovernmental revenues</i>	564,670	19,657
<i>Charges for services</i>	--	271,589
<i>Interest</i>	14,864	--
<i>Miscellaneous revenues</i>	287,291	321
<b>Total Revenues</b>	<u>3,696,428</u>	<u>427,431</u>
<b>Expenditures:</b>		
<i>General government</i>	2,522,954	--
<i>Public safety</i>	998,051	--
<i>Public works</i>	--	368,820
<i>Sanitation</i>		
<i>Health and welfare</i>	54,615	--
<i>Culture and recreation</i>	--	--
<i>Conservation of natural resources</i>	33,374	--
<i>Economic development and assistance</i>	--	--
Debt service:		
<i>Principal retirement</i>	70,000	17,775
<i>Interest and fiscal charges</i>	14,707	386
<b>Total Expenditures</b>	<u>3,693,701</u>	<u>386,981</u>
 Excess of Revenues Over (Under) Expenditures	 <u>2,727</u>	 <u>40,450</u>
<b>Other Financing Sources (Uses):</b>		
<i>Proceeds from sale of capital assets</i>	--	--
<i>Inception of capital leases</i>	--	--
<b>Total Other Financing Sources (Uses)</b>	<u>--</u>	<u>--</u>
 Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	 <u>2,727</u>	 <u>40,450</u>
<b>Fund balances</b>		
Beginning of year	(561,971)	(640,755)
End of year	<u>\$ (559,244)</u>	<u>\$ (600,305)</u>

The accompanying notes are an integral part of this statement.

County Wide Road Maintenance	Other Governmental Funds	Total Governmental Funds
\$ 424,929	\$ 311,848	\$ 3,216,153
98,046	5,145	267,512
--	--	321,770
916,845	529,082	2,030,254
--	138,613	410,202
546	970	16,380
8,410	190,200	486,222
<u>1,448,776</u>	<u>1,175,858</u>	<u>6,748,493</u>
--	63,005	2,585,959
--	417,137	1,415,188
1,501,730	63,931	1,934,481
--	85,525	140,140
--	106,909	106,909
--	--	33,374
--	221,322	221,322
130,856	140,000	358,631
18,520	18,427	52,040
<u>1,651,106</u>	<u>1,116,256</u>	<u>6,848,044</u>
<u>(202,330)</u>	<u>59,602</u>	<u>(99,551)</u>
45,000	--	45,000
409,050	--	409,050
<u>454,050</u>	<u>--</u>	<u>454,050</u>
<u>251,720</u>	<u>59,602</u>	<u>354,499</u>
(72,601)	1,033,829	(241,498)
<u>\$ 179,119</u>	<u>\$ 1,093,431</u>	<u>\$ 113,001</u>

**JEFFERSON COUNTY, MISSISSIPPI**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2010*

Net change in fund balances - total governmental funds	\$ 354,499
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	969,156
The depreciation of capital assets used in governmental activities is not reported in the funds.	(517,089)
The gain or loss on the sale of capital assets is not reported in the funds.	(134,100)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(45,000)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	210,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	148,631
(Increase) decrease in accrued interest from beginning of period to end of period.	1,760
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	4,204
Fine and solid waste revenues are deferred in the funds. This is the change in these amounts this year.	38,207
Inception of leases do not provide other financing resources in SOA, but affects the related asset/liability account.	<u>(409,050)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ 621,218</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**

## STATEMENT OF NET ASSETS

## PROPRIETARY FUND

SEPTEMBER 30, 2010

	Enterprise Fund <u>Jefferson County Correctional Facility</u>
<b>Assets:</b>	
Current:	
Cash	\$ 305,803
Investments	1,405,956
Other receivables	175,000
Total Current Assets	<u>1,886,759</u>
Non-Current:	
Capital assets:	
Land and construction in progress	235,000
Other capital assets, net	2,791,711
Total Non Current Assets	<u>3,026,711</u>
Total Assets	<u>\$ 4,913,470</u>
<b>Liabilities:</b>	
Current:	
Claims payable	\$ 58,162
Accrued interest payable	22,325
Long term liabilities:	
Due within one year:	
Capital related debt	380,000
Total Current Liabilities	<u>460,487</u>
Non-Current:	
Due beyond one year:	
Capital related debt	1,805,000
Non-capital related debt	68,527
Total Non Current Liabilities	<u>1,873,527</u>
Total Liabilities	<u>2,334,014</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	841,711
Restricted for public safety	1,737,745
Total Net Assets	<u>2,579,456</u>
Total Liabilities and Net Assets	<u>\$ 4,913,470</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET ASSETS - PROPRIETARY FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Fund <u>Jefferson County Correctional Facility</u>
<b>Operating Revenues:</b>	
<i>Charges for services</i>	\$ 4,097,876
Total Operating Revenues	<u>4,097,876</u>
<b>Operating Expenses:</b>	
<i>Personal services</i>	1,862,900
<i>Contractual services</i>	627,711
<i>Consumable supplies and materials</i>	648,714
<i>Depreciation expense</i>	80,231
Total Operating Expenses	<u>3,219,556</u>
Operating Income (Loss)	<u>878,320</u>
<b>Non-Operating Revenues (Expenses):</b>	
<i>Interest Expense</i>	(105,725)
<i>Other expenses</i>	(1,574)
Total Non-operating Revenues (Expenses)	<u>(107,299)</u>
Net income	771,021
Net Assets - beginning	1,808,435
Net Assets - ending	<u>\$ 2,579,456</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Enterprise Funds Jefferson County Correctional Facility
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ 2,874,635
<i>Cash Payments to Employees for Services</i>	(1,523,545)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(326,422)
Net Cash Provided (Used) by Operating Activities	<u>1,024,668</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Operating Grants Received</i>	910,923
<i>Other Payments</i>	(912,497)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(1,574)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<i>Principal and Interest Paid</i>	(470,725)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(470,725)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	552,369
Cash and Cash Equivalents at Beginning of Year	1,159,390
Cash and Cash Equivalents at End of Year	<u>\$ 1,711,759</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 878,320
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	80,231
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	73,440
<i>Increase (Decrease) in Claims Payable</i>	4,317
<i>Increase (Decrease) in Compensated Absences</i>	(7,534)
<i>Increase (Decrease) in Accrued Interest</i>	(4,106)
Total Adjustments	<u>146,348</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,024,668</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**  
 STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
 FIDUCIARY FUNDS  
 SEPTEMBER 30, 2010

	Agency Funds
<b>Assets:</b>	
<i>Cash</i>	\$ 58,334
<b>Total Assets</b>	<u>\$ 58,334</u>
<b>Liabilities:</b>	
<i>Amounts held in custody for others</i>	\$ 23,130
<i>Intergovernmental payables</i>	35,204
<b>Total Liabilities</b>	<u>\$ 58,334</u>

The accompanying notes are an integral part of this statement.

**Jefferson County, Mississippi**

Notes to the Financial Statements  
for the year ended September 30, 2010

## Jefferson County, Mississippi

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

### (1) Summary of Significant Accounting Policies

#### A. Financial Reporting Entity

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

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

##### Discretely Presented Component Units

The component unit columns in the financial statements include the financial data of the following component units of the county. They are reported in a separate column to emphasize that they are legally separate from the county. A majority of the members of the governing bodies of these component units are appointed by the county Board of Supervisors.

Both Jefferson County Hospital and the Jefferson County Nursing Home were formed under Section 41-13-15, Miss. Code Ann (1972), as legally separate entities from the primary government. Both the Hospital and the Nursing Home are independent enterprises consisting of the same seven-member Board of Trustees although each entity's operations are separate from each other and apart from the assets and activities of the primary government of Jefferson County. Each Trustee is appointed in staggered five-year terms by the Jefferson County Board of Supervisors.

## Jefferson County, Mississippi

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

### 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, fund financial statements and accompanying note disclosures, which provide a detailed level of financial information.

#### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government and its component units. 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. 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 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 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, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in

## Jefferson County, Mississippi

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

the fund financial statements. Nonmajor funds are aggregated and presented as Other Governmental Funds in a single column.

### D. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Fund and Fiduciary Fund (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 assets 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 Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following 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 the Proprietary Fund are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connections with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgements, 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:

## Jefferson County, Mississippi

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

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

Garbage & Solid Waste Fund - This fund is used to account for activities pertaining to the pickup and disposal of garbage and solid waste in the county.

County Wide Road Maintenance- This fund is used to account for the upkeep of the county's roadways.

The county reports the following major Proprietary Fund:

Jefferson County Correctional Facility- This fund is used to account for Jefferson County's portion of revenue and expenses dealing with the correctional facility that Jefferson and Franklin county share.

Additionally, the county reports the following fund types:

### GOVERNMENTAL FUND TYPES

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

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

### 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.

### 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.

## Jefferson County, Mississippi

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

### E. Account Classifications

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

### F. Deposits and Investments

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

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

### G. Receivables

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

### H. Interfund Transactions and Balances

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." 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."

### I. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets

## Jefferson County, Mississippi

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

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 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 allow governments meeting certain criteria to retroactively report major general infrastructure assets retroactively. Jefferson County, Mississippi meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. Also, general infrastructure assets acquired subsequent to October 1, 2002 are not reported on the government wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the fund 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. Interest cost incurred during the construction of Proprietary Fund capital assets is capitalized as part of the cost of construction. 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:

## Jefferson County, Mississippi

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

	<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 will correspond with the amounts for the asset classification, as listed above.

### J. Long-term Liabilities

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

In the government-wide financial statements and in the Proprietary 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, 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 or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of

## Jefferson County, Mississippi

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

“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.

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

## Jefferson County, Mississippi

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

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 Fund 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 adjustments is as follows:

#### Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To adequately present long-term debt - capital lease - at year end.	\$ 44,872

### (3) Deposits and Investments

#### Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$1,864,099 reported in the Governmental and Proprietary Funds and \$58,334 reported in the Fiduciary Funds. The bank balance was \$1,267,299. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not

**Jefferson County, Mississippi**

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

have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above the 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:

Investment balance at September 30, 2010 is as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund	less than one year	\$ <u>1,405,956</u>	A

**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 Section 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 address credit risk.

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

(4) **Interfund Transactions and Balances**

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

A. **Due From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Garbage & Solid Waste	General Fund	\$ 1,841
County Wide Road Maintenance	General Fund	11,689
Other Governmental Funds	General Fund	4,002
Total		\$ <u>17,532</u>

## Jefferson County, Mississippi

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

The purpose of a portion of these interfund loans was to disperse the advalorem property taxes to the proper funds. The majority of these interfund loans is the result of an auditor correction to reclass ad valorem monthly collections not settled to the proper funds. These collections were settled entirely to the General Fund instead of to the proper fund in which the collections were made. All interfund balances are expected to be repaid within one year from the date of the financial statements.

### B. Advances To/From Other Funds:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 442,282
Garbage & Solid Waste Fund	General Fund	20,500
Garbage & Solid Waste Fund	Other Governmental Funds	18,100
Countywide Road Maintenance	Other Governmental Funds	66,830
Other Governmental Funds	Garbage & Solid Waste Fund	3,800
Other Governmental Funds	Countywide Road Maintenance	62,800
Other Governmental Funds	Other Governmental Funds	65,147
Total		<u>\$ 679,459</u>

The advances to & from other funds were made in prior years for cash flow purposes.

### (5) Intergovernmental Receivables

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

#### Governmental and Business-type Activities:

<u>Description</u>	<u>Amount</u>
FEMA reimbursement	\$ 73,625
CDBG Road Grant	96,577
State Aid Road Reimbursement	38,225
Youth Build	11,084
Other	282,014
Total Governmental Activities	<u>\$ 501,525</u>

No business-type activity intergovernmental receivables present as of September 30, 2010.

### (6) Loans Receivable

Loan receivable balance at September 30, 2010, is as follows:

# Jefferson County, Mississippi

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

Description	Date of Loan	Interest Rate	Maturity Date	Balance Payable
Low income housing loan	12/2000	1%	12/2050	\$ 410,000
Allowance for doubtful accounts				(369,000)
Total				\$ 41,000

### (7) Capital Assets

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

#### Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 50,453				50,453
Total non-depreciable capital assets	50,453	0	0	0	50,453
<u>Depreciable capital assets:</u>					
Buildings	2,649,889				2,649,889
Infrastructure	5,896,199				5,896,199
Mobile equipment	1,945,637	368,772	120,095		2,194,314
Furniture and equipment	115,028	199,823	32,493		282,358
Leased property under capital leases	876,693	400,561	322,919		954,335
Total depreciable capital assets	11,483,446	969,156	475,507	0	11,977,095
<u>Less accumulated depreciation for:</u>					
Buildings	872,400	50,670			923,070
Infrastructure	690,229	191,586			881,815
Mobile equipment	1,437,169	128,195	108,086		1,457,278
Furniture and equipment	91,701	32,114	32,168		91,647
Leased property under capital leases	374,554	114,524	156,153		332,925
Total accumulated depreciation	3,466,053	517,089	296,407	0	3,686,735
Total depreciable capital assets, net	8,017,393	452,067	179,100	0	8,290,360
Governmental activities capital assets, net	\$ 8,067,846	452,067	179,100	0	8,340,813

# Jefferson County, Mississippi

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

### Business-type activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 235,000				235,000
Total non-depreciable capital assets	<u>235,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>235,000</u>
<u>Depreciable capital assets:</u>					
Buildings	3,862,120				3,862,120
Mobile equipment	34,930				34,930
Furniture and equipment	30,619				30,619
Leased property under capital leases	31,380				31,380
Total depreciable capital assets	<u>3,959,049</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,959,049</u>
<u>Less accumulated depreciation for:</u>					
Buildings	1,004,150	77,242			1,081,392
Mobile equipment	31,437				31,437
Furniture and equipment	20,454	2,989			23,443
Leased property under capital leases	31,066				31,066
Total accumulated depreciation	<u>1,087,107</u>	<u>80,231</u>	<u>0</u>	<u>0</u>	<u>1,167,338</u>
Total depreciable capital assets, net	<u>2,871,942</u>	<u>(80,231)</u>	<u>0</u>	<u>0</u>	<u>2,791,711</u>
Business-type activities capital assets, net	<u>\$ 3,106,942</u>	<u>(80,231)</u>	<u>0</u>	<u>0</u>	<u>3,026,711</u>

### Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General government	\$ 54,492
Public safety	94,508
Public works	343,336
Health and welfare	17,394
Culture and recreation	<u>7,359</u>
Total governmental activities depreciation expense	<u>\$ 517,089</u>
<u>Business-type Activities:</u>	
Jefferson County Correctional Facility	<u>\$ 80,231</u>

## Jefferson County, Mississippi

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

### Component Units:

The Component Units information of the Jefferson County pertains to the Jefferson County Hospital and the Jefferson County Nursing Home.

	Balance <u>September 30, 2010</u>
<u>Non-depreciable capital assets:</u>	
Land	\$ 75,228
Construction in progress	<u>41,769</u>
Total non-depreciable capital assets	<u>116,997</u>
<u>Depreciable capital assets:</u>	
Buildings	2,270,547
Mobile equipment	797,569
Furniture and equipment	<u>1,431,638</u>
Total depreciable capital assets	<u>4,499,754</u>
<u>Less accumulated depreciation:</u>	
Total accumulated depreciation	<u>(3,651,968)</u>
Total depreciable capital assets, net	<u>847,786</u>
Component Units capital assets, net	<u>\$ 964,783</u>

### (8) Claims and Judgments

#### Risk Financing.

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

The county finances its exposure to risk of loss relating to employee health and accident

## Jefferson County, Mississippi

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

coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance 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 \$1,000, and the aggregate policy covers all submitted claims in excess of \$117,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

#### (9) Capital Leases

As Lessee:

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

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 954,335	
Other furniture & equipment		31,380
Total	954,335	31,380
Less: Accumulated depreciation	(332,925)	(31,066)
Leased Property Under Capital Leases	\$ 621,410	314

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

Year Ending September 30	Governmental Activities		Component Unit
	Principal	Interest	Principal
2011	\$ 129,241	19,688	\$ 3,290
2012	344,034	8,577	3,290
2013	36,527	33,881	3,290
2014	15,952	3,379	3,290
2015	91,289	2,831	
Total	\$ 617,043	68,356	\$ 13,160

## Jefferson County, Mississippi

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

### (10) Short-term Debt and Liquidity

Description of Debt	Balance, Oct. 1, 2009	Additions	Reductions	Balance, Sept. 30, 2010
Tax anticipation note	\$ <u>0</u>	<u>850,000</u>	<u>0</u>	<u>850,000</u>

The county issued a tax anticipation note to alleviate a temporary operating cash flow deficiency in the amount of \$850,000 that will bear interest at 3.25% and will mature April 1, 2011.

### (11) Long-term Debt

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Road and bridge bonds - Refunding Series 2005	\$ <u>391,000</u>	3.7-4.25%	07/2014
B. Limited Obligation Bonds:			
Courthouse renovation and jail construction- construction - certificates of participation	\$ <u>165,000</u>	7.1-7.4%	04/2012
C. Capital Leases:			
Caterpillar 12H Motor Grader	\$ 127,419	4.24%	11/2011
(2) Caterpillar Motor Graders	118,428	3.34%	02/2013
(2) 2010 International Dump Trucks	219,207	3.29%	01/2012
Caterpillar 938H Wheel Loader	<u>151,989</u>	3.38%	11/2015
Total Capital Leases	\$ <u>617,043</u>		
Description and Purpose	Amount Outstanding	Interest Rate	Maturity Date
Business-type Activities:			
A. Limited Obligation Bonds:			
Urban renewal bonds- correctional facility construction - refunding	\$ <u>2,185,000</u>	4.0-4.5%	07/2016

## Jefferson County, Mississippi

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

Description and Purpose	Amount Outstanding	Interest Rate
Component Units:		
A. Revenue Bonds	\$ <u>974,259</u>	5.875%
B. Notes Payable	\$ <u>32,029</u>	5.25%

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

#### Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 93,000	16,145	80,000	6,085
2012	96,000	12,425	85,000	6,290
2013	99,000	8,585		
2014	103,000	4,378		
Total	\$ <u>391,000</u>	<u>41,533</u>	<u>165,000</u>	<u>12,375</u>

#### Business Type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2011	\$ 380,000	89,300
2012	385,000	72,200
2013	395,000	56,800
2014	415,000	41,000
2015	425,000	24,400
2016	185,000	7,400
Total	\$ <u>2,185,000</u>	<u>291,100</u>

#### Component Units:

Year Ending September 30	Principal
2011	\$ 105,966
2012	78,339
2013	82,999
2014	87,938
2015	93,173
Thereafter	557,873
Total	\$ <u>1,006,288</u>

Certificates of Participation (COPs) designed as “qualified tax exempt obligations” for purposes of Section 265 of the Internal Revenue Code of 1986, as amended, were issued with a face value of \$795,000 for the purpose of financing construction of a new

## Jefferson County, Mississippi

### Notes to the Financial Statements

For the Year Ended September 30, 2010

courthouse, renovating and expanding the existing jail for a law enforcement and detention center, and renovating the existing chancery building. The COPs are not general obligations of the county and, therefore, are not secured by the full faith and credit of the county. However, the county, as lessee, is obligated, pursuant to a 20 year lease purchase agreement with the lessor. The lease obligation is not recorded because the COPs are considered, in substance, limited obligations of the county, and accordingly, are not reflected in the Statement of Net Assets. Title to the property will transfer to the county upon satisfactory performance of the lease term payments.

Urban renewal revenue bonds, designed as “qualified tax exempt obligations” for purposes of Section 265 of the Internal Revenue Code of 1986, as amended, were issued with a face value of \$5,100,000 for the purpose of financing the construction and equipping of the Jefferson/Franklin Regional Correctional Facility. The bonds are not general obligations of the county and, therefore, are not secured by the full faith and credit of the county. However, the county, as lessee is obligated, pursuant to a 20 year lease purchase agreement with the lessor, Jefferson/Franklin Regional Correctional Facility Financing Corporation, as the sole source of payment of the revenue bonds. The lease obligation is not recorded because the urban renewal revenue bonds are considered, in substance, limited obligations of the county, and accordingly, are reflected in the Statement of Net Assets. Title to the property will transfer to the county upon satisfactory performance of the lease term payments.

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, 2010, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

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

	Balance				Amount due	
	Oct. 1, 2009	Additions	Reductions	Adjustment	Balance	within one
					Sept. 30, 2010	year
Governmental Activities:						
Compensated absences	\$ 58,511		4,204		54,307	
General obligation bonds	531,000		140,000		391,000	93,000
Limited obligation bonds	235,000		70,000		165,000	80,000
Capital leases	401,496	409,050	148,631	(44,872)	617,043	129,241
Total	\$ 1,226,007	409,050	362,835	(44,872)	1,227,350	302,241

**Jefferson County, Mississippi**

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

	Balance Oct. 1, 2009	Additions	Reductions	Adjustment	Balance Sept. 30, 2010	Amount due within one year
Business-type Activities:						
Compensated absences	\$ 76,061		7,534		68,527	
Limited obligation bonds	2,550,000		365,000		2,185,000	380,000
Total	\$ 2,626,061	0	372,534	0	2,253,527	380,000

Component Units:

	Balance Sept. 30, 2010
Revenue bonds	\$ 974,259
Notes payable	32,029
Capital leases	13,160
Total	\$ 1,019,448
Amount due in one year	109,256

(12) Deficit Fund Balance of Individual Funds

The following funds reported deficits in fund balances or net assets at September 30, 2010:

Fund	Deficit Amount
General Fund	\$ 559,244
Garbage & Solid Waste Fund	600,305

(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

## Jefferson County, Mississippi

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

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.

### (14) No Commitment Debt (Not Included in Financial Statements)

No commitment debt is repaid only by the entities for whom 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. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2010
Nursing home revenue bonds	\$ 974,259

### (15) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Jefferson County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$8,953 for support of the district in fiscal year 2010.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Jefferson County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$18,950 for its support in fiscal year 2010.

Copiah- Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln, and Simpson. The Jefferson County Board of Supervisors appoints two of the 27 members of the College Board of Trustees. The county appropriated \$75,455 for maintenance and support of the college in fiscal year 2010.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and

## Jefferson County, Mississippi

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

Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The member counties provide only modest financial support for the entity.

#### (16) Defined Benefit Pension Plan

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

Funding Policy. PERS members are required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% of annual covered payroll. Prior to that date, the determined rate was 12.00%. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$329,769, \$331,439, and \$322,418, respectively, equal to the required contributions for each year.

#### (17) Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Jefferson County, Mississippi evaluated the activity of the county through the date the report was available to be issued, and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
11-18-10	3.38%	\$48,974	Lease Purchase	Advalorem revenue

REQUIRED SUPPLEMENTARY INFORMATION

**JEFFERSON COUNTY**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended September 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Property Taxes	\$ 2,125,327	2,293,558	2,293,558	168,231	-
Licenses, Commissions and other Revenues	160,900	128,164	128,164	(32,736)	-
Fines and Forfeitures	395,000	303,027	303,027	(91,973)	-
Intergovernmental Revenues	397,401	293,064	293,064	(104,337)	-
Charges for Services				-	-
Interest Income	40,000	44,164	44,164	4,164	-
Miscellaneous Revenues	319,500	282,748	282,748	(36,752)	-
<b>Total Revenues</b>	<b>3,438,128</b>	<b>3,344,725</b>	<b>3,344,725</b>	<b>(93,403)</b>	<b>-</b>
<b>Expenditures:</b>					
General Government	3,134,799	3,138,747	3,138,747	(3,948)	-
Public Safety	803,458	998,259	998,259	(194,801)	-
Health and Welfare	65,630	54,615	54,615	11,015	-
Conservation of Natural Resources	32,218	33,374	33,374	(1,156)	-
<b>Total Expenditures</b>	<b>4,036,105</b>	<b>4,224,995</b>	<b>4,224,995</b>	<b>(188,890)</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(597,977)</b>	<b>(880,270)</b>	<b>(880,270)</b>	<b>(282,293)</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>					
Loan in Anticipation of Taxes	574,797	544,000	544,000	(30,797)	-
Other Financing (Uses)	(5,500)			5,500	-
<b>Total Other Financing Sources (Uses)</b>	<b>569,297</b>	<b>544,000</b>	<b>544,000</b>	<b>(25,297)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(28,680)</b>	<b>(336,270)</b>	<b>(336,270)</b>	<b>(307,590)</b>	<b>-</b>
<b>Fund Balances:</b>					
October 1, 2009	-		(75,961)	-	(75,961)
September 30, 2010	\$ (28,680)	(336,270)	(412,231)	(307,590)	(75,961)

The notes to the required supplementary information are an integral part of this statement.

**JEFFERSON COUNTY**  
 Budgetary Comparison Schedule  
 Garbage and Solid Waste  
 For the Year Ended September 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property Taxes	\$ 147,752	134,023	134,023	(13,729)	-
Intergovernmental Revenues	20,000	19,657	19,657	(343)	-
Charges for Services	245,000	254,238	254,238	9,238	-
Miscellaneous Revenues	30,000	321	321	(29,679)	-
Total Revenues	<u>442,752</u>	<u>408,239</u>	<u>408,239</u>	<u>(34,513)</u>	<u>-</u>
Expenditures:					
Public Works	439,827	394,329	394,329	45,498	-
Total Expenditures	<u>439,827</u>	<u>394,329</u>	<u>394,329</u>	<u>45,498</u>	<u>-</u>
Net Change in Fund Balances	<u>2,925</u>	<u>13,910</u>	<u>13,910</u>	<u>10,985</u>	<u>-</u>
Fund Balances:					
October 1, 2009			(626,002)	-	(626,002)
September 30, 2010	<u>\$ 2,925</u>	<u>13,910</u>	<u>(612,092)</u>	<u>10,985</u>	<u>(626,002)</u>

The notes to the required supplementary information are an integral part of this statement.

**JEFFERSON COUNTY**  
 Budgetary Comparison Schedule  
 Countywide Road Maintenance  
 For the Year Ended September 30, 2010

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Property Taxes	\$ 333,471	419,230	419,230	85,759	-
Road and bridge privilege taxes	71,000	91,630	91,630	20,630	-
Intergovernmental Revenues	839,300	879,047	879,047	39,747	-
Interest Income	500	546	546	46	-
Miscellaneous Revenues	9,000	8,410	8,410	(590)	-
<b>Total Revenues</b>	<b>1,253,271</b>	<b>1,398,863</b>	<b>1,398,863</b>	<b>145,592</b>	<b>-</b>
<b>Expenditures:</b>					
Public Works	1,566,835	1,468,605	1,468,605	98,230	-
<b>Total Expenditures</b>	<b>1,566,835</b>	<b>1,468,605</b>	<b>1,468,605</b>	<b>98,230</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(313,564)</b>	<b>(69,742)</b>	<b>(69,742)</b>	<b>243,822</b>	<b>-</b>
<b>Other Financing Sources (Uses):</b>					
Loan in Anticipation of Taxes	313,564	351,000	351,000	37,436	-
<b>Total Other Financing Sources (Uses)</b>	<b>313,564</b>	<b>351,000</b>	<b>351,000</b>	<b>37,436</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>281,258</b>	<b>281,258</b>	<b>281,258</b>	<b>-</b>
<b>Fund Balances:</b>					
October 1, 2009			177,378	-	177,378
September 30, 2010	\$ -	281,258	458,636	281,258	177,378

The notes to the required supplementary information are an integral part of this statement.

## Jefferson County, Mississippi

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

#### A. Budgetary Information.

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

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

#### B. Basis of Presentation.

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

#### C. Budget/GAAP Reconciliation.

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

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

**Jefferson County, Mississippi**

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

The following schedule reconciles the net change in Fund Balances for 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	Garbage & Solid Waste	County Wide Road Maintenance
Budget (Cash Basis)	\$ (336,270)	13,910	281,258
Increase (Decrease)			
Net adjustments for revenue accruals	334,958	2,959	7,048
Net adjustments for expenditure accruals	4,039	23,581	(36,586)
GAAP Basis	\$ 2,727	40,450	251,720

## SUPPLEMENTAL INFORMATION

Jefferson County, Mississippi  
Schedule of Expenditure of Federal Awards  
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditure
<b>MAJOR FEDERAL AWARDS</b>			
U.S. Department of Agriculture/ Passed-through the Mississippi Department of the Treasury Schools and Roads - Grants to Counties	10.666	N/A	\$ <u>159,692</u>
U.S. Department of Agriculture/ Direct Program Passed-through USDA Rural Development Rural Business Enterprise Grant	10.769	N/A	<u>220,000</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Home Investment Partnership Program	14.239	1220-08-SG-280217	<u>216,911</u>
Total Expenditures of Major Federal Awards			\$ <u>596,603</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Agriculture/ Direct Program Passed-through USDA Rural Development Rural Housing Preservation Grant	10.433	N/A	\$ <u>20,059</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Community Development Block Grant / State's Program	14.228	1120-08-032-SH-01	96,689
Direct Programs: Opportunities for Youth - Youthbuild Program	14.243	Y-05-MS-0047	<u>3,925</u>
Total U.S. Dept. of Housing and Urban Development			<u>100,614</u>
U.S. Department of Justice/ Passed-through the Mississippi Department of Public Safety Juvenile Accountability Block Grant	16.523	08-JB-132-1	4,450
Crime Victim Assistance	16.575	06-VA-132-1	37,760
Crime Victim Assistance	16.575	07-VA-132-1	37,170
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-SB-B9-0063	<u>41,622</u>
Total U.S. Department of Justice			<u>121,002</u>
U.S Department of Transportation/ Passed-through the Mississippi Department of Highway Planning and Construction Highway Planning and Construction	20.205	N/A	<u>16,800</u>
U.S. Environmental Protection Agency/ Direct Programs: Surveys, Studies, Investigations & Special Purpose	66.610	XP-97415901	<u>21,499</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Hazard Mitigation Grant	97.039	1604-MS-0379	95,124
Passed-through the Mississippi Department of Public Safety State Homeland Security Program	97.073	07-PS-313	<u>93,446</u>
Total U.S. Department of Homeland Security			<u>188,570</u>
Total Expenditures of Other Federal Awards			\$ <u>468,544</u>
Total Expenditures of Federal Awards			\$ <u>1,065,147</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

**JEFFERSON COUNTY**

COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS  
 SEPTEMBER 30, 2010

	Jefferson County Hospital	Jefferson County Nursing Home	Total Component Units
<b>Assets:</b>			
<i>Cash</i>	\$ 10,427,209	\$ 129,129	\$ 10,556,338
<i>Accounts receivable</i>	1,283,797	244,797	1,528,594
<i>Prepaid items</i>	--	56,544	56,544
<i>Inventories</i>	173,121	29,616	202,737
<i>Other assets</i>	42,420	--	42,420
<i>Restricted assets</i>	--	152,721	152,721
<i>Capital assets, net</i>	186,321	778,462	964,783
<b>Total Assets</b>	<b>\$ 12,112,868</b>	<b>\$ 1,391,269</b>	<b>\$ 13,504,137</b>
<b>Liabilities:</b>			
<i>Claims payable</i>	\$ 481,107	\$ 328,177	\$ 809,284
<i>Accrued interest payable</i>	--	2,509	2,509
<i>Other payables</i>	--	79,392	79,392
<i>Long term liabilities:</i>			
<i>Due within one year:</i>			
<i>Capital lease, long-term debt and note payable</i>	--	109,256	109,256
<i>Due beyond one year:</i>			
<i>Capital lease and long-term debt</i>	--	910,192	910,192
<b>Total Liabilities</b>	<b>481,107</b>	<b>1,429,526</b>	<b>1,910,633</b>
<b>Net Assets:</b>			
<i>Invested in capital assets, net of related debt</i>	186,321	(208,957)	(22,636)
<i>Restricted:</i>			
<i>Debt service</i>	--	128,940	128,940
<i>Non-spendable net assets</i>	215,471	--	215,471
<i>Unrestricted</i>	11,229,969	41,760	11,271,729
<b>Total Net Assets</b>	<b>11,631,761</b>	<b>(38,257)</b>	<b>11,593,504</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 12,112,868</b>	<b>\$ 1,391,269</b>	<b>\$ 13,504,137</b>

**JEFFERSON COUNTY**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS - COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Jefferson County Hospital	Jefferson County Nursing Home	Total Component Units
<b>Operating Revenues:</b>			
<i>Net service revenue</i>	\$ 9,709,041	\$ 4,431,658	\$ 14,140,699
<i>Other operating revenue</i>	1,761,004	--	1,761,004
Total Revenues	<u>11,470,045</u>	<u>4,431,658</u>	<u>15,901,703</u>
<b>Expenses:</b>			
<i>Operating</i>	8,835,081	4,017,763	12,852,844
Total Expenses	<u>8,835,081</u>	<u>4,017,763</u>	<u>12,852,844</u>
Operating revenue	2,634,964	413,895	3,048,859
<b>Non-Operating Revenues (Expenses):</b>			
Grant revenue	10,000	--	10,000
Interest	92,805	928	93,733
Depreciation	(45,936)	(100,768)	(146,704)
Total Non-Operating Revenues (Expenses)	<u>56,869</u>	<u>(99,840)</u>	<u>(42,971)</u>
Change in Net Assets	2,691,833	314,055	3,005,888
<b>Net Assets</b>			
Beginning of year	8,939,928	(351,650)	8,588,278
Prior period adjustment	--	(662)	(662)
End of year	<u>\$ 11,631,761</u>	<u>\$ (38,257)</u>	<u>\$ 11,593,504</u>

## SPECIAL REPORTS

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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  
Jefferson County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated June 14, 2011. We did not audit the financial statements of the Jefferson County Hospital, component unit, which represent 90% of the assets and 72% of the revenues of the governmental component units column. We did not audit the financial statements of the Jefferson County Nursing Home, component unit, which represents 10% of the assets and 28% of the revenues of the governmental component units column. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors. 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 Jefferson County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying and Schedule of Findings and Questioned Costs as Findings 2010-1, 2010-2, 2010-3 and 2010-4 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as Findings 2010-1, 2010-2, 2010-3, 2010-4, 2010-5 and 2010-6 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2010-1, 2010-2, 2010-3, 2010-4, 2010-5 and 2010-6. We also noted certain immaterial instances of noncompliance that we have reported to the management of Jefferson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 14, 2011, included within this document.

Jefferson County's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit Jefferson County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, and 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry and Ballard, PC  
June 14, 2011

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors  
Jefferson County, Mississippi

Compliance

We have audited the compliance of Jefferson 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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Jefferson 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, contract and grants applicable to its major federal programs is the responsibility of Jefferson County, Mississippi's management. Our responsibility is to express an opinion on Jefferson 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 Jefferson 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 Jefferson County, Mississippi's compliance with those requirements.

In our opinion, Jefferson County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2010-7.

Internal Control Over Compliance

The management of Jefferson 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 the county's internal control over compliance with the requirements that could have a

direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2010-7. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Jefferson County's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit Jefferson County's response and, accordingly, we express no opinion on it.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
June 14, 2011

Certified Public Accountants

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

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  
Jefferson County, Mississippi

We have examined Jefferson County, Mississippi's compliance with 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) during the year ended September 30, 2010. The Board of Supervisors of Jefferson County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jefferson 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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Jefferson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

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 examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jefferson 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry and Ballard, PC  
June 14, 2011

Certified Public Accountants

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

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

**Jefferson County, Mississippi**

**Schedule 2**

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

Our test results did not identify any emergency purchases.

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

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

**FORTENBERRY & BALLARD, PC**  
Certified Public Accountants

**LIMITED INTERNAL CONTROL AND  
COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Jefferson County, Mississippi

In planning and performing our audit of the financial statements of Jefferson County, Mississippi for the year ended September 30, 2010, we considered Jefferson 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 in Jefferson 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 14, 2011, on the financial statements of Jefferson 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:

**Chancery Clerk**

1. Finding

Section 9-1-43 (1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000, after making deductions for employee salaries and related employee expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses specified by this statute, are to be deposited into the county's General Fund on or before April 15 for the preceding calendar year. The Chancery Clerk failed to pay the county treasury the full amount in excess of the compensation limit. The amount of excess compensation not settled to the General Fund was \$37,613.

Recommendation

The Chancery Clerk should ensure that all amounts in excess of the compensation limit are paid into the county treasury and should remit \$37,613 to the General Fund.

Chancery Clerk's Response:

I am in the process of complying with this.

2. Finding

Both Section 27-45-5, Miss. Code, Ann. (1972) and standards prescribed by the Office of the State Auditor allow the Chancery Clerk twenty days past month-end to settle land redemption releases to the proper parties and officers. During test work procedures, it was noted that the Chancery Clerk settled monies owed to the county only four times during the fiscal year audited.

Recommendation

The Chancery Clerk should settle monthly land redemption collections within twenty days after month-end. The monies identified should be immediately settled to the affected parties.

Chancery Clerk's Response:

I will comply and do settlement on time.

3. Finding

Section 19-13-41, Miss. Code Ann. (1972), requires cash to be available in funds before checks are written. Checks were written from funds which resulted in the following deficit cash balances at year-end:

<u>Fund</u>		<u>Amount</u>
General Fund	\$	102,716
Garbage and Solid Waste (Major Fund)		577,293
Reappraisal		65,685
CDBG Road Grant		58,466
Fire Maintenance		29,034
Debt Service Funds		62,334
USDA Home Grants		486

Recommendation

The Chancery Clerk should ensure that no checks are written on funds when cash is not available.

Chancery Clerk's Response:  
I will do my best to comply.

4. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep a complete and correct record of all board proceedings. The board minutes were not prepared up to date. As of July 8, 2011, the latest board minutes available for public inspection were from board proceedings occurring in January 2011.

Recommendation

The Chancery Clerk should keep an up to date and complete record of all board minutes.

Chancery Clerk's Response:  
I will record all minutes on time.

**Tax Collector**

5. Finding

Section 27-29-11, Miss. Code Ann. (1972), requires the Tax Collector to settle all taxes collected for the county by the twentieth of the next month following the month of collection. The Tax Collector did not always make timely collections to the county.

Recommendation

The Tax Collector should settle monthly all county taxes in a timely manner as prescribed by law.

Tax Collector's Response

The Tax Assessor/Collector has always made monthly settlements to the City, School and County. Due to a lack of insufficient staff, reports were not always on time. However, the Tax Assessor/Collector has been working late nights to make sure all reports are on time.

**Justice Court Clerk**

6. Finding

Section 27-105-371, Miss. Code Ann. (1972), requires any unidentifiable funds to be settled into the county's General Fund. During the prior year audit, the Justice Court Clerk was informed of \$166,663 in unknown funds in the Clearing account. The Clerk was instructed to identify the composition of the balance listed to the best of her ability and settle to the appropriate parties upon proper identification. Failure to properly identify and account for all funds could result in the loss of public funds.

Recommendation

The Justice Court Clerk should identify the proper recipients of these monies before settlement is made to the county.

Justice Court Clerk's Response

Currently there is an investigation being conducted in this office. I will properly identify and account for all funds that I'm accountable. We will direct answer to the following finding when we receive more information upon the completion of the investigation that is being conducted in this office.

**Sheriff**

7. Finding

An effective system of internal control over the collection, recording and disbursement of cash should include reconciling bank statements on a monthly basis. The Sheriff's Office did not reconcile its bank account during the fiscal year. The Sheriff's Office did not have policies and procedures in place to ensure that bank accounts were being reconciled. Failure to reconcile bank accounts in a timely manner could result in the loss of public funds.

Recommendation

The Sheriff's Office should reconcile their bank account on a monthly basis.

Sheriff's Response:

The Sheriff's Office will reconcile the bank account on a monthly basis.

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

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
June 14, 2011

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Jefferson County, Mississippi

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

#### Section I: Summary of Auditor's Results

##### Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes.
  - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes.
3. Noncompliance material to the financial statements noted? 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 weaknesses identified? No.
  - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
  - a. School and Roads - Grants to Counties  
CFDA #10.666
  - b. Rural Business Enterprise Grant  
CFDA #10.769
  - c. Home Investment Partnership Program  
CFDA #14.239
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as low-risk auditee? No.

## Section II: Financial Statements Findings

The results of our tests disclosed the following findings related to financial statements that are required to be reported by *Government Auditing Standards*.

### **Material Weaknesses**

#### **Board of Supervisors**

##### **2010-1 Finding**

As reported in prior years' audit reports, the county has some interfund loans outstanding that are over one year old. These loans were made when the county experienced negative cash flows in various funds. However, the loans were not repaid when sufficient funds were received by the county. The Mississippi Code is silent regarding the authority of the county to make these loans. The Board of Supervisors has yet to take steps to correct the problem.

##### **Recommendation:**

Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally restricted funds. The Board of Supervisors should ensure that each of these old loans is repaid by approving and recording in the board minutes a repayment schedule and subsequent compliance with the repayment schedule.

##### **2010-2 Finding**

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked expertise to apply generally accepted accounting principles in preparing its financial statements, the auditor was relied upon to perform these tasks. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

##### **Recommendation:**

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

##### **2010-3 Finding**

An effective system of internal control over financial reporting preparation and reporting in accordance with generally accepted accounting principles should include proper recording of transactions. The following amounts of revenue and expenditure activity were not recorded in the county's centralized accounting system:

- a. Sheriff department vehicles: \$90,548 in revenues and \$117,522 in expenditures cash basis. Vehicles were inventoried in prior audit period along with revenue and expenditure recognition
- b. Rural Housing Preservation grant totaling \$20,059 in both revenues and expenditures
- c. Juvenile Accountability Block grant totaling \$41,622 in both revenues and expenditures (accrual entry)

- d. Rural Business Enterprise Grant totaling \$250,000 (\$220,000 in grant funds and a \$30,000 county match) in revenues and an expenditure totaling \$245,450 (accrual entry). The expenditure was for a sawmill purchased and inventoried in the current audit year.

Audit adjustments were proposed to management to correct these errors and made to the financial statements with management approval.

### Recommendation

The board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles including proper recording of accounting transactions and adjustments to centralized accounting records.

### **Tax Assessor-Collector**

#### **2010-4 Finding**

As reported in the prior three year's audit reports, cash on hand at September 30, 2010 was insufficient to settle obligations at September 30, 2010. The amount of the deficiency was \$37,349.

#### Recommendation:

The Tax Assessor / Collector should make efforts to determine the source of this variance and provide appropriate remedy.

### **Significant Deficiencies**

#### **Justice Court Clerk**

#### **2010-5 Finding**

As reported in prior years' audit reports, an unknown balance exists in cash reconciled by the Justice Court Clerk that cannot be accounted for when cross-referenced to existing records. As of September 30, 2010, this balance totaled \$166,663. Efforts need to be made by the Justice Court Clerk to find out the entities/individuals to whom this cash is owed.

#### Recommendation

The Justice Court Clerk should make efforts to have an effective system of internal control. Bank statements should be reconciled, and the reconciled total should match the cash journal total. To ensure this match consistently, unknown monies should be isolated and set aside for proper identification as to whom they belong.

## **Chancery Clerk**

### **2010-6 Finding**

As reported in the prior year's audit report, bank statements were not reconciled for the land redemption account. As a result, reconciliations to cash journal balance at month-end could not be performed. Failure of the Chancery Clerk to comply with this procedure could result in undetected errors in the cash journal and improper or incomplete settlements being made to the county.

### **Recommendation**

Bank statements should be reconciled, and the reconciled total should match the cash journal total.

## **Section III: Federal Award Findings and Questioned Costs**

### **Significant Deficiency**

#### **2010-7 Finding**

OMB Circular A-133 states, in part, the auditee should be able to identify, in its accounts, all federal awards received and expended and the federal programs under which they are received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency and name of the pass-through entity. Management did not provide a grant activity schedule for the period under audit. This resulted in additional work and could result in federal expenditures not being properly reported during the period under audit.

### **Recommendation**

The Board of Supervisors should implement internal controls to aid in the identification, recording and reporting of federal grant expenditures, thus ensuring the compliance with applicable provisions of the financial reporting requirements described in the OMB A-133 Compliance Supplement.

**Jefferson County**  
307 Main Street  
Fayette, MS 39069

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_.315(b) of OMB Circular A-133, the Jefferson County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2010:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2010-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Brenda Buck Phone: 601-786-3142</p> <p>b. Corrective Action Planned:</p> <p>The Board is evaluating all interfund loans and is developing a repayment plan for the past loans.</p> <p>c. Anticipated Completion Date:</p> <p>9/30/2011</p>
2010-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Brenda Buck Phone: 601-786-3142</p> <p>b. Corrective Action Planned:</p> <p>The Board is committed to enhancing the training of existing staff. Staff and financial personnel are taking the necessary actions to obtain additional and necessary training to correct this finding.</p> <p>c. Anticipated Completion Date:</p> <p>9/30/2011</p>

**Jefferson County**  
307 Main Street  
Fayette, MS 39069

**AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUED)**

As required by Section \_\_.315(b) of OMB Circular A-133, the Jefferson County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2010:

2010-3

- a. Name of Contact Person Responsible for Corrective Action

Name: Brenda Buck  
Phone: 601-786-3142

- b. Corrective Action Planned:

We will switch the procedure to bookkeeping so it can be adequately posted in the accounting records in a timely manner.

- c. Anticipated Completion Date:

9/30/2011

2010-4

- a. Name of Contact Person Responsible for Corrective Action

Name: Samantha F. Jackson  
Phone: 601-786-3781

- b. Corrective Action Planned:

The Tax Assessor/Collector has received some of the embezzled funds from three of the four ex-employees. The Tax Assessor/Collector is working on the final ex-employee.

- c. Anticipated Completion Date:

9/30/2011

**Jefferson County**  
307 Main Street  
Fayette, MS 39069

**AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUED)**

As required by Section \_\_.315(b) of OMB Circular A-133, the Jefferson County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2010:

2010-5

- a. Name of Contact Person Responsible for Corrective Action

Name: Marilyn Jones  
Phone: 601-786-8594

- b. Corrective Action Planned:

I am currently settling on time, and I will comply with all rules and regulations that are required.

- c. Anticipated Completion Date:

9/30/2011

2010-6

- a. Name of Contact Person Responsible for Corrective Action

Name: Delores Frye  
Phone: 601-786-3021

- b. Corrective Action Planned:

We are in the process of being in compliance with the recommendation.

- c. Anticipated Completion Date:

9/30/2011

**Jefferson County**  
307 Main Street  
Fayette, MS 39069

**AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUED)**

As required by Section \_\_.315(b) of OMB Circular A-133, the Jefferson County has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended September 30, 2010:

2010-7

a. Name of Contact Person Responsible for Corrective Action

Name: Brenda Buck  
Phone: 601-786-3142

b. Corrective Action Planned:

The Board will adhere to improve the internal control with future funds.

c. Anticipated Completion Date:

9/30/2011