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**Jefferson County, Mississippi**  
Audited Financial Statements  
and Special Reports  
For the Year Ended  
September 30, 2012

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

## 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 SUPPLEMENTARY 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, 2012, which collectively comprise the county's 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 or Jefferson County Nursing Home, component units, which represent 91 percent, 98 percent and 75 percent, and 9 percent, 2 percent and 25 percent, respectively, of the assets, net assets, and revenues of the proprietary component units column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component units, is based on the report of the other auditors.

Except as discussed in the following paragraph, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we express no such opinion. 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 the other auditors provide a reasonable basis for our opinions.

Due to the inadequacy in the accounting records, we were unable to obtain sufficient appropriate audit evidence regarding amounts presented for cash and cash equivalents in the tax collector's fund. Cash and cash equivalents was stated at \$608,310 in the General Fund and \$2,737,478 in the governmental activities of the government-wide statements.

In our opinion, except for the effects of the inadequacy of the accounting records surrounding cash and cash equivalents in the tax collector's fund, which affected the General Fund and the governmental activities of the government-wide statements, as described in the preceding paragraph, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund and the governmental activities of the

government-wide statements of Jefferson County, Mississippi, as of September 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, based on our audit and the reports of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, the Garbage and Solid Waste Fund, the County Wide Road Maintenance Fund, the Jefferson County Water Sewer Fund, the Jefferson County Correctional Facility Fund and the aggregate remaining fund information of Jefferson County, Mississippi, as of September 30, 2012, 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 November 22, 2013, 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 in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards 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, except for the effect of adjustments, if any, as might have been determined to be necessary to this supplementary information had we been able to obtain sufficient appropriate audit evidence regarding the item mentioned in paragraph 3 of the previous page, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 Surety Bonds for County officials is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 22, 2013

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**Jefferson County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

## **INTRODUCTION**

The following discussion and analysis of Jefferson County, Mississippi's financial performance provides an overview of the County's financial activities for the year ended September 30, 2012. The intent of this discussion and analysis is to look at the County's performance as a whole. Readers are encourage to review the financial statements and the notes to the financial statements to enhance their understanding of the County's financial performance.

## **FINANCIAL HIGHLIGHTS**

- Total net assets for 2012 increased \$695,569, including a prior period adjustment of \$774,418, which represents a 7% increase from 2011. Total net assets for 2011 decreased \$706,572, which represents a 7% decrease from 2010.
- The County had \$11,353,196 in total revenues for 2012. Tax revenues account for \$3152,930 or 28% of total revenues for 2012. Charges for services account for \$4,360,905 or 38% for 2012. The County had \$10,041,685 in total revenues for 2011. Tax revenues account for \$2,850,766 or 28% of total revenues for 2011. Charges for services account for \$5,251,921 or 52% for 2011.
- The County had \$11,402,045 in total expenses for 2012. Expenses in the amount of \$6,934,811 were offset by charges for services, grants, or outside contributions. General revenues of \$4,418,385 were not adequate to provide for the remainder of the expenses. For 2011, the County had \$10,748,257 in total expenses. Expenses in the amount of \$6,129,026 were offset by charges for services, grants, or outside contributions. General revenues in the amount of \$3,912,659 were not adequate to provide for the remainder of the expenses.
- The General Fund had \$3,793,963 in revenues and \$3,983,046 in expenditures. The General Fund's fund balance decreased \$170,100, including a prior period adjustment of \$18,983, over the prior year. Last year's revenues in the General Fund were \$3,338,333 while expenditures were \$4,184,264. The fund balance decreased \$815,323.
- Among major funds, the Garbage & Solid Waste Fund had \$398,611 in revenues and \$445,832 in expenditures. Its fund balance decreased \$47,221 from 2011. In 2011, the Garbage & Solid Waste Fund had \$451,043 in revenues and \$405,324 in expenditures. Its fund balance increased \$45,719 from 2010.
- The County Wide Road Maintenance Fund had \$1,440,790 in revenues and \$1,565,388 in expenditures. Its fund balance increased \$407,680 from 2011. In 2011, this fund had \$1,349,860 in revenues and \$1,133,260 in expenditures. Its fund balance increased \$324,584 from 2010.

**Jefferson County, Mississippi**  
 Management's Discussion and Analysis  
 For the Year Ended September 30, 2012

- Capital assets, net of accumulated depreciation, decreased by \$279,499 in the governmental activities primarily due to retirements of assets coupled with the increase in accumulated depreciation. Capital assets, net of accumulated depreciation, decreased \$37,646 in the business-type activities.
- In 2012, long-term debt decreased by \$312,879 in the governmental activities mainly due to principal payments on outstanding long-term debt. Long-term debt decreased \$382,220 in the business-type activities. In 2011, long-term debt in the governmental activities decreased by \$201,867 whereas in the business-type activities the long-term debt decreased \$373,133.

***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**

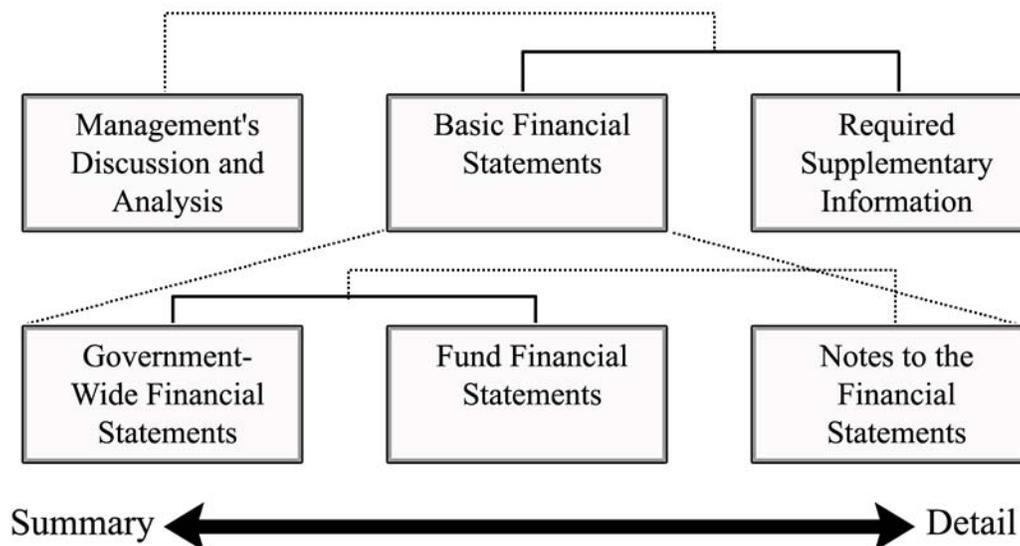


Figure 1 shows how required parts of this annual report are arranged and relate to one another. The next page summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

	<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
Scope	Entire County government (except fiduciary funds)	All activities of the County that are not business-type or fiduciary in nature	All activities of the County that are business-type in nature	The County is the trustee or agent for someone else's resources
Required Financial Statements	* Statement of Net Assets  * Statement of Activities	* Balance Sheet  * Statement of Revenues, Expenditures and Changes in Fund Balances	*Statement of Net Assets *Statement of Revenues, Expenses and Changes in Net Assets *Cash Flows	* Statement of Fiduciary Assets and Liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic 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 and liabilities, both short and long term	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 the year, regardless of when the cash is received or paid	N/A

**Jefferson County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Activities presents information showing how the County's 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.

The government-wide financial statements outline functions of the County that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the County include general government, public safety, public works, health and welfare, culture and recreation, education, conservation of natural resources, economic development and interest on long-term debt.

The County has two (2) component units reported in the Jefferson County's report as follows:

**Jefferson County Hospital**

**Jefferson County Nursing Home**

**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 compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, business-type activities and fiduciary funds.

**Jefferson County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**Governmental funds** - Most of the County's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the County's near term financing requirements.

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 gain a better understanding of the long-term impact of the County's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities 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 non-major funds are combined and presented in these reports as other governmental funds.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. 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. These funds are reported using the accrual basis of accounting. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

**Jefferson County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Bond and notes proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 can be found in this report.

**Jefferson County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Assets**

Net assets may server over time as a useful indicator of government's financial position. In the case of Jefferson County, assets exceeded liabilities by \$6,910,629 as of September 30, 2012.

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.

Table 1 presents a summary of the County's net assets for the governmental activities at September 30, 2012 and September 30, 2011.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
Assets:		
Current assets	\$ 5,995,400	5,556,934
Capital assets, net	7,693,660	7,973,159
Total Assets	<u>13,689,060</u>	<u>13,530,093</u>
Liabilities:		
Current liabilities	6,065,827	5,725,891
Long-term debt outstanding	712,604	1,025,483
Total Liabilities	<u>6,778,431</u>	<u>6,751,374</u>
Net Assets:		
Invested in capital assets, net of related debt	7,042,712	7,010,920
Restricted assets	1,259,414	1,111,458
Unrestricted	(1,391,497)	(1,343,659)
Total Net Assets	<u>\$ 6,910,629</u>	<u>6,778,719</u>

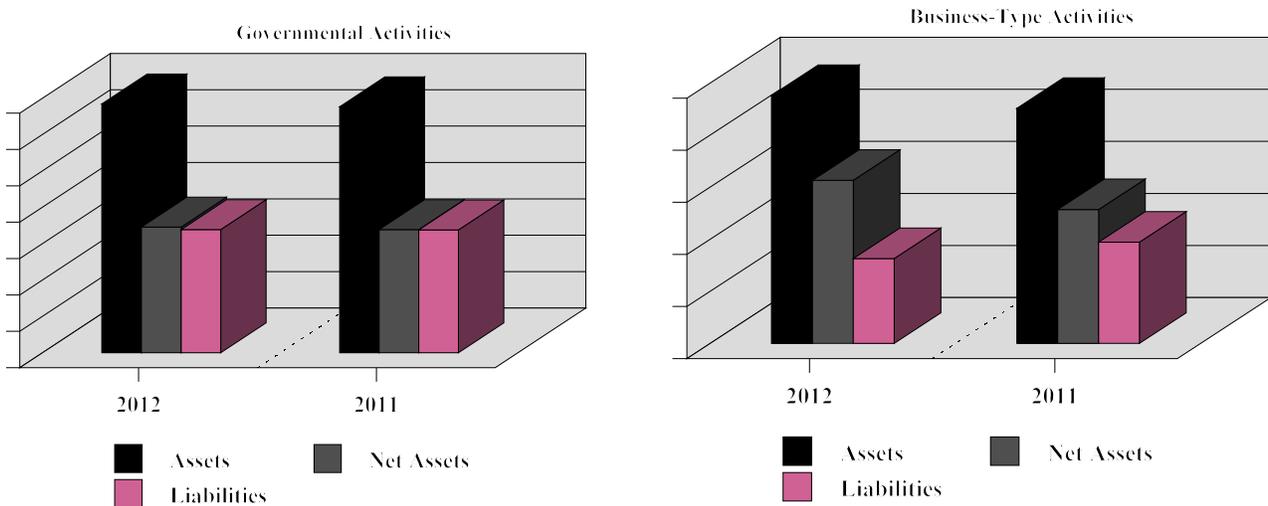
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- \$312,879 of long-term debt was retired during the year in the governmental activities.
- Capital assets, net of accumulated depreciation, decreased by \$37,646 in the business-type activities primarily due to the increase in accumulated depreciation.
- \$385,000 of long-term debt was retired during the year in the business-type activities.

**Jefferson County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**

This table presents a summary of the County's net assets for the business-type activities at September 30, 2012 as compared to September 30, 2011.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>
<b>Assets:</b>		
Current assets	\$ 1,851,541	1,564,103
Capital assets, net	2,908,834	2,946,480
<b>Total Assets</b>	<b><u>4,760,375</u></b>	<b><u>4,510,583</u></b>
<b>Liabilities:</b>		
Current liabilities	129,656	61,303
Long-term debt outstanding	1,498,174	1,880,394
<b>Total Liabilities</b>	<b><u>1,627,830</u></b>	<b><u>1,941,697</u></b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	1,488,834	1,141,480
Restricted	1,643,711	1,427,406
<b>Total Net Assets</b>	<b><u>\$ 3,132,545</u></b>	<b><u>2,568,886</u></b>



**Jefferson County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**Changes in Net Assets**

Jefferson County's total revenues for the fiscal year ended September 30, 2012 were \$11,353,196 and \$10,041,685 for 2011. The total cost of all services provided was \$11,402,045 for 2012 and \$10,748,257 for 2011 and the increase in net assets was \$695,569 for 2012. The decrease in net assets was \$706,572 for 2011.

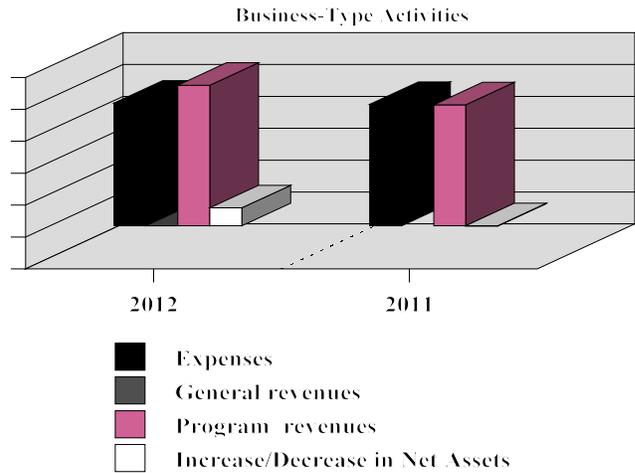
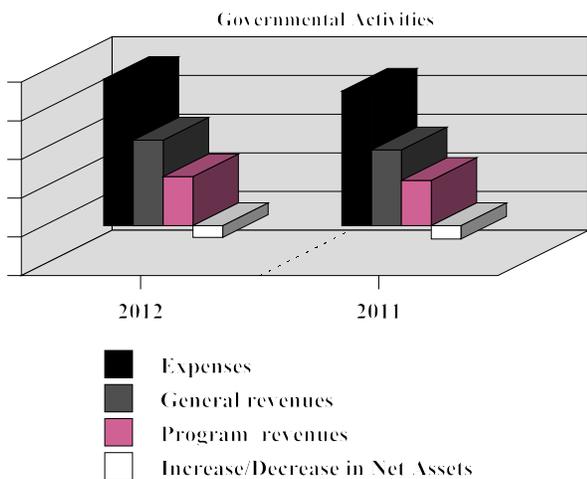
The following table presents a summary of the changes in net assets for the governmental activities at September 30, 2012 and September 30, 2011.

	Fiscal Year Ended 09/30/12	Fiscal Year Ended 09/30/11
Revenues:		
Program revenues:		
Charges for services	\$ 1,394,825	1,459,308
Operating grants & contributions	189,380	299,250
Capital grants & contributions	945,878	577,855
General revenues:		
Taxes	3,152,930	2,850,766
Grants and contributions	676,222	622,904
Unrestricted interest income	44,332	44,741
Other	542,869	394,248
Total Revenues	\$ 6,946,436	6,249,072
Expenses:		
General government	2,695,076	3,061,421
Public safety	1,399,764	1,317,150
Public works	2,237,618	1,644,423
Health & welfare	197,377	288,705
Culture & recreation	22,411	33,703
Education	35,251	60,084
Conservation of natural resources	11,747	153,339
Economic development and assistance	906,759	330,674
Interest on long-term debt	52,941	55,575
Total Expenses	7,558,944	6,945,074
Increase (Decrease) in Net Assets	(612,508)	(696,002)
Net Assets - Beginning, as originally reported	6,778,719	7,474,721
Prior Period Adjustment	744,418	
Net Assets - Beginning, as restated	7,523,137	7,474,721
Net Assets - Ending	\$ 6,910,629	6,778,719

**Jefferson County, Mississippi**  
**Management's Discussion and Analysis**  
**For the Year Ended September 30, 2012**

The following table presents a summary of the changes in net assets for the business-type activities at September 30, 2012 and September 30, 2011.

	Fiscal Year Ended 09/30/12	Fiscal Year Ended 09/30/11
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 2,966,080	3,792,613
Operating Grants and Contributions	1,438,648	
<b>Total Revenues</b>	<b>4,404,728</b>	<b>3,792,613</b>
<b>Expenses:</b>		
Correctional Facility	3,843,101	3,803,183
<b>Total Expenses</b>	<b>3,843,101</b>	<b>3,803,183</b>
<b>General Revenues:</b>		
Unrestricted interest income	2,032	
<b>Increase (Decrease) in Net Assets</b>	<b>563,659</b>	<b>(10,570)</b>
<b>Net Assets - Beginning</b>	<b>2,568,886</b>	<b>2,579,456</b>
<b>Net Assets - Ending</b>	<b>\$ 3,132,545</b>	<b>2,568,886</b>

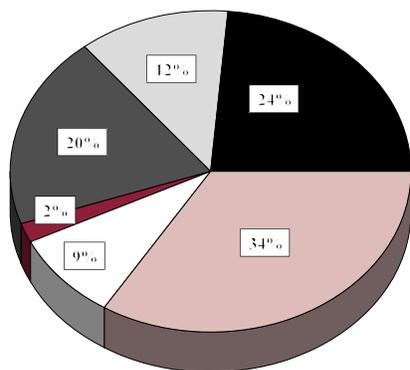


**Jefferson County, Mississippi**  
 Management's Discussion and Analysis  
 For the Year Ended September 30, 2012

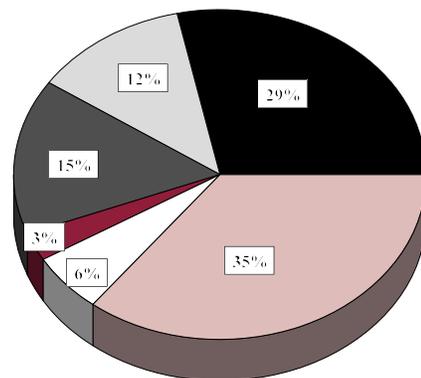
**Governmental and Business-Type Activities** – The following table presents the cost of major functional activities of the County: General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Education, Conservation of Natural Resources, Economic Development and Assistance, Interest on Long Term Debt and includes the cost of the Correctional Facility. 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.

	2012 Total Cost	2012 Net Cost	2011 Total Cost	2011 Net Cost
<u>Governmental Activities:</u>				
General government	\$ 2,695,076	(1,660,824)	3,061,421	(2,116,217)
Public safety	1,399,764	(1,124,743)	1,317,150	(831,855)
Public works	2,237,618	(1,059,600)	1,644,423	(894,308)
Health and welfare	197,377	(154,585)	288,705	(282,542)
Culture and recreation	22,411	(22,411)	33,703	62,944
Education	35,251	(35,251)	60,084	(60,084)
Conservation of natural resources	11,747	(11,747)	153,339	(153,339)
Economic development and assistance	906,759	(906,759)	330,674	(277,685)
Interest on long term debt	52,941	(52,941)	55,575	(55,575)
<u>Business Type Activities:</u>				
Jefferson County Correctional Facility	3,843,101	561,627	3,803,183	(10,570)
Total Expenses	<u>\$ 11,402,045</u>	<u>(4,467,234)</u>	<u>10,748,257</u>	<u>(4,619,231)</u>

**Expenses 2012**



**Expenses 2011**



**Jefferson County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**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 (\$282,115), an increase of \$131,601 from the prior year. The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$170,100.

**BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

Over the course of the year, Jefferson County revised its annual operating budget on several occasions. Budgeted revenues were increased 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, 2012, Jefferson County's total capital assets were \$12,267,686. This includes land, infrastructure, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital leases. This amount represents an increase from the previous year of \$158,469. The majority of this increase is attributable mainly to additions to furniture and equipment as well as mobile equipment. Total accumulated depreciation as of September 30, 2012 was \$4,574,026, including \$532,817 of depreciation expense for the year.

	<u>September 30, 2012</u>	<u>September 30 2011</u>	<u>Change</u>
Land	\$ 50,453	50,453	0%
Infrastructure	2,649,889	2,649,889	0%
Buildings	5,896,199	5,896,199	0%
Mobile equipment	2,407,266	2,155,078	12%
Furniture and equipment	271,126	304,789	(11)%
Leased property under capital leases	992,753	1,052,809	(6)%
Accumulated depreciation	(4,574,026)	(4,136,058)	11%
Total Capital Assets, net	<u>\$ 7,693,660</u>	<u>7,973,159</u>	(4)%

**Jefferson County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**Debt Administration** – At September 30, 2012, Jefferson County had \$712,604 in long-term debt outstanding. This includes obligations under capital leases. Of this debt, \$234,984 is due within one year.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Change</u>
General obligation bonds	\$ 202,000	298,000	(32)%
Limited obligation bonds		85,000	(100)%
Capital leases payable	448,948	579,239	(22)%
Compensated absences	61,656	63,244	(3)%
Total Long-Term Debt	<u>\$ 712,604</u>	<u>1,025,483</u>	(31)%

**Business-Type Activities:**

**Capital Assets** - As of September 30, 2012, Jefferson County's total capital assets were \$4,238,799. This includes land, buildings, mobile equipment, furniture and equipment, and leased property under capital leases. Total accumulated depreciation as of September 30, 2012 was \$1,329,965, including \$82,396 of depreciation expense for the year.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Change</u>
Land	\$ 235,000	235,000	0%
Buildings	3,862,120	3,862,120	0%
Mobile equipment	34,930	34,930	0%
Furniture and equipment	106,749	30,619	249%
Leased property under capital leases		31,380	(100)%
Accumulated depreciation	(1,329,965)	(1,247,569)	7%
Total Capital Assets, net	<u>\$ 2,908,834</u>	<u>2,946,480</u>	(1)%

**Debt Administration** – At September 30, 2012, Jefferson County had \$1,498,174 in long-term debt outstanding. Of this debt, \$395,000 is due within one year.

	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Change</u>
Limited obligation bond	\$ 1,420,000	1,805,000	-21%
Compensated absences	78,174	75,394	4%
Total Long-Term Debt	<u>\$ 1,498,174</u>	<u>1,880,394</u>	-20%

**Jefferson County, Mississippi**  
Management's Discussion and Analysis  
For the Year Ended September 30, 2012

**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 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, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets:</b>				
Cash	\$ 2,737,478	\$ 187,893	\$ 2,925,371	\$ 12,284,200
Investments	--	1,438,648	1,438,648	--
Property tax receivable	2,482,934	--	2,482,934	--
Accounts receivable	83,232	--	83,232	2,062,405
Fines receivable, net	130,602	--	130,602	--
Loans receivable, net	41,000	--	41,000	--
Intergovernmental receivables	506,845	--	506,845	--
Other receivables	13,309	225,000	238,309	--
Prepaid items	--	--	--	62,489
Inventories	--	--	--	361,605
Other assets	--	--	--	54,081
Restricted assets	--	--	--	159,734
Capital assets:				
Land and Construction in progress	50,453	235,000	285,453	2,821,493
Other capital assets, net	7,643,207	2,673,834	10,317,041	1,213,332
<b>Total Assets</b>	<b>13,689,060</b>	<b>4,760,375</b>	<b>18,449,435</b>	<b>19,019,339</b>
<b>Liabilities:</b>				
Claims payable	401,750	115,456	517,206	537,817
Amounts held in custody for others	314,925	--	314,925	--
Intergovernmental payables	18,466	--	18,466	--
Accrued interest payable	2,146	14,200	16,346	1,988
Deferred revenue	2,482,934	--	2,482,934	--
Other payables	2,845,606	--	2,845,606	492,232
Long term liabilities:				
Due within one year:				
Capital related debt	234,984	395,000	629,984	125,414
Due beyond one year:				
Capital related debt	415,964	1,025,000	1,440,964	743,905
Non-capital related debt	61,656	78,174	139,830	--
<b>Total Liabilities</b>	<b>6,778,431</b>	<b>1,627,830</b>	<b>8,406,261</b>	<b>1,901,356</b>
<b>Net Assets:</b>				
Invested in Capital Assets, Net of Related Debt	7,042,712	1,488,834	8,531,546	3,165,506
Restricted For:				
Public Works	278,141	--	278,141	--
Public Safety	349,790	1,643,711	1,993,501	--
Debt Service	--	--	--	128,940
Health & Welfare	--	--	--	386,944
Culture & Recreation	189,940	--	189,940	--
Capital Projects	47,100	--	47,100	--
Economic Development	41,000	--	41,000	--
Conservation of Natural Resources	144,290	--	144,290	--
General Government	209,153	--	209,153	--
Unrestricted	(1,391,497)	--	(1,391,497)	13,436,593
<b>Total Net Assets</b>	<b>\$ 6,910,629</b>	<b>\$ 3,132,545</b>	<b>\$ 10,043,174</b>	<b>\$ 17,117,983</b>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2012**

EXHIBIT 2

Functions/Programs	Program Revenues			Net (Expense)		Revenue and Changes in		Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities</b>								
General government	\$ 2,695,076	\$ 1,024,852	\$ 9,400	\$ --	\$ (1,660,824)	\$ --	\$ (1,660,824)	
Public safety	1,399,764	98,714	137,188	39,119	(1,124,743)	--	(1,124,743)	
Public works	2,237,618	271,259	--	906,759	(1,059,600)	--	(1,059,600)	
Health & welfare	197,377	--	42,792	--	(154,585)	--	(154,585)	
Culture and recreation	22,411	--	--	--	(22,411)	--	(22,411)	
Education	35,251	--	--	--	(35,251)	--	(35,251)	
Conservation of natural resources	11,747	--	--	--	(11,747)	--	(11,747)	
Economic development & assistance	906,759	--	--	--	(906,759)	--	(906,759)	
Interest on long-term debt	52,941	--	--	--	(52,941)	--	(52,941)	
<b>Total Governmental Activities</b>	<b>7,568,944</b>	<b>1,394,825</b>	<b>189,380</b>	<b>945,878</b>	<b>(5,028,861)</b>	<b>--</b>	<b>(5,028,861)</b>	
<b>Business-type Activities:</b>								
Jefferson County Correctional Facility	3,843,101	2,966,080	1,438,648	--	--	\$ 561,627	561,627	
<b>Total Primary Government</b>	<b>11,402,045</b>	<b>4,360,905</b>	<b>1,628,028</b>	<b>945,878</b>	<b>(5,028,861)</b>	<b>561,627</b>	<b>(4,467,234)</b>	
<b>Component Units:</b>								
Hospital	\$ 12,595,030	\$ 14,705,293	\$ 8,755	\$ --	\$ --	\$ --	\$ 2,119,018	
Nursing Home	4,273,241	4,976,326	--	--	--	--	703,085	
<b>Total Component Units</b>	<b>16,868,271</b>	<b>19,681,619</b>	<b>8,755</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>2,822,103</b>	
<b>General Revenues:</b>								
Property Taxes					3,059,805	--	3,059,805	
Road and Bridge Privilege Taxes					93,125	--	93,125	
Grants and Contributions Not Restricted to Specific Purposes					676,222	--	676,222	
Unrestricted interest income					44,332	--	44,332	63,888
Miscellaneous					542,869	2,032	544,901	--
<b>Total General Revenues</b>					<b>4,416,353</b>	<b>2,032</b>	<b>4,418,385</b>	<b>63,888</b>
<b>Change in Net Assets</b>					<b>(612,508)</b>	<b>563,659</b>	<b>(48,849)</b>	<b>2,885,991</b>
<b>Net Assets - Beginning, as originally reported</b>					<b>6,778,719</b>	<b>2,568,886</b>	<b>9,347,605</b>	<b>14,231,992</b>
<b>Prior Period Adjustment</b>					<b>744,418</b>	<b>--</b>	<b>744,418</b>	<b>--</b>
<b>Net Assets - Beginning, as restated</b>					<b>7,523,137</b>	<b>2,568,886</b>	<b>10,092,023</b>	<b>14,231,992</b>
<b>Net Assets - Ending</b>					<b>6,910,629</b>	<b>3,132,545</b>	<b>10,043,174</b>	<b>17,117,983</b>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2012

	<u>General Fund</u>	<u>Garbage &amp; Solid Waste</u>
<b>Assets:</b>		
Cash and investments	\$ 608,310	\$ --
Property tax receivable	1,932,392	108,750
Accounts receivable	--	83,232
Fines receivable	130,602	--
Loans receivable	--	--
Intergovernmental receivables	94,486	--
Other receivables	--	13,309
Due from other funds	--	1,143
Advances to other funds	19,374	3,800
<b>Total Assets</b>	<u>\$ 2,785,164</u>	<u>\$ 210,234</u>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Claims payable	\$ 104,758	\$ 12,478
Amounts held in custody for others	314,925	--
Intergovernmental payables	18,466	--
Due to other funds	13,027	--
Advances from other funds	442,282	38,600
Deferred revenue	2,062,994	191,982
Other payables	1,373,379	568,981
<b>Total Liabilities</b>	<u>4,329,831</u>	<u>812,041</u>
<b>Fund Balances:</b>		
<b>Nonspendable:</b>		
Advances	19,374	3,800
Loans	--	--
<b>Restricted:</b>		
Grants	--	--
<b>Assigned:</b>		
Building improvements and road maintenance	--	--
Building improvements	--	--
Bridge and culvert	--	--
Library	--	--
Data processing	--	--
Canteen	--	--
Economic development	--	--
Other purposes	--	--
<b>Unassigned</b>	<u>(1,564,041)</u>	<u>(605,607)</u>
<b>Total Fund Balances</b>	<u>(1,544,667)</u>	<u>(601,807)</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 2,785,164</u>	<u>\$ 210,234</u>

The accompanying notes are an integral part of this statement.

County Wide Road Maintenance	Jefferson Co. Water Sewer Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,225,066	\$ --	\$ 904,102	\$ 2,737,478
298,126	--	143,666	2,482,934
--	--	--	83,232
--	--	--	130,602
--	--	41,000	41,000
--	412,359	--	506,845
--	--	--	13,309
10,011	--	1,873	13,027
62,800	--	593,485	679,459
<u>\$ 1,596,003</u>	<u>\$ 412,359</u>	<u>\$ 1,684,126</u>	<u>\$ 6,687,886</u>
\$ 13,664	\$ 247,868	\$ 22,982	\$ 401,750
--	--	--	314,925
--	--	--	18,466
--	--	--	13,027
66,830	--	131,747	679,459
298,126	--	143,666	2,696,768
306,000	164,491	432,755	2,845,606
<u>684,620</u>	<u>412,359</u>	<u>731,150</u>	<u>6,970,001</u>
62,800	--	593,485	679,459
--	--	41,000	41,000
--	--	37,836	37,836
848,583	--	--	848,583
--	--	28,834	28,834
--	--	140,157	140,157
--	--	82,019	82,019
--	--	137,680	137,680
--	--	254,727	254,727
--	--	65,388	65,388
--	--	92,379	92,379
--	--	(520,529)	(2,690,177)
<u>911,383</u>	<u>--</u>	<u>952,976</u>	<u>(282,115)</u>
<u>\$ 1,596,003</u>	<u>\$ 412,359</u>	<u>\$ 1,684,126</u>	<u>\$ 6,687,886</u>

**JEFFERSON COUNTY, MISSISSIPPI**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2012*

Total fund balances - governmental funds balance sheet	\$ (282,115)
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.	7,693,660
Liabilities due in one year are not recognized in the funds.	(234,984)
Payables for bond principal which are not due in the current period are not reported in the funds.	(103,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(312,964)
Payables for bond interest which are not due in the current period are not reported in the funds.	(2,146)
Payables for compensated absences not due in the current period are not reported in the funds.	(61,656)
Deferred revenue does not include fines or accounts receivable in the accrual method.	<u>213,834</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 6,910,629</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, 2012

	General Fund	Garbage & Solid Waste
<b>Revenues:</b>		
Property taxes	\$ 2,359,971	\$ 111,041
Road and bridge privilege taxes	--	--
Licenses, commissions and other revenues	90,971	--
Fines and forfeitures	289,051	--
Intergovernmental revenues	322,648	16,199
Charges for services	256,133	271,259
Interest income	44,332	--
Miscellaneous revenues	430,857	112
Total Revenues	<u>3,793,963</u>	<u>398,611</u>
<b>Expenditures:</b>		
General government	2,593,683	--
Public safety	1,158,257	--
Public works	--	405,998
Health and welfare	88,257	--
Culture and recreation	--	--
Conservation of natural resources	35,251	--
Debt service:		
Principal	85,000	34,087
Interest	22,598	5,747
Total Expenditures	<u>3,983,046</u>	<u>445,832</u>
Excess of Revenues Over (Under) Expenditures	<u>(189,083)</u>	<u>(47,221)</u>
<b>Other Financing Sources (Uses):</b>		
Proceeds from long-term debt issued	--	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(189,083)</u>	<u>(47,221)</u>
<b>Fund balances</b>		
Fund Balances - Beginning, as originally reported	(1,374,567)	(554,586)
Prior period adjustment	18,983	--
Fund Balances - Beginning, as restated	<u>(1,355,584)</u>	<u>(554,586)</u>
Fund Balances - Ending	<u>\$ (1,544,667)</u>	<u>\$ (601,807)</u>

The accompanying notes are an integral part of this statement.

County Wide Road Maintenance	Jefferson Co. Water Sewer Fund	Other Governmental Funds	Total Governmental Funds
\$ 415,772	\$ --	\$ 173,021	\$ 3,059,805
93,125	--	--	93,125
--	--	4,802	95,773
--	--	--	289,051
929,138	906,759	70,497	2,245,241
--	--	83,058	610,450
--	--	--	44,332
2,755	--	109,145	542,869
<u>1,440,790</u>	<u>906,759</u>	<u>440,523</u>	<u>6,980,646</u>
--	--	61,994	2,655,677
--	--	229,247	1,387,504
1,458,298	906,759	12,909	2,783,964
--	--	61,018	149,275
--	--	15,052	15,052
--	--	--	35,251
96,204	--	96,000	311,291
10,886	--	14,849	54,080
<u>1,565,388</u>	<u>906,759</u>	<u>491,069</u>	<u>7,392,094</u>
<u>(124,598)</u>	<u>--</u>	<u>(50,546)</u>	<u>(411,448)</u>
266,139	--	--	266,139
<u>266,139</u>	<u>--</u>	<u>--</u>	<u>266,139</u>
141,541	--	(50,546)	(145,309)
503,703	--	1,011,734	(413,716)
266,139	--	(8,212)	276,910
769,842	--	1,003,522	(136,806)
<u>\$ 911,383</u>	<u>\$ --</u>	<u>\$ 952,976</u>	<u>\$ (282,115)</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, 2012*

Net change in fund balances - total governmental funds	\$ (145,309)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	132,831
The depreciation of capital assets used in governmental activities is not reported in the funds.	(532,817)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(80,882)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	181,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	130,291
(Increase) decrease in accrued interest from beginning of period to end of period.	1,139
Compensated absences are reported as earned in SOA but as the amount paid in the funds.	1,588
Certain revenues are deferred in the funds. This is the change in these amounts this year.	(34,210)
Inception of leases do not provide revenue in SOA, but is current resources in the funds.	<u>(266,139)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ (612,508)</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**

STATEMENT OF NET ASSETS

PROPRIETARY FUND

SEPTEMBER 30, 2012

	Enterprise Fund <u>Jefferson County Correctional Facility</u>
<b>Assets:</b>	
Current Assets	
Cash	\$ 187,893
Investments	1,438,648
Other receivables	225,000
Total Current Assets	<u>1,851,541</u>
Non-current assets:	
Land and construction in progress	235,000
Other capital assets, net	2,673,834
Total Non-Current Assets	<u>2,908,834</u>
 Total Assets	 <u>4,760,375</u>
<b>Liabilities:</b>	
Current Liabilities	
Claims payable	115,456
Accrued interest payable	14,200
Capital related debt	395,000
Total Current Liabilities	<u>524,656</u>
Non-current Liabilities	
Capital related debt	1,025,000
Non-capital related debt	78,174
Total Non Current Liabilities	<u>1,103,174</u>
 Total Liabilities	 <u>1,627,830</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	1,488,834
Restricted for:	
Public Safety	1,643,711
Total Net Assets	<u>\$ 3,132,545</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI***STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**PROPRIETARY FUND**FOR THE YEAR ENDED SEPTEMBER 30, 2012*

	Enterprise Fund <u>Jefferson County Correctional Facility</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 2,966,080
Total Operating Revenues	<u>2,966,080</u>
<b>Operating Expenses:</b>	
Personal services	2,748,346
Contractual services	498,876
Materials and supplies	438,231
Depreciation expense	82,396
Miscellaneous	3,052
Total Operating Expenses	<u>3,770,901</u>
Operating Income (Loss)	<u>(804,821)</u>
<b>Non-Operating Revenues (Expenses):</b>	
Intergovernmental grants	1,438,648
Other Revenues	2,032
Interest Expense	(72,200)
Total Non-operating Revenues (Expenses)	<u>1,368,480</u>
Net Income	<u>563,659</u>
Net Assets - Beginning	2,568,886
Net Assets - Ending	<u>\$ 3,132,545</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Enterprise Fund Jefferson County Correctional Facility
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ 2,741,080
<i>Cash Payments to Employees for Services</i>	(2,745,566)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(366,028)
<i>Other Operating Cash Receipts (Payments)</i>	(499,896)
Net Cash Provided (Used) by Operating Activities	<u>(870,410)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Operating Grants Received</i>	1,438,648
<i>Transfers From (To) Other Funds</i>	89,300
Net Cash Provided (Used) by Non-capital Financing Activities	<u>1,527,948</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<i>Principal and Interest Paid</i>	(461,050)
<i>Acquisition or Construction of Capital Assets</i>	(44,750)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(505,800)</u>
<b>Cash Flows from Investing Activities:</b>	
<i>Purchase of Investment Securities</i>	(120,224)
Net Cash Provided (Used) for Investing Activities	<u>(120,224)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	31,514
Cash and Cash Equivalents at Beginning of Year	156,379
Cash and Cash Equivalents at End of Year	<u>\$ 187,893</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (804,821)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	82,396
<i>Other receipts (payments)</i>	2,032
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(225,000)
<i>Increase (Decrease) in Claims Payable</i>	72,203
<i>Increase (Decrease) in Compensated Absences</i>	2,780
Total Adjustments	<u>(65,589)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (870,410)</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY, MISSISSIPPI**

## STATEMENT OF FIDUCIARY NET ASSETS

## FIDUCIARY FUNDS

SEPTEMBER 30, 2012

	Agency Funds
<b>Assets:</b>	
Cash	\$ 95,135
<b>Total Assets</b>	<b>\$ 95,135</b>
<b>Liabilities:</b>	
Amounts held in custody for others	\$ 36,427
Intergovernmental payables	58,708
<b>Total Liabilities</b>	<b>\$ 95,135</b>

The accompanying notes are an integral part of this statement.

**Jefferson County, Mississippi**

Notes to the Financial Statements  
For the Year Ended September 30, 2012

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

### (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 unit which has a significant operational or financial relationship 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 units column 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 it is 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.

The Jefferson County Hospital and the Jefferson County Nursing Home were formed under Section 41-13-15 Miss. Code Ann. (1972) and are 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. 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, 2012

### 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 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 or governmental function is self-financing or draws from the general revenues of the county.

#### Fund Financial Statements:

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

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

Other Governmental Funds in a single column.

### D. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic 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 Funds apply all applicable Governmental Accounting Standard Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

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:

General Fund- This fund is used to account for and report all financial resources

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

not accounted for and reported in another fund.

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

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

Jefferson County Water/Sewer Fund - This fund accounts for the county's activities of the sewer and drainage system accommodations for the development of the county.

The county reports the following major Proprietary Funds:

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

### 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.

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

### 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.

#### 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. However, the county did not invest in any governmental securities during the fiscal year.

#### G. Receivables

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

#### H. Interfund Transactions and Balances

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

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Jefferson County meets this criteria and has so selected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in 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 respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county’s financial statements. Donated capital assets are recorded at their fair value at the time of the 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, 2012

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

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

### 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, construction or improvements of those assets.

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

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

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

### Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county.

*Nonspendable fund balance* includes items that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed, or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the county's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes. Currently, there is no committed fund balance shown for this county.

*Assigned fund balance* includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator pursuant to authorization established by the policy adopted by the county.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

### 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 the expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

**Jefferson County, Mississippi**

Notes to the Financial Statements  
For the Year Ended September 30, 2012

N. Compensated absences

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

(2) Prior Period Adjustments

A summary of significant fund equity adjustments are as follows:

Exhibit 2 - Statement of Activities

Explanation	Amount
1 To correctly present capital assets at year end.	\$ 201,369
2 To properly present long-term debt at year end.	266,139
3 See explanation below.	<u>276,910</u>
Total	<u><u>\$ 744,418</u></u>

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances

Fund	Explanation	Amount
General Fund	Net effect of removing old payables/receivables from the county's records.	\$ 18,983
County Wide Road Maintenance Fund	Buyback of assets by lessor not recorded in the county's records	266,139
Other Governmental Funds	To correctly present advances at year end.	(8,212)
Total		<u><u>\$ 276,910</u></u>

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

### (3) Deposits and Investments

#### Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2012, was \$2,737,478 and \$187,893, reported in the Governmental and Proprietary Funds, respectively, and \$95,135 reported in the Fiduciary Funds. The bank balance was \$1,257,312. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above 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, 2012 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>1,438,648</u>	N/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.

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

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, 2012:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Garbage & Solid Waste	General Fund	\$ 1,143
County Wide Road Maintenance	General Fund	10,011
Other Governmental Funds	General Fund	1,873
Total		<u>\$ 13,027</u>

The purpose of a portion of these interfund loans was to disperse the advalorem property taxes 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 From/To 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	19,374
Garbage & Solid Waste Fund	Other Governmental Funds	19,226
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.

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

### (5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2012 consisted of the following:

<u>Description</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
EPA Water/Sewer grant	\$ 412,359
Legislative Tag Credit	23,078
Other Federal Grants	<u>71,408</u>
Total	<u>\$ 506,845</u>

### (6) Loans Receivable

Loan receivable balance at September 30, 2012, is as follows:

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

### (7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2012:

# Jefferson County, Mississippi

## Notes to the Financial Statements For the Year Ended September 30, 2012

### Governmental activities:

	Balance 10-01-11	Additions	Deletions	Adjustments	Balance 09-30-12
<u>Non-depreciable capital assets:</u>					
Land	\$ 50,453				50,453
Total non-depreciable capital assets	<u>50,453</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,453</u>
<u>Depreciable capital assets:</u>					
Buildings	2,649,889				2,649,889
Infrastructure	5,896,199				5,896,199
Mobile equipment	2,155,078	86,391	136,756	302,553	2,407,266
Furniture and equipment	304,789	46,440	80,103		271,126
Leased property under capital leases	1,052,809			(60,056)	992,753
Total depreciable capital assets	<u>12,058,764</u>	<u>132,831</u>	<u>216,859</u>	<u>242,497</u>	<u>12,217,233</u>
<u>Less accumulated depreciation for:</u>					
Buildings	973,740	50,670			1,024,410
Infrastructure	1,073,401	191,585			1,264,986
Mobile equipment	1,528,187	150,224	105,080	174,524	1,747,855
Furniture and equipment	125,780	38,313	30,897		133,196
Leased property under capital leases	434,950	102,025		(133,396)	403,579
Total accumulated depreciation	<u>4,136,058</u>	<u>532,817</u>	<u>135,977</u>	<u>41,128</u>	<u>4,574,026</u>
Total depreciable capital assets, net	<u>7,922,706</u>	<u>(399,986)</u>	<u>80,882</u>	<u>201,369</u>	<u>7,643,207</u>
Governmental activities capital assets, net	<u>\$ 7,973,159</u>	<u>(399,986)</u>	<u>80,882</u>	<u>201,369</u>	<u>7,693,660</u>

Adjustments to capital assets were made to properly present capital assets at year end.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General government	\$ 18,016
Public safety	104,013
Public works	386,035
Health and welfare	17,394
Culture and recreation	<u>7,359</u>
Total depreciation expense	<u>\$ 532,817</u>

**Jefferson County, Mississippi**

Notes to the Financial Statements  
For the Year Ended September 30, 2012

Business-type activities:

	Balance 10-01-11	Additions	Adjustments	Balance 09-30-12
<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>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	44,750	31,380	106,749
Leased property under capital leases	31,380		(31,380)	0
Total depreciable capital assets	<u>3,959,049</u>	<u>44,750</u>	<u>0</u>	<u>4,003,799</u>
<u>Less accumulated depreciation for:</u>				
Buildings	1,158,634	77,242		1,235,876
Mobile equipment	31,437			31,437
Furniture and equipment	26,432	5,154	31,066	62,652
Leased property under capital leases	31,066		(31,066)	0
Total accumulated depreciation	<u>1,247,569</u>	<u>82,396</u>	<u>0</u>	<u>1,329,965</u>
Total depreciable capital assets, net	<u>2,711,480</u>	<u>(37,646)</u>	<u>0</u>	<u>2,673,834</u>
Business-type activities capital assets, net	<u>\$ 2,946,480</u>	<u>(37,646)</u>	<u>0</u>	<u>2,908,834</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Business-type Activities:</u>	
Jefferson County Correctional Facility	\$ <u>82,396</u>

Component Units:

The Jefferson County Hospital capital assets balances at September 30, 2012, are as follows:

## Jefferson County, Mississippi

### Notes to the Financial Statements For the Year Ended September 30, 2012

	Balance <u>Sept. 30, 2012</u>
<u>Non-depreciable capital assets:</u>	
Land and land improvements	\$ 105,228
Construction in progress	<u>2,716,265</u>
Total non-depreciable capital assets	<u>2,821,493</u>
<u>Depreciable capital assets:</u>	
Buildings	595,878
Equipment	<u>2,243,717</u>
Total depreciable capital assets	<u>2,839,595</u>
<u>Less: Accumulated depreciation</u>	<u>(2,295,364)</u>
Component unit capital assets, net	\$ <u><u>3,365,724</u></u>

The Hospital's financial statements do not disclose the changes in capital assets as required by the *Governmental Accounting and Financial Reporting Standards*.

The capital assets' information of the Jefferson County Nursing Home is as follows:

	Balance <u>September 30, 2012</u>
<u>Depreciable capital assets:</u>	
Buildings	\$ 1,703,858
Mobile equipment	77,192
Departmental equipment	<u>664,150</u>
Total depreciable capital assets	<u>2,445,200</u>
<u>Less accumulated depreciation</u>	<u>(1,776,099)</u>
Total depreciable capital assets, net	<u>669,101</u>
Component Unit capital assets, net	\$ <u><u>669,101</u></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

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

\$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, 2012, to January 1, 2013. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through 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, 2012:

Classes of Property	Governmental Activities
Mobile equipment	\$ 992,753
Total	992,753
Less: Accumulated depreciation	(403,579)
	Leased Property Under Capital Leases
	\$ 589,174

The following is a schedule by years of the total payments due as of September 30, 2012:

# Jefferson County, Mississippi

## Notes to the Financial Statements For the Year Ended September 30, 2012

Year Ending September 30	Governmental Activities		Component Unit
	Principal	Interest	Principal
2013	\$ 135,984	6,540	\$ 3,290
2014	105,775	4,888	3,290
2015	104,981	3,385	
2016	102,208	668	
Total	\$ <u>448,948</u>	<u>15,481</u>	\$ <u>6,580</u>

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

Description of Debt	Balance, Oct. 1, 2012	Additions	Reductions	Balance, Sept. 30, 2012
Tax anticipation note	\$ <u>850,000</u>	<u>850,000</u>	<u>850,000</u>	<u>850,000</u>

The county issued a tax anticipation note to alleviate a temporary operating cash flow deficiency in the amounts of \$850,000 that will bear interest at 6.5%. The note will mature on April 1, 2013.

### (11) Long-term Debt

Debt outstanding as of September 30, 2012, 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>202,000</u>	3.7-4.25%	07/2014
B. Capital Leases:			
Caterpillar 938H Wheel Loader	\$ 127,689	3.38%	11/2011
(2) Caterpillar Motor Graders	25,292	3.34%	02/2013
CAT 257B Loader (used)	13,889	4.90%	05/2015
CAT Mini Excavator (used)	20,438	4.90%	05/2015
2010 Dura Patcher	34,350	3.38%	12/2015
Caterpillar 12H Motor Grader	94,115	3.35%	12/2015
2010 Dump Trucks	<u>133,175</u>	3.29%	01/2016
Total Capital Leases	\$ <u>448,948</u>		

**Jefferson County, Mississippi**

Notes to the Financial Statements  
For the Year Ended September 30, 2012

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Business-type Activities:			
A. Limited Obligation Bonds:			
Urban renewal bonds- correctional facility construction - refunding	\$ <u>1,420,000</u>	4.0-4.5%	07/2016
<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	
Component Units:			
A. Revenue Bonds	\$ <u>823,523</u>	5.875%	
B. Notes Payable	\$ <u>39,216</u>	6.7%	

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 99,000	8,585
2014	103,000	4,378
Total	\$ <u>202,000</u>	<u>12,963</u>

Business Type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 395,000	56,800
2014	415,000	41,000
2015	425,000	24,400
2016	185,000	7,400
Total	\$ <u>1,420,000</u>	<u>129,600</u>

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

### Component Units:

<u>Year Ending September 30</u>	<u>Revenue Bonds</u>	<u>Notes Payable</u>
	<u>Principal</u>	<u>Principal</u>
2013	\$ 82,908	39,216
2014	87,841	
2015	93,069	
2016	98,607	
2017	104,475	
Thereafter	356,623	
Total	<u>\$ 823,523</u>	<u>39,216</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 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 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.

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, 2012, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

# Jefferson County, Mississippi

## Notes to the Financial Statements For the Year Ended September 30, 2012

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2012:

	Balance 10-01-11	Additions	Reductions	Adjustments	Balance 09-30-12	Amount due within one year
<u>Governmental Activities:</u>						
Compensated absences	\$ 63,244		1,588		61,656	
General obligation bonds	298,000		96,000		202,000	99,000
Limited obligation bonds	85,000		85,000		0	
Capital leases	579,239	266,139	130,291	(266,139)	448,948	135,984
Total	\$ 1,025,483	266,139	312,879	(266,139)	712,604	234,984
<u>Business-type Activities:</u>						
Compensated absences	\$ 75,394	2,780			78,174	
Limited obligation bonds	1,805,000		385,000		1,420,000	395,000
Total	\$ 1,880,394	2,780	385,000	0	1,498,174	395,000

Adjustment was for refinancing of lease purchase.

Nursing Home Component Unit:

	Balance Sept. 30, 2012
Revenue bonds	\$ 823,523
Notes payable	39,216
Capital leases	6,580
Total	\$ 869,319
Amount due in one year	\$ 125,414

### (12) Deficit Fund Balance of Individual Funds

The following funds reported deficits in fund balances or net assets at September 30, 2012:

Fund	Deficit Amount
General Fund	\$ *(1,564,041)
Garbage & Solid Waste Fund	*(605,607)
Other Governmental Funds:	
Mapping and Reappraisal	(166,892)

# Jefferson County, Mississippi

## Notes to the Financial Statements For the Year Ended September 30, 2012

Fund	Deficit Amount
CDC - Health Needs Assessment	(353)
HOME Grant	(19,277)
Other Special Revenue Fund	(21,935)
Fire Maintenance Fund	(26,158)
CDBG Road Grant	(59,149)
Parks & Recreation	(21,000)
Daycare Escrow Fund	(10,600)
Economic Development	(10,162)
Jefferson County Road and Bridge Bond	(147,769)
Jail Bond and Interest	(20,534)
Courthouse Special	(16,700)

\* These amounts are representative of the greater unassigned portion as reflected on Exhibit 3.

### (13) Contingencies

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

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

### (14) No Commitment Debt (Not included in the Governmental Activities)

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, 2012
Nursing home revenue bonds	\$ 823,523

## Jefferson County, Mississippi

Notes to the Financial Statements  
For the Year Ended September 30, 2012

### (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 did not appropriate any support for the district in fiscal year 2012.

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 \$17,950 for its support in fiscal year 2012.

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 \$135,937 for maintenance and support of the college in fiscal year 2012.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The 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, 2012 was 12% of annual covered payroll. Prior to that date, the

## Jefferson County, Mississippi

### Notes to the Financial Statements For the Year Ended September 30, 2012

determined rate was 12.93%. 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, 2012, 2011 and 2010 were \$405,721, \$351,999, and \$329,769, 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 no subsequent events have occurred that requires disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**JEFFERSON COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule

General Fund

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 2,063,657	2,336,892	2,336,892	-
Licenses, Commissions and Other Revenues	113,890	96,289	96,289	-
Fines and Forfeitures	339,115	279,650	279,650	-
Intergovernmental Revenues	420,500	291,719	291,719	-
Charges for Services	2,500	1,133	1,133	-
Interest Income	24,000	44,332	44,332	-
Miscellaneous Revenues	684,235	638,930	638,930	-
<b>Total Revenues</b>	<b>3,647,897</b>	<b>3,688,945</b>	<b>3,688,945</b>	<b>-</b>
<b>Expenditures:</b>				
General Government	2,491,882	2,560,529	2,560,529	-
Public Safety	933,007	1,137,745	1,137,745	-
Health and Welfare	86,840	84,416	84,416	-
Conservation of Natural Resources	32,218	35,251	35,251	-
<b>Debt Service:</b>				
Principal Retirement	630,200	630,264	630,264	-
Interest and Fiscal Charges	28,400	22,598	22,598	-
<b>Total Expenditures</b>	<b>4,202,547</b>	<b>4,470,803</b>	<b>4,470,803</b>	<b>-</b>
Excess of Revenues over (under) Expenditures	(554,650)	(781,858)	(781,858)	-
<b>Other Financing Sources (Uses):</b>				
Short Term Debt Issued	552,000	544,000	544,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>552,000</b>	<b>544,000</b>	<b>544,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(2,650)</b>	<b>(237,858)</b>	<b>(237,858)</b>	<b>-</b>
<b>Fund Balances:</b>				
October 1, 2011			(932,247)	(932,247)
September 30, 2012	\$ (2,650)	(237,858)	(1,170,105)	(932,247)

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

**JEFFERSON COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule

Garbage and Solid Waste

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 108,750	111,957	111,957	-
Intergovernmental Revenues	70,000	16,199	16,199	-
Charges for Services	283,350	275,203	275,203	-
Miscellaneous Revenues		112	112	-
Total Revenues	462,100	403,471	403,471	-
<b>Expenditures:</b>				
Public Works	417,100	398,282	398,282	-
<b>Debt Service:</b>				
Principal Retirement	45,000	39,834	39,834	-
Total Expenditures	462,100	438,116	438,116	-
Excess of Revenues over (under) Expenditures	-	(34,645)	(34,645)	-
Net Change in Fund Balances	-	(34,645)	(34,645)	-
<b>Fund Balances:</b>				
October 1, 2011			(569,136)	(569,136)
September 30, 2012	\$ -	(34,645)	(603,781)	(569,136)

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

**JEFFERSON COUNTY, MISSISSIPPI**

Budgetary Comparison Schedule

County Wide Road Maintenance

For the Year Ended September 30, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Property Taxes	\$ 301,626	411,388	411,388	-
Road and Bridge Privilege Tax	75,000	87,499	87,499	-
Intergovernmental Revenues	1,060,000	929,138	929,138	-
Interest				-
Miscellaneous Revenues	3,000	2,755	2,755	-
<b>Total Revenues</b>	<b>1,439,626</b>	<b>1,430,780</b>	<b>1,430,780</b>	<b>-</b>
<b>Expenditures:</b>				
Public Works	1,314,626	927,825	927,825	-
<b>Debt Service:</b>				
Principal Retirement	415,000	414,625	414,625	-
Interest and Fiscal Charges	10,000	10,886	10,886	-
<b>Total Expenditures</b>	<b>1,739,626</b>	<b>1,353,336</b>	<b>1,353,336</b>	<b>-</b>
 Excess of Revenues over (under) Expenditures	 (300,000)	 77,444	 77,444	 -
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets				-
Short Term Debt Issued	300,000	306,000	306,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>300,000</b>	<b>306,000</b>	<b>306,000</b>	<b>-</b>
 Net Change in Fund Balances	 -	 383,444	 383,444	 -
<b>Fund Balances:</b>				
October 1, 2011			837,592	837,592
September 30, 2012	\$ -	383,444	1,221,036	837,592

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

## Jefferson County, Mississippi

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2012

### 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 supplementary 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, 2012

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)	\$ (237,858)	(34,645)	383,444
Increase (Decrease)			
Net adjustments for revenue accruals	153,533	(98)	62,800
Net adjustments for expenditure accruals	(104,758)	(12,478)	(304,703)
GAAP Basis	\$ (189,083)	(47,221)	141,541

## SUPPLEMENTARY INFORMATION

**Jefferson County, Mississippi**  
Schedule of Expenditure of Federal Awards  
For the Year Ended September 30, 2012

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditure
<b>MAJOR FEDERAL AWARD</b>			
U.S. Environmental Protection Agency/ Direct Programs:			
Congressionally Mandated Projects	66.202	XP-97415901	\$ <u>906,759</u>
<b>OTHER FEDERAL AWARDS</b>			
U.S. Department of Agriculture/ Direct Program Passed-through USDA Rural Development Farmers' Market Promotion Program			
	10.168	12-25-G-1373	53,698
Passed-through the Mississippi Department of the Treasury Schools and Roads - Grants to Counties			
	10.666	N/A	<u>110,721</u>
Total U.S. Department of Agriculture			<u>164,419</u>
U.S. Department of Justice/ Passed-through the Mississippi Department of Public Safety			
Juvenile Accountability Block Grant	16.523	08-JB-132-1	4,132
Juvenile Accountability Block Grant	16.523	10-JB-132-1	42,674
Crime Victim Assistance	16.575	08-VA-132-1	1,584
Crime Victim Assistance	16.575	10-VA-132-2	36,755
Crime Victim Assistance	16.575	11-VA-132-1	2,508
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-DD-BX-0718	<u>98,489</u>
Total U.S. Department of Justice			<u>186,142</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>15,400</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Department of Public Safety			
Hazard Mitigation Grant	97.039	1604-MS-	37,378
State Homeland Security Program	97.073	07-PS-313	<u>10,613</u>
Total U.S. Department of Homeland Security			<u>47,991</u>
Total Expenditures of Other Federal Awards			\$ <u>413,952</u>
Total Expenditures of Federal Awards			\$ <u><u>1,320,711</u></u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note A - Significant Accounting Policies**

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

**JEFFERSON COUNTY, MISSISSIPPI***COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS**SEPTEMBER 30, 2012*

	Jefferson County Hospital	Jefferson County Nursing Home	Total Component Units
<b>Assets:</b>			
Current:			
Cash and investments	\$ 11,907,505	\$ 376,695	\$ 12,284,200
Accounts receivable	1,566,222	496,183	2,062,405
Prepaid items	--	62,489	62,489
Inventories	332,863	28,742	361,605
Other assets	54,081	--	54,081
Total current assets	<u>13,860,671</u>	<u>964,109</u>	<u>14,824,780</u>
Non-current:			
Restricted assets	--	159,734	159,734
Capital assets, net	3,365,724	669,101	4,034,825
Total non-current assets	<u>3,365,724</u>	<u>828,835</u>	<u>4,194,559</u>
 Total Assets	 <u>17,226,395</u>	 <u>1,792,944</u>	 <u>19,019,339</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Current:			
Accounts payable	112,232	425,585	537,817
Accrued interest payable	--	1,988	1,988
Other payables	413,651	78,581	492,232
Long-term debt	--	125,414	125,414
Total current liabilities	<u>525,883</u>	<u>631,568</u>	<u>1,157,451</u>
Non-current:			
Long-term debt	--	743,905	743,905
Total non-current liabilities	<u>--</u>	<u>743,905</u>	<u>743,905</u>
 Total Liabilities	 <u>525,883</u>	 <u>1,375,473</u>	 <u>1,901,356</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	3,365,724	(200,218)	3,165,506
Restricted	386,944	128,940	515,884
Unrestricted	12,947,844	488,749	13,436,593
Total Net Assets	<u>\$ 16,700,512</u>	<u>\$ 417,471</u>	<u>\$ 17,117,983</u>

**JEFFERSON COUNTY, MISSISSIPPI**

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET ASSETS - COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Jefferson County Hospital	Jefferson County Nursing Home	Total Component Units
<b>Revenues:</b>			
Net service revenue	\$ 11,383,573	\$ 4,976,326	\$ 16,359,899
Other operating revenue	3,321,720	--	3,321,720
Total Revenues	<u>14,705,293</u>	<u>4,976,326</u>	<u>19,681,619</u>
<b>Operating Expenses</b>			
Salaries and wages	4,051,137	1,904,719	5,955,856
Purchased services	1,814,646	494,452	2,309,098
Employee benefits	1,656,372	502,953	2,159,325
Supplies and other	4,950,544	1,218,798	6,169,342
Interest expenses	--	50,332	50,332
Depreciation	122,331	101,987	224,318
Total Expenses	<u>12,595,030</u>	<u>4,273,241</u>	<u>16,868,271</u>
Operating Income	2,110,263	703,085	2,813,348
<b>Non-Operating Revenues:</b>			
Grant revenue	8,755	--	8,755
Interest income	61,924	1,964	63,888
Total Non-Operating Revenues	<u>70,679</u>	<u>1,964</u>	<u>72,643</u>
Change in Net Assets	2,180,942	705,049	2,885,991
<b>Net Assets</b>			
Beginning	14,519,570	(287,578)	14,231,992
End of year	<u>\$ 16,700,512</u>	<u>\$ 417,471</u>	<u>\$ 17,117,983</u>

## OTHER INFORMATION

**Jefferson County, Mississippi**  
 Schedule of Surety Bonds for County Officials  
 For the Year Ended September 30, 2012

"Unaudited"

<b>Name</b>	<b>Position</b>	<b>Company</b>	<b>Bond</b>
Christopher Lowe	Supervisor District 1	FCCI Insurance	\$100,000
Dudley Guice, Sr.	Supervisor District 2	Travelers	\$100,000
Trent Hudson	Supervisor District 3	Western Surety	\$100,000
David Day	Supervisor District 4	Western Surety	\$100,000
Ray Perryman	Supervisor District 5	Western Surety	\$100,000
Brenda Buck	County Administrator	Western Surety	\$150,000
Delorise Frye	Chancery Clerk	Western Surety	\$100,000
Sherra H Willson	Purchase Clerk	Lexon Ins Co	\$75,000
Tamika Smith	Receiving Clerk	Western Surety	\$75,000
Linda White	Inventory Control Clerk	Western Surety	\$75,000
Ray Smith	Road Manager	Western Surety	\$50,000
James E. Bailey	Constable	FCCI Ins Co	\$50,000
Carl Bailey	Constable	Western Surety	\$50,000
Arnell Harried	Circuit Clerk	Western Surety	\$100,000
Peter E. Walker	Sheriff	Western Surety	\$100,000
James E Oliver	Justice Court Judge	Travelers	\$50,000
Tomika Irving	Justice Court Judge	Western Surety	\$50,000
Marilyn Jones	Justice Court Clerk	Old Republic	\$75,000
Kinshasa West	Deputy Justice Court Clerk	Western Surety	\$50,000
Val Tenor	Deputy Justice Court Clerk	Western Surety	\$50,000
Samantha Franklin-Jackson	Tax Collector-Assessor	Western Surety	\$100,000
James Bailey	Deputy Sheriff	Western Surety	\$25,000
Bobby Bailey	Deputy Sheriff	Western Surety	\$25,000
Robert H. Shelvy	Deputy Sheriff	Western Surety	\$25,000
Mac Arthur Doss	Deputy Sheriff	Western Surety	\$25,000
Natoya Williams	Deputy Sheriff	Western Surety	\$25,000
Derrick Stampley	Deputy Sheriff	Western Surety	\$25,000
Anthony L. Green	Deputy Sheriff	Western Surety	\$25,000

## 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, 2012, which collectively comprise the county's basic financial statements and have issued our report thereon dated November 22, 2013. The report is qualified on the General Fund and the governmental activities of the government-wide statements due to the inadequacy in the accounting records. We were unable to obtain sufficient appropriate audit evidence regarding amounts presented for cash and cash equivalents in the tax collector's fund. Cash and cash equivalents was stated at \$608,310 in the General Fund and \$2,737,478 in the governmental activities of the government-wide statements. We did not audit the financial statements of the Jefferson County Hospital or Jefferson County Nursing Home, discretely presented component units, which represents 91 percent, 98 percent and 75 percent, and 9 percent, 2 percent and 25 percent, respectively, of the assets, net assets and revenues of the proprietary component units column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, 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**

Management of Jefferson County, Mississippi is responsible for establishing and maintaining effective 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 opinion 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting 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 schedule of findings and questioned costs to be material weaknesses. [Finding 2012-1, 2012-2, 2012-3, 2012-4 and 2012-5]

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 deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. [Finding 2012-6]

### **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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Jefferson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated November 22, 2013, included within this document.

Jefferson County's responses to the findings identified in our audit are described in the accompanying Auditee's 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 federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than this specified parties.

Fortenberry & Ballard, PC

Fortenberry and Ballard, PC  
November 22, 2013

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  
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 Jefferson County, Mississippi's compliance with the types of compliance requirements described in the *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, 2012. 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, contracts, 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 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, 2012. 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 2012-7.

**Internal Control Over Compliance**

Management of Jefferson County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts,

and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our 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 internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of 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 Finding 2012-7. 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 Auditee's Corrective Action Plan. We did not audit Jefferson County's response and, accordingly, we express no opinion on the response.

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
November 22, 2013

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 (the County) 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. 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, 2012.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of 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  
November 22, 2013

Certified Public Accountants

**Jefferson County, Mississippi**

**Schedule 1**

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2012

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, 2012

Our test results did not identify any emergency purchases.

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2012

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, 2012, 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 to 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 November 22, 2013, 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 immaterial instances of noncompliance with state laws and regulations that are an opportunity for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are as disclosed below:

**Chancery Clerk**

Finding #1:

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 \$16,668.

Recommendation:

The Chancery Clerk should ensure that all amounts in excess of the compensation limit are paid into the county treasury and should remit \$16,668 to the General Fund.

Chancery Clerk's Response:

The Chancery Clerk is in the process of getting the settlement to the County.

Finding #2:

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	\$	369,820
Mapping and Reappraisal		147,391
CDC - Health Needs Assessment		353
Home Grant		19,277
Garbage and Solid Waste		568,981
Fire Maintenance		13,451
CDBG Road Grant		55,749
Economic Development Youthbuild		10,162
Jefferson County Road & Bridge		147,769
Jail Bond Interest & Sinking		18,635
Jefferson County Water/Sewer		164,491

Recommendation:

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

Chancery Clerk's Response:

The Chancery Clerk will focus on making sure that the funds are available before writing checks.

**Justice Court Clerk**

Finding #3:

Section 27-105-371, Miss. Code Ann. (1972), requires any unidentifiable funds to be settled into the county's General Fund. As reported in the 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, 2012, this balance totaled \$301,728 in unknown funds in the Clearing account. The Clerk was instructed to identify the composition of the balance listed and to 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:

I received the finding from the Audit and as I have reported since 2009, I have no ideal where this money goes and where it belong. I was advised upon taking the position of Justice Court Clerk that the prior clerk was under investigation because of mishandling of funds. It was also brought to my attention that there was funds in an account that was just sitting and no one knew why or where they should go or where they belonged.

I have made every effort since I've been clerk to make a better effort to have a better tracking system. Bank statements are being reconciled and it match my cash journal. I cannot determine where they money belong, but when the investigation is complete the monies will go into the general fund or into an account to be used in this county.

**Sheriff**

Finding #4:

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 should ensure that bank accounts are reconciled on a monthly basis.

Sheriff's Response:

The problem with the internal control over the collection, recording and disbursement of cash by the Sheriff's office is that the previous bookkeeper was negligent in her responsibility to carry out these duties. I have opened a new bank account per the Board of Supervisors acknowledgment and will assure that all collections, recordings and disbursements are made in a timely manner from this day forward.

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, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
November 22, 2013

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Jefferson County, Mississippi**

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2012

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued:

Governmental Activities	Qualified
Business-Type Activities	Unqualified
Aggregate Discretely Presented Component Units	Unqualified
General Fund	Qualified
Garbage & Solid Waste	Unqualified
County-Wide Road Maintenance	Unqualified
Jefferson Co. Water/Sewer Fund	Unqualified
Jefferson Co. Correctional Facility	Unqualified
Aggregate Remaining Fund Information	Unqualified

2. Internal control over financial reporting:

- a. Material weaknesses identified? Yes.
- b. Significant deficiencies identified? Yes.

3. Noncompliance material to the financial statements noted? No.

Federal Awards:

4. Internal control over major programs:

- a. Material weaknesses identified? No.
- b. Significant deficiencies identified? Yes.

5. Type of auditor's report issued on compliance for major programs: Unqualified

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.

7. Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
66.202	Congressionally Mandated Projects

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**

##### **Finding 2012-1**

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.

##### **Finding 2012-2**

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 the financial statements in accordance with generally accepted accounting principles. 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.

##### **Finding 2012-3**

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. Cash accounts totaling \$72,864.93 were not recorded in the county's centralized accounting system. Audit adjustments were proposed to management to correct these errors and made to the financial statements with management's 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**

### **Finding 2012-4**

The Tax Assessor / Collector did not reconcile bank statements up to September 30, 2012. Actual cash holdings at fiscal year-end could not be determined. A qualified audit opinion on cash at both the Government-wide and General Fund opinion units will be issued as a result.

### **Recommendation**

The Tax Assessor / Collector should make efforts to reconcile bank statements in order to determine actual cash and to determine whether these holdings are sufficient to make settlement to the proper entities.

## **Justice Court Clerk**

### **Finding 2012-5**

As reported in the 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, 2012, this balance totaled \$301,728. Efforts need to be made by the Justice Court Clerk to find out the entities/individuals to which 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.

## **Significant Deficiency**

## **Chancery Clerk**

### **Finding 2012-6**

As reported in prior years' audit reports, 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**

The Chancery Clerk should reconcile bank statements and the reconciled total should match the cash journal total.

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

The results of our tests disclosed the following findings related to federal awards.

#### **Significant Deficiency**

##### **Board of Supervisors**

##### **Finding 2012-7**

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.

## AUDITEE'S CORRECTIVE ACTION PLAN

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

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section \_\_.315(c) 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, 2012:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2012-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Lorraine Lias Phone: 601-786-3142</p> <p>b. Corrective Action Planned:</p> <p>The Board of Supervisors is currently taking a more responsible stand regarding the financial accountability of the county. There were some problems that this current board inherited that are now being addressed. The board has solicited the services of a financial advisor in an effort to become more financial responsible. All aspects of the fiscal management process are being reviewed so that we will not have outstanding debt as has been found in this report. Efforts will be made to address outstanding debts in a chronological order.</p> <p>c. Anticipated Completion Date:</p> <p>June 1, 2014</p>
2012-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Lorraine Lias Phone: 601-786-3142</p> <p>b. Corrective Action Planned:</p> <p>The board will solicit contractual services of an individual firm to prepare financial statements in order to ensure adequate controls are in place. All future financial statements will be prepared in accordance with generally accepted accounting principles.</p> <p>c. Anticipated Completion Date:</p> <p>March 1, 2014</p>

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

AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUED)

As required by Section \_\_\_\_315(c) 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, 2012:

2012-3

- a. Name of Contact Person Responsible for Corrective Action

Name: Lorraine Lias  
Phone: 601-786-3142

- b. Corrective Action Planned:

Enter the outstanding data in a different system that is more user friendly.

- c. Anticipated Completion Date:

December 19, 2013

2012-4

- a. Name of Contact Person Responsible for Corrective Action

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

- b. Corrective Action Planned:

Our office experience several unpredictable problems that lead to a delay in bank reconciliation. These problems were a result of a shortage of staff as well as an updated financial system. The shortage of staff causes a hindrance in being able to receive additional training with the new financial system, which caused the bank reconciliation process to be delayed. However, an outside source has developed a more user friendly system that has allowed for the data to be entered in a more efficient and effective manner and the bank reconciliation process will be completed within ten days from the date of this response. (12/09/13).

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

AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUED)

As required by Section \_\_\_\_315(c) 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, 2012:

2012-5

- a. Name of Contact Person Responsible for Corrective Action

Name: Marilyn Jones  
Phone: 601-786-8594

- b. Corrective Action Planned:

I received the finding from the Audit and as I have reported since 2009, I have no ideal where this money goes and where it belong. I was advised upon talking the position of Justice Court Clerk that the prior clerk was under investigation because of mishandling of funds. It was also brought to my attention that there was funds in an account that twas just sitting and no one knew why or where they should go or where they belonged.

I have made every effort since I've been clerk to make a better effort to have a better tracking system. Bank statements are being reconciled and it match my cash journal. I cannot determine where they money belong, but when the investigation is complete the monies will go into the general fund or into an account to be used in this county.

- c. Anticipated Completion Date:

Awaiting a response from the attorney general - January 10, 2014

2012-6

- a. Name of Contact Person Responsible for Corrective Action

Name: Delores Frye  
Phone: 601-786-3021

- b. Corrective Action Planned:

The Chancery Clerk is in the process of balancing the Bank Accounts.

- c. Anticipated Completion Date:

February 20, 2014

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

AUDITEE'S CORRECTIVE ACTION PLAN (CONTINUED)

As required by Section \_\_.315(c) 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, 2012:

2012-7

a. Name of Contact Person Responsible for Corrective Action

Name: Lorraine Lias  
Phone: 601-786-3142

b. Corrective Action Planned:

The Board of Supervisors has employed a new administrator for the county to ensure the implementation of internal controls to aid in the better record keeping of all federal grants reporting and expenditures as described in the OMB A-133 Compliance Supplement.

c. Anticipated Completion Date:

February 12, 2014

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

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

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

As required by Section \_\_.315(b) of OMB Circular A-133, the Jefferson County has prepared and hereby submits the following schedule of prior year audit findings for the year ended September 30, 2012:

<u>Finding</u>	<u>Status</u>
2011-7	Not Corrected - see finding 2012-7