

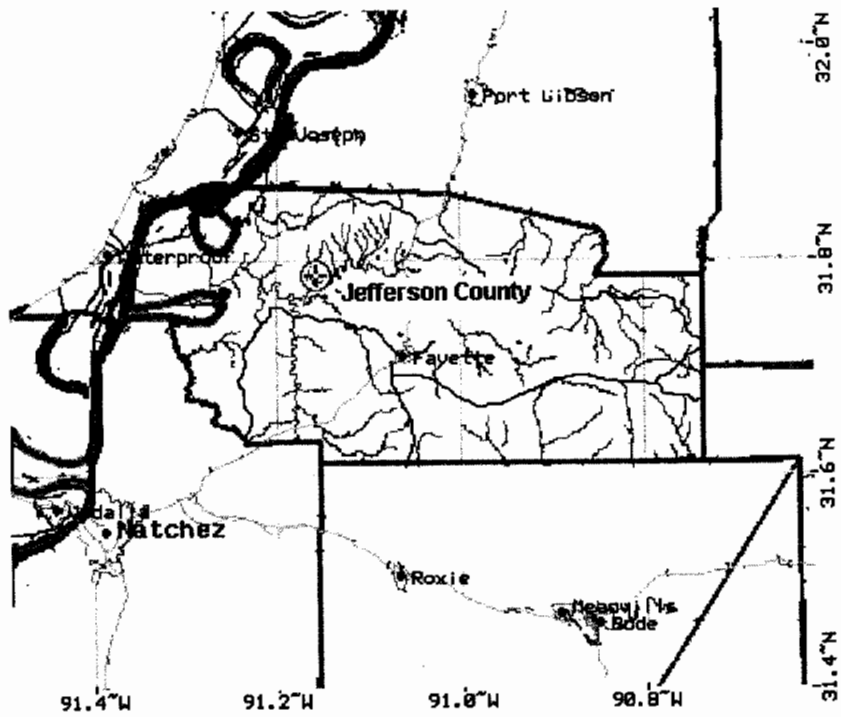


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Jefferson County, Mississippi
Audited Primary Government Financial
Statements and Special Reports
For the Year Ended
September 30, 2005

J.E. Fortenberry, III, PC
Certified Public Accountant

Jefferson County Location in Mississippi



Jefferson County, Mississippi
TABLE OF CONTENTS

PAGE #

FINANCIAL SECTION

Independent Auditor's Report on the Primary Government Basic Financial Statements	4
Management Discussion and Analysis (Required Supplementary Information)	6

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

Exhibit 1 - Statement of Net Assets	16
Exhibit 2 - Statement of Activities	17
Exhibit 3 - Balance Sheet - Governmental Funds	18
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets ..	20
Exhibit 4 - Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Exhibit 5 - Statement of Net Assets - Proprietary Funds	25
Exhibit 6 - Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	26
Exhibit 7 - Statement of Cash Flows - Proprietary Funds	27
Exhibit 8 - Statement of Fiduciary Net Assets	28
Notes to the Financial Statements	29

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules	52
Notes to the Required Supplementary Information	55

SUPPLEMENTAL INFORMATION

Schedule of Expenditures of Federal Awards	58
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SPECIAL REPORTS

Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Primary Government Financial Statements Performed in Accordance with "Government Auditing Standards" .	60
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	62
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))	64
Limited Internal Control and Compliance Review Management Report	69

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	72
AUDITEE'S CORRECTIVE ACTION PLAN AND AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	77

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

Members of the Board of Supervisors
Jefferson County, Mississippi

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi as of and for the year ended September 30, 2005, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 (H) to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets and expenses of the government-wide activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

The financial statements referred to above include only the primary government of Jefferson County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jefferson County, Mississippi, as of September 30, 2005, the respective changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, except for the effects of the matter described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the

aggregate remaining fund information for the primary government of Jefferson County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 23, 2006 on my consideration of Jefferson County, Mississippi's internal control over financial reporting and my 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 my 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 read in conjunction with this report in considering the results of my audit.

The Management's Discussion and Analysis on pages 6 through 14 and the budgetary comparison schedules on pages 52 through 56 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the primary government 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 primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



J.E. Fortenberry, III, PC
August 23, 2006

Certified Public Accountant

**Jefferson County, Mississippi
Management's Discussion & Analysis
For the Year Ended September 30, 2005**

INTRODUCTION

The discussion and analysis of Jefferson County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2005. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$409,723, which represents a 35% increase from the prior fiscal year. The County's ending cash balance increased by \$228,204 which represents a 12% increase from the prior fiscal year.
- The County had \$9,928,736 in total revenues. Tax revenues account for \$3,004,768 or 30% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$5,035,620 or 51% of total revenues.
- The County had \$9,519,013 in total expenses. Expenses in the amount of \$3,640,145 were offset by grants, outside contributions or debt being issued. General revenues and other financing sources of \$4,049,868 were adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$3,070,737 in revenues, \$4,223,373 in expenditures and \$1,152,003 other financing sources. The General Fund's fund balance decreased \$633 over the prior year.
- Among major funds, the County Wide Road Maintenance Fund had \$1,236,921 in revenues, \$1,197,544 in expenditures and \$9,823 other financing sources. The County Wide Road Maintenance Fund's fund balance increased \$49,200 from the prior year.
- Among major funds, the Water & Sewer Fund had \$1,692,622 in revenues and \$1,439,895 in expenditures. The Water & Sewer Fund's fund balance remained the same when compared with the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$98,338.
- Long-term debt decreased by \$165,740. Various capital leases were entered into in the

total amount of \$291,677.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

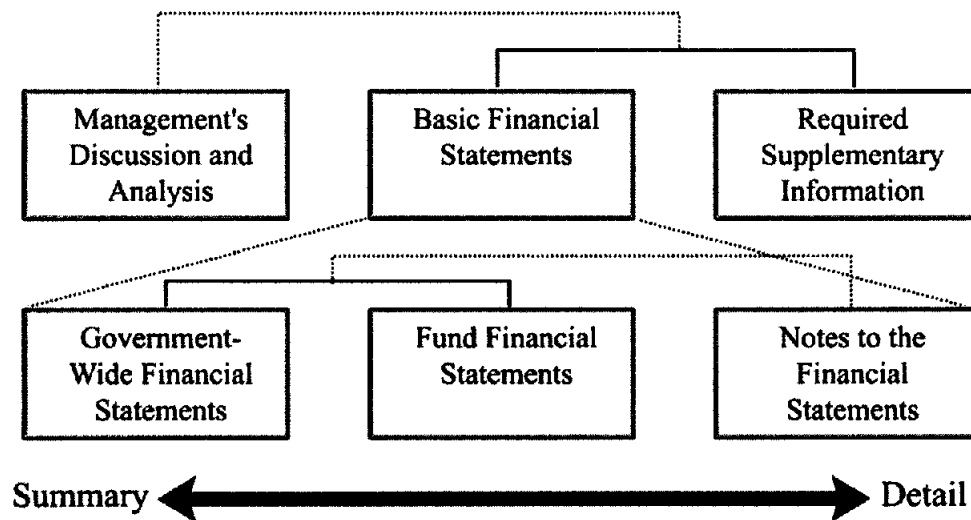


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 on 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.

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

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

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

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

improving or deteriorating.

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt.

The Government-wide Financial Statements can be found on pages 16 and 17 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 24 respectively.

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

The basic governmental funds financial statements can be found on pages 18 and 22 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the Jefferson/ Franklin County Correctional Facility and the Garbage & Solid Waste Fund. Internal service funds are used to report the financing of services by one fund to another fund on a cost-reimbursement basis. The internal service funds are also presented in aggregation with the governmental-type activities in the government-wide financial statements. The County uses one internal service fund to account for Employee Self-Funded Insurance.

Fund financial statements for the proprietary funds provide the same type of information as the government- wide financial statements, only in more detail. The Jefferson/ Franklin County Correctional Facility is considered to be a major fund of the county. Data from the other enterprise funds are combined into a single, aggregated presentation. The Employee Self-Funded Insurance fund is considered to be a non-major fund of the county. The proprietary funds financial statement can be found on pages 25-27 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 28 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 29-51 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional special revenue major fund. This required supplementary information can be found on page 52 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 58 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Jefferson County, assets exceeded liabilities by \$1,569,756 as of September 30, 2005.

A portion of the County's net assets (23%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease less related outstanding debt used to acquire such assets. The county uses these capital

assets to provide services to its citizens.

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2005 as compared to the fiscal year ended September 30, 2004. In order to have comparability, the governmental activities and business-type activities are prepared together.

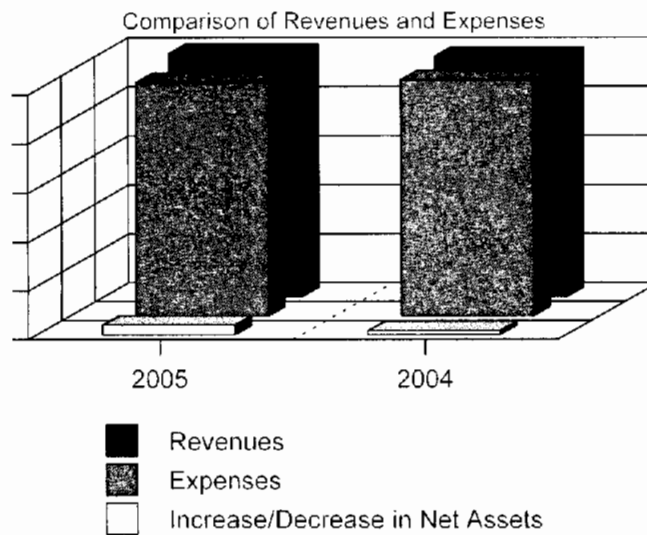
	09/30/05	09/30/04
	Governmental Business-Type Activities	Governmental & Business-Type Activities
Assets:		
Current assets	\$6,251,519	\$5,073,411
Capital assets, net	6,710,079	6,808,417
Total Assets	<u>\$12,961,598</u>	<u>\$11,881,828</u>
Liabilities:		
Current liabilities	\$4,962,359	\$4,644,239
Long-term debt outstanding	6,429,483	6,077,556
Total Liabilities	<u>11,391,842</u>	<u>10,721,795</u>
Net Assets:		
Invested in capital assets, net of related	362,894	346,925
Restricted assets	851,697	744,194
Unrestricted	355,165	68,914
Total Net Assets	<u>\$1,569,756</u>	<u>\$1,160,033</u>

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

- \$1,342,417 of long-term debt principal was retired.
- \$1,176,677 of long-term debt was issued.
- Capital assets decreased by \$98,338 from the purchase and dispositions of leased property under capital leases.

Changes in Net Assets—Jefferson County's total revenues for the fiscal year ended September 30, 2005 were \$9,928,736. The total cost for all services provided was \$9,519,013 and the increase in net assets was \$409,723. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005, as compared to fiscal year end September 30, 2004.

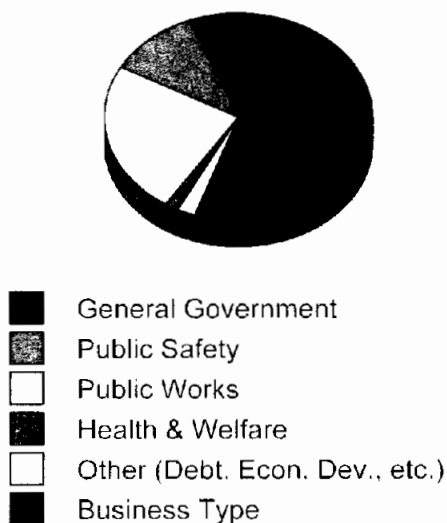
	09/30/05	09/30/04
Revenues:		
Program revenues:		
Charges for services	\$1,165,007	\$1,061,885
Operating grants & contributions	4,693,851	4,518,028
Capital grants & contributions	20,010	51,496
General revenues:		
Taxes	3,004,768	2,976,058
Other	1,045,100	1,195,564
Total Revenues	<u>9,928,736</u>	<u>9,803,031</u>
Expenses:		
General government	2,953,240	2,189,689
Public safety	1,060,144	1,116,510
Public works	2,254,713	3,050,996
Health & welfare	170,122	76,278
Culture & recreation	68,371	58,649
Conservation of natural resources	25,577	29,161
Economic development & assistance	23,586	15,783
Interest & fiscal charges	87,669	164,524
Business-type expenses	<u>2,875,591</u>	<u>2,936,365</u>
Total expenses	<u>9,519,013</u>	<u>9,637,955</u>
Increase/ (Decrease) in Net Assets	<u>\$409,723</u>	<u>\$165,076</u>



Governmental Activities – The following table presents the cost of six major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, and Economic Development & Assistance. 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.

	Total Cost	Net Cost
Governmental Activities:		
General government	\$2,953,240	(\$2,550,295)
Public safety	1,060,144	(970,082)
Public works	2,254,713	(2,172)
Health & welfare	170,122	(30,752)
Culture & recreation	68,371	(68,371)
Conservation of natural resources	25,577	(25,577)
Economic development & assistance	23,586	(23,586)
Debt Service	87,669	(87,669)

Expenses per Statement of Operating Activities



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Jefferson County's governmental funds reported a combined fund balance of \$385,763, an increase of \$446,737 from the prior year. Two funds, the Solid Waste Fund and the Correctional Facility Fund, are classified as business-type activities. The primary reason for this increase in fund balance was the increase in revenues, mainly in property taxes and fines and forfeitures, with not much increase in expenses.

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 \$633. This decrease in fund balance was due to the increase in expenses of \$912,086 and an increase in transfers out of \$21,751.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Jefferson County revised its annual operating budget on several occasions. Budgeted revenues were decreased 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

Capital Assets – As of September 30, 2005, Jefferson County's total capital assets were \$10,589,412. This includes land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents a decrease from the previous year of \$406,757.

Total accumulated depreciation as of September 30, 2005 was \$3,879,333, including \$528,125 of depreciation expense for the year. The balance in total net capital assets was \$6,710,079 at year-end.

Debt Administration – At September 30, 2005, Jefferson County had \$6,429,483 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, obligations under capital leases, and other loans. Of this debt, \$745,317 is due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. As of September 30, 2005, Jefferson County's general obligation outstanding debt was equal to 2.52% of the latest property assessments.

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 Comptroller's/Chancery Clerk's office at 307 Main Street, Fayette, Mississippi 39069.

FINANCIAL SECTION

JEFFERSON COUNTY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005

	Governmental Activities	Business-type Activities	Total
ASSETS			
Assets:			
Cash	\$ 614,963	\$ 1,365,512	\$ 1,980,475
Property tax receivable	3,717,774	89,102	3,806,876
Fines receivable, net	134,437	—	134,437
Loans receivable, net	41,000	—	41,000
Intergovernmental receivables	288,731	—	288,731
Internal balances	34,800	(34,800)	—
Capital Assets, net	3,264,910	3,445,169	6,710,079
Total Assets	8,096,615	4,864,983	12,961,598
LIABILITIES AND FUND EQUITY			
Liabilities:			
Claims payable	197,046	111,750	308,796
Intergovernmental payables	113,365	—	113,365
Accrued interest payable	22,272	33,963	56,235
Deferred revenue	3,717,774	89,102	3,806,876
Due to other funds	2,721	—	2,721
Other payables	364,585	309,781	674,366
Long term liabilities:			
Due within one year:			
Capital related debt	485,317	260,000	745,317
Due beyond one year:			
Capital related debt	2,046,868	3,555,000	5,601,868
Non-capital related debt	82,298	—	82,298
Total Liabilities	7,032,246	4,359,596	11,391,842
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	732,725	(369,831)	362,894
Restricted For:			
Public Safety	255,986	—	255,986
Debt Service	138,446	—	138,446
Economic Development	108,842	—	108,842
Capital Projects	47,100	—	47,100
Other Purposes	127,104	—	127,104
General Government	174,219	—	174,219
Unrestricted	(520,053)	875,218	355,165
Total Net Assets	\$ 1,064,369	\$ 505,387	\$ 1,569,756

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government:							
General government	\$ 2,953,240	\$ 402,945	\$ —	\$ —	\$ (2,550,295)		\$ (2,550,295)
Public safety	1,060,144	82,521	7,541	—	(970,082)		(970,082)
Public works	2,254,713	—	2,232,531	20,010	(2,172)		(2,172)
Health & welfare	170,122	—	139,370	—	(30,752)		(30,752)
Culture and recreation	68,371	—	—	—	(68,371)		(68,371)
Conservation of natural resources	25,577	—	—	—	(25,577)		(25,577)
Economic development & assistance	23,586	—	—	—	(23,586)		(23,586)
Debt service:							
Interest and fiscal charges	87,669	—	—	—	(87,669)		(87,669)
Business-type Activities:							
Garbage & Solid Waste	287,211	186,145	—	—	—	\$ (101,066)	(101,066)
Jeff/Frank Co. Corr. Facility	2,588,380	493,396	2,314,409	—	—	219,425	219,425
Total Business-type Activities	2,875,591	679,541	2,314,409	—	—	118,359	118,359
Total Primary Government	<u>\$ 9,519,013</u>	<u>\$ 1,165,007</u>	<u>\$ 4,693,851</u>	<u>\$ 20,010</u>	<u>(3,758,504)</u>	<u>118,359</u>	<u>(3,640,145)</u>
General Revenues:							
Property Taxes					2,980,512	24,256	3,004,768
Road and Bridge Privilege Taxes					79,799	—	79,799
Grants and Contributions Not Restricted to Specific Purposes					341,769	—	341,769
Unrestricted gifts and donations					9,085	—	9,085
Unrestricted investment earnings					39,628	—	39,628
Miscellaneous					563,868	10,951	574,819
Transfers					2,869	(2,869)	—
Total General Revenues					<u>4,017,530</u>	<u>32,338</u>	<u>4,049,868</u>
Change in Net Assets					<u>259,026</u>	<u>150,697</u>	<u>409,723</u>
Net Assets - Beginning					805,343	354,690	1,160,033
Net Assets - Ending					<u>\$ 1,064,369</u>	<u>\$ 505,387</u>	<u>\$ 1,569,756</u>

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY**BALANCE SHEET - GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2005

	<u>General Fund</u>	<u>County Wide Road Maint.</u>
ASSETS		
Assets:		
Cash	\$ 180,925	\$ --
Intergovernmental receivables	36,511	--
Due from other funds	--	20,879
Fines receivable	134,437	--
Loans receivable	--	--
Property tax receivable	3,717,774	--
Advances to other funds	51,506	62,800
Total Assets	\$ 4,121,153	\$ 83,679
LIABILITIES AND FUND EQUITY		
Liabilities:		
Claims payable	\$ 123,895	\$ 193,422
Intergovernmental payables	113,366	--
Due to other funds	41,375	--
Advances from other funds	442,282	66,830
Deferred revenue	3,717,774	--
Total Liabilities	4,438,692	260,252
Fund Balances:		
Reserved for advances	51,506	62,800
Reserved for capital projects	--	--
Reserved for debt service	--	--
Unreserved, undesignated	(369,045)	(239,373)
Total fund equity	(317,539)	(176,573)
Total Liabilities and Fund Equity	\$ 4,121,153	\$ 83,679

EXHIBIT 3

Jeff. Co. Water/Sewer Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 383,552	\$ 564,477
220,005	32,215	288,731
--	17,775	38,654
--	--	134,437
--	41,000	41,000
--	--	3,717,774
--	600,571	714,877
<u>\$ 220,005</u>	<u>\$ 1,075,113</u>	<u>\$ 5,499,950</u>
\$ 220,005	\$ 24,273	\$ 561,595
--	--	113,366
--	--	41,375
--	170,965	680,077
--	--	3,717,774
<u>220,005</u>	<u>195,238</u>	<u>5,114,187</u>
--	600,571	714,877
--	47,100	47,100
--	138,446	138,446
--	93,758	(514,660)
<u>--</u>	<u>879,875</u>	<u>385,763</u>
<u>\$ 220,005</u>	<u>\$ 1,075,113</u>	<u>\$ 5,499,950</u>

JEFFERSON COUNTY

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2005**

Total fund balances - governmental funds balance sheet	\$ 385,763
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,264,910
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	50,485
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,216,754)
Payables for capital leases which are not due in the current period are not reported in the funds.	(830,114)
Payables for bond interest which are not due in the current period are not reported in the funds.	(22,272)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(82,298)
Liabilities due in one year are not reported in the funds	(485,317)
Other reconciling items	(34)
Net assets of governmental activities - statement of net assets	\$ <u>1,064,369</u>

The accompanying notes are an integral part of this statement.

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JEFFERSON COUNTY**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005**

	General Fund	County Wide Road Maint.
Revenue:		
Property taxes	\$ 2,150,326	\$ 456,273
Licenses, commissions and other revenues	83,024	73,459
Fines and forfeitures	336,499	--
Intergovernmental revenues	216,352	703,049
Charges for services	4,377	--
Interest	39,628	--
Miscellaneous revenues	240,531	4,140
Total revenues	<u>3,070,737</u>	<u>1,236,921</u>
Expenditures:		
Current:		
General government	2,511,467	--
Public safety	604,184	--
Public works	--	1,195,600
Sanitation		
Health and welfare	47,590	--
Culture and recreation	--	--
Conservation of natural resources	25,577	--
Debt service:		
Principal retirement	935,388	--
Interest and fiscal charges	44,167	1,944
Bond issue costs	55,000	--
Total expenditures	<u>4,223,373</u>	<u>1,197,544</u>
Excess of revenues over (under) expenditures	(1,152,636)	39,377
Other Financing Sources (Uses):		
Refunding of bonds issued	885,000	--
Long term debt issued	291,677	--
Transfers In	4,819	10,210
Transfers Out	(29,493)	(387)
Total other financing sources (uses)	<u>1,152,003</u>	<u>9,823</u>
Excess of revenues and other sources over (under) expenditures and other uses	(633)	49,200
Fund balances		
Beginning of year, as previously reported	(316,906)	(225,773)
End of year	<u>\$ (317,539)</u>	<u>\$ (176,573)</u>

The accompanying notes are an integral part of this statement.

EXHIBIT 4

Jeff. Co. Water/Sewer Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 373,913	\$ 2,980,512
--	5,117	161,600
--	--	336,499
1,671,464	159,441	2,750,306
--	62,883	67,260
--	--	39,628
21,158	270,459	536,288
<u>1,692,622</u>	<u>871,813</u>	<u>6,872,093</u>
--	18,347	2,529,814
--	339,105	943,289
1,439,895	44,177	2,679,672
--	122,532	170,122
--	68,371	68,371
--	--	25,577
--	110,000	1,045,388
--	41,558	87,669
--	--	55,000
<u>1,439,895</u>	<u>744,090</u>	<u>7,604,902</u>
252,727	127,723	(732,809)
--	--	885,000
--	--	291,677
--	27,930	42,959
--	(10,210)	(40,090)
<u>--</u>	<u>17,720</u>	<u>1,179,546</u>
252,727	145,443	446,737
(252,727)	734,432	(60,974)
<u>\$ --</u>	<u>\$ 879,875</u>	<u>\$ 385,763</u>

JEFFERSON COUNTY

**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, 2005**

Net change in fund balances - total governmental funds	\$ 446,737
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	434,055
The depreciation of capital assets used in governmental activities is not reported in the funds.	(411,990)
The net book value of asset sales and retirements	(4,268)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	910,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	115,388
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	20,000
(Increase) decrease in accrued interest from beginning of period to end of period	3,876
The net revenue (expense) of internal service funds is reported with governmental activities.	5,424
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	51,433
Long term debt proceeds recognized as income in the funds, not in SOA	(1,176,677)
Other reconciling items	(134,952)
Change in net assets of governmental activities - statement of activities	\$ 259,026

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2005

	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Nonmajor Internal Service Fund Employee Self-Funded Insurance
	Jeff/Frank Co. Corr. Facility	Garbage & Solid Waste		
ASSETS				
Assets:				
Cash	\$ 1,365,512	\$ —	\$ 1,365,512	\$ 50,486
Property tax receivable	—	89,102	89,102	—
Capital Assets, net	3,432,046	13,123	3,445,169	—
Total Assets	\$ 4,797,558	\$ 102,225	\$ 4,899,783	\$ 50,486
LIABILITIES AND FUND EQUITY				
Liabilities:				
Claims payable	\$ 110,642	\$ 1,108	\$ 111,750	\$ 35
Advances from other funds	—	34,800	34,800	—
Accrued interest payable	33,963	—	33,963	—
Deferred revenue	—	89,102	89,102	—
Other payables	—	309,781	309,781	—
Current:				
Capital related debt:	260,000	—	—	—
Total Current Liabilities	404,605	434,791	579,396	35
Non current:				
Capital related debt:				
Capital leases payable	—	—	—	—
Other long term liabilities	3,555,000	—	3,555,000	—
Total Non Current Liabilities	3,555,000	—	3,555,000	—
Total Liabilities	3,959,605	434,791	4,394,396	35
Net Assets:				
Invested in capital assets, net of related debt	(382,954)	13,123	(369,831)	(5,389)
Unrestricted	1,220,907	(345,689)	875,218	55,840
Total net assets	837,953	(332,566)	505,387	50,451
Total Liabilities and Net Assets	\$ 4,797,558	\$ 102,225	\$ 4,899,783	\$ 50,486

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Enterprise Fund	Nonmajor Enterprise Fund	Total Enterprise Funds	Nonmajor Internal Service Fund Employee Self-Funded Insurance
	Jeff/Frank Co. Corr. Facility	Garbage & Solid Waste		
OPERATING REVENUES:				
Charges for services	\$ 493,396	\$ 186,145	\$ 679,541	\$ --
Total Operating Revenues	<u>493,396</u>	<u>186,145</u>	<u>679,541</u>	<u>--</u>
OPERATING EXPENSES:				
Personal services	1,409,113	2,938	1,412,051	--
Contractual services	380,146	255,742	635,888	22,097
Consumable supplies and materials	422,511	574	423,085	--
Depreciation expense	88,263	27,873	116,136	--
Total Operating Expenses	<u>2,300,033</u>	<u>287,127</u>	<u>2,587,160</u>	<u>22,097</u>
Operating Income (Loss)	<u>(1,806,637)</u>	<u>(100,982)</u>	<u>(1,907,619)</u>	<u>(22,097)</u>
NON-OPERATING REVENUES (EXPENSES):				
Property taxes	--	24,256	24,256	--
Operating Grants	2,314,409	--	2,314,409	--
Miscellaneous revenue	10,440	511	10,951	27,486
Interest Expense	(217,824)	--	(217,824)	--
Other expenses	(70,523)	(84)	(70,607)	--
Total Non-operating Revenues (Expenses)	<u>2,036,502</u>	<u>24,683</u>	<u>2,061,185</u>	<u>27,486</u>
Net Income (Loss) before Operating Transfers	<u>229,865</u>	<u>(76,299)</u>	<u>153,566</u>	<u>5,389</u>
TRANSFERS:				
Transfers in	--	--	--	--
Transfers out	(2,869)	--	(2,869)	--
Total Transfers	<u>(2,869)</u>	<u>--</u>	<u>(2,869)</u>	<u>--</u>
Net income	<u>226,996</u>	<u>(76,299)</u>	<u>150,697</u>	<u>5,389</u>
Retained earnings/fund balances, October 1	610,957	(256,267)	354,690	45,062
Retained earnings/fund balances, September 30	<u>\$ 837,953</u>	<u>\$ (332,566)</u>	<u>\$ 505,387</u>	<u>\$ 50,451</u>

JEFFERSON COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2005

	Enterprise Funds			Service Funds
	Jeff/Frank Co. Corr. Facility	Garbage & Solid Waste	Totals	
Cash Flows from Operating Activities:				
<i>Cash Received from Customers</i>	\$ 493,396	\$ 186,145	\$ 679,541	\$ --
<i>Cash Payments to Employees for Services</i>	(1,789,259)	(258,680)	(2,047,939)	(22,097)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(395,649)	47,853	(347,796)	(2,051)
Net Cash Provided (Used) by Operating Activities	<u>(1,691,512)</u>	<u>(24,682)</u>	<u>(1,716,194)</u>	<u>(24,148)</u>
Cash Flows from Non-capital Financing Activities:				
<i>Other Non-operating cash received (paid)</i>	(60,083)	426	(59,657)	27,486
<i>Operating Grants Received</i>	2,314,409	--	2,314,409	
<i>Cash received from property taxes</i>	--	24,256	24,256	
<i>Transfers From (To) Other Funds</i>	(2,869)	--	(2,869)	
Net Cash Provided (Used) by Non-capital Financing Activities	<u>2,251,457</u>	<u>24,682</u>	<u>2,276,139</u>	<u>27,486</u>
Cash Flows from Capital and Related Financing Activities:				
<i>Principal and Interest Paid</i>	(465,761)	--	(465,761)	
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(465,761)</u>	<u>--</u>	<u>(465,761)</u>	
Net Increase (Decrease) in Cash and Cash Equivalents	94,184	--	94,184	3,338
Cash and Cash Equivalents at Beginning of Year	1,271,328	--	1,271,328	47,148
Cash and Cash Equivalents at End of Year	<u>\$ 1,365,512</u>	<u>\$ --</u>	<u>\$ 1,365,512</u>	<u>\$ 50,486</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (1,806,637)	\$ (100,982)	\$ (1,907,619)	\$ (22,097)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
<i>Depreciation</i>	88,263	27,873	116,136	--
Change in Assets and Liabilities:				
<i>Increase (Decrease) in Claims Payable</i>	26,862	(19,575)	7,287	(2,051)
<i>Increase (Decrease) in Other Payables</i>	--	68,002	68,002	
Total Adjustments	<u>115,125</u>	<u>76,300</u>	<u>191,425</u>	<u>(2,051)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,691,512)</u>	<u>\$ (24,682)</u>	<u>\$ (1,716,194)</u>	<u>\$ (24,148)</u>

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2005

	Agency Funds
ASSETS	
Assets:	
Cash	\$ 183,578
Due from other funds	2,721
Total Assets	\$ 186,299
LIABILITIES AND FUND EQUITY	
Liabilities:	
Intergovernmental payables	\$ 82,897
Other liabilities	103,402
Total Liabilities	\$ 186,299

The accompanying notes are an integral part of this statement.

Jefferson County, Mississippi

Notes to the Financial Statements
for the year ended September 30, 2005

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Jefferson County Hospital
- Jefferson County Nursing Home
- Union Church Fire Protection District

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

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

B. Basis of Presentation

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

Government-wide Financial Statements:

Jefferson County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2005

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting..

The government-wide, proprietary fund and fiduciary fund 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

Jefferson County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2005

flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenue 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.

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

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connections with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

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

The county reports the following major governmental funds:

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

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

Jefferson County Water/Sewer Fund- This fund is used to account for activities dealing with the county's water and sewer system.

The county reports the following major proprietary fund:

Jefferson County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2005

Jefferson/Franklin Correctional Facility- This fund is used to account for Jefferson County's portion of revenue and expenditures dealing with the correctional facility the two counties share.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

PROPRIETARY FUND TYPE

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

Internal Service Funds- These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial*

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

Reporting as issued in 2005 by the Government Finance Officers Association and the Mississippi County Financial Accounting Manual as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. 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 statement. All purchased capital assets are stated at historical cost where records

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

are available and at an estimated historical cost where no records exist. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Jefferson County, Mississippi meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. Also, general infrastructure assets acquired subsequent to October 1, 2002 are not reported on the government wide financial statements.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported 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.

	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.

Infrastructure is not included in the summary of capital assets as the amounts could not be obtained for the year ending September 30, 2005.

Jefferson County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2005

I. 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 types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

Unreserved fund balance represents the amount available for budgeting future

Jefferson County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2005

operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. 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.

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits in Governmental Funds to the extent that they are to be paid with current assets and the remainder of the liability to be reported in the Statement of Net Assets, representing the county's

Jefferson County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2005

commitment to fund such costs from future operations. Due to immateriality, the current portion of the liability was not estimated and reported in the Governmental Funds.

Therefore, the county's full liability in the amount of \$82,298 for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported in as a liability in the Statement of Net Assets.

(2) Changes in Accounting Standards.

For the year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and accompanying notes.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$2,164,053, it includes adjustments of \$674,366 which represents deficit cash balances in the County Wide Road Maintenance Fund, the Jefferson County Water & Sewer Fund and the Garbage and Solid Waste (Enterprise Fund) for net unadjusted book balance of \$1,489,687 and the bank balance was \$1,989,745. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
County Wide Road Maintenance	General Fund	\$ 20,879
Nonmajor Governmental Funds	General Fund	17,775
Fiduciary Funds	General Fund	<u>2,721</u>
Total		<u>\$ 41,375</u>

The purpose of these interfund loans was to disperse the advalorem property taxes to the proper funds. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Nonmajor Governmental Funds	\$ 442,282
General Fund	Nonmajor Enterprise Funds	34,800
Nonmajor Governmental Funds	General Fund	31,006
County Wide Road Maint.	Nonmajor Governmental Funds	66,830
Nonmajor Governmental Funds	Nonmajor Governmental Funds	79,959
Nonmajor Governmental Funds	County Wide Road Maintenance	60,000
Total		<u>\$ 714,877</u>

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Major Funds:		
General Fund	Jefferson/Franklin Corr.	\$ 2,869
County Wide Road Main.	Nonmajor Governmental Funds	10,210
Nonmajor Governmental Funds	County Wide Road Main.	387
Nonmajor Governmental Funds	General Fund	<u>29,493</u>
Total		<u>\$ 42,959</u>

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

The purposes of the transfers in/out are as follows:

- salary reimbursement, \$2,869;
- purchase car, \$1,950
- reimburse payment from wrong fund, \$10,210;
- transfer to record underpayment, \$387;
- general purpose, \$27,543.

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005 consisted of the following:

Governmental Activities:

Description	Amount
Legislative Tag Credit	\$ 33,715
EPA Water/Sewer Grant Receivable	220,005
Debit Balance in Sales Tax Payable	32,215
Other	2,796
Total Governmental Activities	\$ 288,731

(6) Loans Receivable.

Loans receivable balances at September 30, 2005, are as follows:

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

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

Governmental activities:

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 50,453	0	0	0	50,453
Total non-depreciable capital assets	50,453	0	0	0	50,453
<u>Depreciable capital assets:</u>					
Buildings	2,585,372	0	0	0	2,585,372
Mobile equipment	1,214,957	116,889	16,968	0	1,314,878
Furniture and equipment	217,870	25,489	0	0	243,359
Leased property under capital leases	1,736,289	291,677	10,330	0	2,017,636
Total depreciable capital assets	5,754,488	434,055	27,298	0	6,161,245
<u>Less accumulated depreciation for:</u>					
Buildings	564,080	50,670	0	0	614,750
Mobile equipment	898,985	74,956	14,508	0	959,433
Furniture and equipment	163,450	16,059	0	0	179,509
Leased property under capital leases	931,313	270,305	8,522	0	1,193,096
Total accumulated depreciation	2,557,828	411,990	23,030	0	2,946,788
Total depreciable capital assets, net	3,196,660	22,065	4,268	0	3,214,457
Governmental activities capital assets, net	\$ 3,247,113	22,065	4,268	0	3,264,910

Business-type activities:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 235,000	0	0	0	235,000
Total non-depreciable capital assets	235,000	0	0	0	235,000
<u>Depreciable capital assets:</u>					
Buildings	3,926,637	0	0	0	3,926,637
Mobile equipment	146,413	0	0	0	146,413
Leased property under capital leases	69,664	0	0	0	69,664
Total depreciable capital assets	4,142,714	0	0	0	4,142,714
<u>Less accumulated depreciation for:</u>					

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
Buildings	669,552	77,242	0	0	746,794
Mobile equipment	105,418	26,354	0	0	131,772
Leased property under capital leases	41,440	12,539	0	0	53,979
Total accumulated depreciation	<u>816,410</u>	<u>116,135</u>	<u>0</u>	<u>0</u>	<u>932,545</u>
Total depreciable capital assets, net	<u>3,326,304</u>	<u>(116,135)</u>	<u>0</u>	<u>0</u>	<u>3,210,169</u>
Business-type activities capital assets, net	<u>\$ 3,561,304</u>	<u>(116,135)</u>	<u>0</u>	<u>0</u>	<u>3,445,169</u>

Infrastructure is not included in the above summary of capital assets as the county is not required to list the infrastructure as of September 30, 2005.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 247,194
Public safety	94,758
Public works	<u>70,038</u>
Total governmental activities depreciation expense	<u>\$ 411,990</u>
Business-type Activities:	
Jefferson/Franklin Correctional Facility	\$ 88,263
Garbage & Solid Waste	<u>27,873</u>
Total business-type activities depreciation expense	<u>\$ 116,136</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 \$750,000

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 2002 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including Jefferson County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention for all participating entities, including Jefferson County, to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$1,000, and the aggregate policy covers all submitted claims in excess of \$117,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2005, the amount of these liabilities was \$0. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2004-2005	\$ 2,086	12,091	24,148	(9,971)

(9) Capital Leases.

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 1,747,524	0
Other furniture & equipment	270,112	0
Total	2,017,636	0
Less: Accumulated depreciation	(1,193,096)	0
Leased Property Under Capital Leases	<u>\$ 824,540</u>	<u>0</u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ended September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 239,335	31,975	0	0
2007	105,744	22,556		
2008	192,123	18,205		
2009	335,624	6,187		
2010	39,487	2,357		
2011-2015	44,872	128		
Total	<u>\$ 957,185</u>	<u>81,408</u>	<u>0</u>	<u>0</u>

(10) Short-term Debt and Liquidity.

<u>Description of Debt</u>	<u>Balance, Oct. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance, Sept. 30, 2005</u>
Tax anticipation note	\$ 0	400,000	400,000	0

During the month of October 2005, the county issued \$400,000 of tax anticipation notes in order to alleviate a temporary operating cash flow deficiency.

(11) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 1990 jail bonds	\$ 210,000	6.8-7.2%	05/2010
GO Refunding road and bridge bonds Series 2005	<u>885,000</u>	3.0-4.25%	07/2014
Total General Obligation Bonds	<u>\$ 1,095,000</u>		
B. Limited Obligation Bonds:			
Courthouse renovation and jail construction- certificates of participation	\$ <u>480,000</u>	6.9-7.4%	04/2012
Total Limited Obligation Bonds	<u>\$ 480,000</u>		
C. Capital Leases:			
CAT motor grader	\$ 114,530	4.02%	05/2006
Asphalt Spreader	37,500	4.25%	08/2008
Kubota Tractor with Bushlog Cutter	50,150	3.91%	09/2010
Computer System	82,200	3.99%	08/2010
Dump trucks	21,957	5.49%	06/2006
2003 CAT motor grader	126,216	3.11%	07/2008
CAT Wheel Loader	107,046	3.43%	09/2011
3 Caterpillar Motor Graders	405,605	3.11%	12/2008
Xerox 430 Digital Copier	<u>11,981</u>	8%	09/2009
Total Capital Leases	<u>\$ 957,185</u>		

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Business-type Activities:			
A. Limited Obligation Bonds:			
Urban renewal bonds- correctional facility construction	\$ 3,815,000	5.7-5.75%	02/2016

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

Governmental Activities:

Jefferson County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2005

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 191,000	51,207	55,000	33,405
2007	119,000	40,806	60,000	29,389
2008	123,000	35,241	60,000	25,138
2009	131,000	29,497	70,000	19,765
2010	140,000	23,075	70,000	14,708
2011 - 2015	391,000	41,532	165,000	12,375
Total	<u>\$ 1,095,000</u>	<u>221,358</u>	<u>480,000</u>	<u>134,780</u>

Business Type Activities:

Year Ending September 30	Limited Obligation Bonds	
	Principal	Interest
2006	\$ 260,000	203,322
2007	275,000	189,297
2008	290,000	175,027
2009	305,000	159,550
2010	1,810,000	518,482
2011 - 2015	875,000	51,031
Total	<u>\$ 3,815,000</u>	<u>1,296,709</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 reflected in the

Jefferson County, Mississippi

Notes to Financial Statements

For the Year Ended September 30, 2005

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, 2005, the amount of outstanding debt was equal to 2.52% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Reductions	Balance Sept. 30, 2005	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 133,731		51,433	82,298	
General obligation bonds	1,070,000	885,000	860,000	1,095,000	191,000
Limited obligation bonds	530,000		50,000	480,000	55,000
Capital leases	780,896	291,677	115,388	957,185	239,317
Other loans	20,000		20,000	0	0
Total	<u>\$ 2,534,627</u>	<u>1,176,677</u>	<u>1,096,821</u>	<u>2,614,483</u>	<u>485,317</u>
Business-type Activities:					
Limited obligation bonds	\$ 4,060,000		245,000	3,815,000	260,000
Capital leases	596		596	0	0
Total	<u>\$ 4,060,596</u>	<u>0</u>	<u>245,596</u>	<u>3,815,000</u>	<u>260,000</u>

Advance Refunding - On April 8, 2005, the county issued \$885,000 in general obligation bonds with an average of 3.0 - 4.25% interest rate to advance refund the following outstanding bond issue(s):

Issue	Average Interest Rate	Amount Outstanding
General Obligation Bonds, Series 1994	5.6-6.0%	\$ 830,000

The net proceeds of \$885,000 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

(12) Deficits Fund Balance of Individual Funds.

The following funds reported deficits in fund balances or net assets at September 30, 2005:

<u>Fund</u>	<u>Deficit Amount</u>
General Fund	\$ 317,539
County Wide Road Maintenance	176,573
Garbage & Solid Waste (Enterprise)	332,566

(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.

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

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2005</u>
Nursing home revenue bonds	\$ <u>1,272,383</u>

Jefferson County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2005

(15) Segment Information for Enterprise Funds.

The county maintains two Enterprise Funds which provide Correctional Facility services and Garbage and Solid Waste services. Summary financial information for each Enterprise Fund is presented for the year ended September 30, 2005:

Condensed Statement of Net Assets

	Jefferson / Franklin Corr.	Garbage and Solid Waste	Total Enterprise Funds
Assets:			
Current assets	\$ 1,365,512	89,102	1,454,614
Capital assets	3,432,046	13,123	3,445,169
Total assets	<u>4,797,558</u>	<u>102,225</u>	<u>4,899,783</u>
Liabilities:			
Current liabilities	404,605	434,791	839,396
Noncurrent liabilities	3,555,000	0	3,555,000
Total liabilities	<u>3,959,605</u>	<u>434,791</u>	<u>4,394,396</u>
Net Assets:			
Invested in capital assets, net of related debt	(382,954)	13,123	(369,831)
Unrestricted	1,220,907	(345,689)	875,218
Total net assets	<u>\$ 837,953</u>	<u>(332,566)</u>	<u>505,387</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Jefferson / Franklin Corr.	Garbage and Solid Waste	Total Enterprise Funds
Operating revenues:			
Charges for services	\$ 493,396	186,145	679,541
Operating expenses	(2,211,770)	(259,254)	(2,471,024)
Depreciation expense	(88,263)	(27,873)	(116,136)
Operating loss	<u>(1,806,637)</u>	<u>(100,982)</u>	<u>(1,907,619)</u>
Nonoperating revenues			
Operating grants	2,314,409		2,314,409
Miscellaneous	10,440	511	10,951
Nonoperating expenses			
Miscellaneous	(70,523)	(84)	(70,607)
Property taxes		24,256	24,256
Interest expense	(217,824)	0	(217,824)
Transfers out	<u>(2,869)</u>		<u>(2,869)</u>
Changes in net assets	226,996	(76,299)	150,697
Total net assets- beginning	610,957	(256,267)	354,690
Total net assets- ending	<u>\$ 837,953</u>	<u>(332,566)</u>	<u>505,387</u>

Jefferson County, Mississippi

Notes to Financial Statements
For the Year Ended September 30, 2005

Condensed Statement of Cash Flows

	Jefferson / Franklin Corr.	Garbage and Solid Waste	Total Enterprise Funds
Net cash provided (used) by:			
Operating activities	\$ (1,691,512)	(24,683)	(1,716,195)
Non-capital financing activities	2,251,457	24,683	2,276,140
Capital & related financing activities	(465,761)	0	(465,761)
Net increase (decrease)	94,184	0	94,184
Beginning cash & cash equivalents	1,271,328	0	1,271,328
Ending cash & cash equivalents	<u>\$ 1,365,512</u>	<u>0</u>	<u>1,365,512</u>

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Jefferson County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$6,463 for support of the district in fiscal year 2005.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Jefferson County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$18,950 for its support in fiscal year 2005.

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 \$124,260 for maintenance and support of the college in fiscal year 2005.

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.

(17) 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 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004 and 2003 were \$241,820, \$240,581 and \$232,015, respectively, equal to the required contributions for each year.

(18) Subsequent Events.

Subsequent to September 30, 2005, the county entered into an equipment lease-purchase agreement with First Continental Leasing in the amount of \$686,689.97.

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property taxes	\$ 2,172,008	\$ 2,180,882	\$ 2,514,912	\$ 334,030
Licenses, commissions and other revenues	73,057	76,590	83,024	6,434
Fines and forfeitures	173,244	196,890	336,466	139,609
Intergovernmental revenues	210,647	216,352	265,806	49,454
Charges for services	3,252	4,377	4,377	—
Interest	49,799	43,546	39,628	(3,918)
Miscellaneous revenues	493,688	276,199	240,531	(35,668)
Total revenues	3,175,695	2,994,836	3,484,777	489,941
Expenditures:				
Current:				
General government	1,935,603	2,566,266	2,511,467	117,634
Public safety	652,535	682,658	604,184	(11,307)
Sanitation				
Health and welfare	45,852	46,145	47,590	(1,445)
Conservation of natural resources	29,096	25,564	25,577	(13)
Debt service:				
Principal retirement	—	—	935,388	(986,821)
Interest and fiscal charges	453,024	—	44,167	(44,167)
Bond issue costs	—	—	55,000	(55,000)
Total expenditures	3,116,110	3,320,632	4,223,373	(981,119)
Excess of revenues over (under) expenditures	59,585	(325,796)	(1,152,636)	(491,119)
Other Financing Sources (Uses):				
Refunding of bonds issued	—	—	451,930	451,930
Long term debt issued	—	303,958	313,998	10,040
Transfers In	—	—	4,819	4,819
Transfers Out	—	—	(29,493)	(29,493)
Total other financing sources (uses)	—	303,958	741,254	437,296
Excess of revenues and other sources over (under) expenditures and other uses	59,585	(21,838)	(75,721)	(53,883)
Fund balances				
Beginning of year, as previously reported	—	—	122,768	122,768
End of year	\$ 59,585	\$ (21,838)	\$ 47,047	\$ 68,885

JEFFERSON COUNTY
COUNTY WIDE ROAD MAINTENANCE
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2005

EXHIBIT B-2

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
Property taxes	\$ 298,849	\$	\$ 456,273	\$ 157,424
Licenses, commissions and other revenues	78,629		73,459	(5,170)
Intergovernmental revenues	712,101	701,864	693,839	(8,025)
Miscellaneous revenues	1,408		4,140	2,732
Total revenues	<u>1,090,987</u>	<u>701,864</u>	<u>1,227,711</u>	<u>146,961</u>
Expenditures:				
Current:				
Public works	1,621,259	1,285,217	1,194,885	90,332
Sanitation				
Debt service:				
Interest and fiscal charges	--	--	1,944	(1,944)
Total expenditures	<u>1,621,259</u>	<u>1,285,217</u>	<u>1,196,829</u>	<u>88,388</u>
Excess of revenues over (under) expenditures	(530,272)	(583,353)	30,882	(614,235)
Other Financing Sources (Uses):				
Transfers In	--	--	10,210	10,210
Other Financing Sources	793,482	98,210		
Transfers Out	--	--	(387)	387
Total other financing sources (uses)	<u>--</u>	<u>98,210</u>	<u>9,823</u>	<u>(9,823)</u>
Excess of revenues and other sources over (under) expenditures and other uses	263,210	(485,143)	40,705	(525,848)
Fund balances				
Beginning of year, as previously reported	--	--	(217,278)	217,278
End of year	<u>\$ 263,210</u>	<u>\$ (485,143)</u>	<u>\$ (176,573)</u>	<u>\$ (308,570)</u>

Jefferson County, Mississippi

Notes to Financial Statements For the Year Ended September 30, 2005

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.

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 Required Supplementary Information For the Year Ended September 30, 2005

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	Governmental Fund Types	
	General Fund	County Wide Road Maint.
Budget (Cash Basis)	\$ (75,721)	40,705
Increase (Decrease)		
Net adjustments for revenue accruals	(49,455)	9,210
Net adjustments for expenditure accruals	124,543	(715)
GAAP Basis	\$ (633)	49,200

D. Excess of Actual Expenditures Over Budget in Individual Funds.

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2005:

<u>Fund</u>	<u>Excess</u>
General Fund	\$ 981,119

The General Fund listed above is in violation of, Section 9-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with these violations. This violation is a result of an audit adjustment to record the refunding of bonds and debt and the subsequent payment of that refunded bond and debt principal.

SUPPLEMENTAL INFORMATION

Jefferson County, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditure</u>
MAJOR FEDERAL AWARDS			
U.S. Environmental Protection Agency/ Direct Programs:			
Surveys, Studies, Investigation & Special Purpose	66.606	XP-97415901-0	\$ <u>1,439,894</u>
Total Expenditures of Major Federal Awards			<u>1,439,894</u>
OTHER FEDERAL AWARDS			
U.S. Department of Housing and Urban Passed through the Mississippi Development			
Community Development block grant/ state's program	14.228	1120-03-032-PF-01	121,140
Community Development block grant/ state's program	14.228	1119-02-032-ED-01	<u>1,000</u>
Total Expenditures of Federal Awards			\$ <u>1,562,034</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.

SPECIAL REPORTS

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Members of the Board of Supervisors
Jefferson County, Mississippi

I have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi, as of and for the year ended September 30, 2005, and have issued my report thereon dated August 23, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units and the report is qualified on the governmental activities because the county did not record certain general infrastructure assets and related depreciation in the government wide financial statements as required by accounting principles generally accepted in the United States of America. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Jefferson County, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. My consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in my judgement, could adversely affect Jefferson County, Mississippi's ability to initiate, record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as findings 05-2, 05-3, 05-4, 05-5, 05-6, 05-7, and 05-8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I consider items 05-3, 05-4, 05-5, 05-6, 05-7 and 05-8 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County, Mississippi's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit, and accordingly, I do not express such an opinion.

The results of my tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1. I also noted certain immaterial instances of noncompliance that I have reported to the management of Jefferson County, Mississippi, in our Limited Internal Control and Compliance Review Management Report dated August 23, 2006, included within this document.

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



J.E. Fortenberry, III, PC
August 23, 2006

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Members of the Board of Supervisors
Jefferson County, Mississippi

Compliance

I have audited the compliance of Jefferson County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2005. Jefferson County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contract and grants applicable to its major federal program is the responsibility of Jefferson County, Mississippi's management. My responsibility is to express an opinion on Jefferson County, Mississippi's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Jefferson County, Mississippi's compliance with those requirements.

In my opinion, Jefferson County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

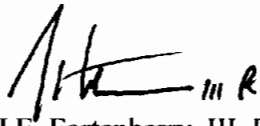
Internal Control Over Compliance

The management of Jefferson County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a

condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "J.E. Fortenberry, III, PC".

J.E. Fortenberry, III, PC
August 23, 2006

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**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

I have made a study and evaluation of the central purchasing system and inventory control system of Jefferson County, Mississippi, as of and for the year ended September 30, 2005. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.

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

The county did not maintain adequate subsidiary records documenting the existence, completeness, and valuation of capital assets, specifically general infrastructure assets.

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

Board of Supervisors.

Finding #1: Documentation for payment of each accounts payable claim includes the request for payment, copy of check issued, original invoice, copy of purchase order, and may include copies of bids and contracts which are required to be maintained for a period of three years. These requirements are issued by the Department of Archives and History, Local Government Records Office, as mandated by Section 39-5-9, Mississippi Code of 1972, Annotated, as amended. As reported in the previous year, the County is not maintaining the documentation specified.

Recommendation: The County should maintain the documentation specified by the Department of Archives and History.

Response: The referenced invoices will be found and the county intends to adhere to the recommendation.

Inventory Clerk

Finding #2: Procedures have not been established to record and maintain and inventory

of general infrastructure assets.

Recommendation: I recommend procedures be established to record and maintain an inventory of general infrastructure assets.

Response: The recommended procedures will be incorporated.

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

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



J.E. Fortenberry, III, PC
August 23, 2006

Certified Public Accountant

Jefferson County, Mississippi

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2005

My 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, 2005**

My test results did not identify any emergency purchases.

Jefferson County, Mississippi

Schedule 3

**Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2005**

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

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Members of the Board of Supervisors
Jefferson County, Mississippi

I have audited the primary government financial statements of Jefferson County, Mississippi as of and for the year ended September 30, 2005, and have issued my report thereon dated August 23, 2006. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain state laws and regulations. My 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, I do not express such an opinion.

The results of those procedures and my audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. My findings and recommendations and your responses are as follows:

Board of Supervisors.

Finding #1: Section 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisor. As reported in prior years' audit reports, actual expenditures exceeded budgeted amount in various funds.

Recommendation: The Board of Supervisors should not make expenditures in excess of budgeted amounts.

Response: This board will not exceed budgeted amounts.

Finding #2: Section 19-3-5, Miss. Code Ann. (1972), requires the bonding of Board of Supervisors in the amount not to exceed \$100,000. One member of the Board of Supervisors could not be verified.

Recommendation: The Board of Supervisors should review bonding requirements and comply as stipulated by state law.

Response: The Deputies' bonds will be renewed.

Sheriff's Office.

Finding #3: Section 45-5-9, Miss. Code Ann. (1972), requires the bonding of Sheriff's Deputies in the amount of \$25,000. Two Deputies' bonds could not be verified.

Recommendation: The Sheriff's Office should annually review bonding requirements and comply as stipulated by state law.

Response: The Deputies' bonds will be renewed.

Tax Assessor/ Collector

Finding #4: Section 19-17-5, Miss. Code Ann. (1972) requires a depository funds ledger which records all receipts and disbursements of county funds. This ledger should be compared with the depository's report of funds of the county on deposit, as shown by such report quarterly or and/or at other times, as may be required by the Board of Supervisors. The County did not reconcile the bank statements in a timely manner, and did not reconcile the general ledger to the amounts reported on the bank statements. Additionally, the cash journal was not footed correctly and did not tie to the bank reconciliation.

Recommendation: I recommend that the County reconcile the bank statements monthly and ensure the general ledger agrees with these amounts.

Response: The County will comply with Sec. 19-17-5.

Finding #5: Section 45-5-9, Miss. Code Ann. (1972), requires the bonding of Deputies in the amount of \$25,000. One deputy's bond could not be verified.

Recommendation: The Tax Assessor/ Collector's office should annually review bonding requirements and comply as stipulated by law.

Response: The deputy's bond will be renewed.

Justice Court Clerk

Finding #6: Section 19-19-3, Miss. Code Ann. (1972) requires the bonding of Constables in the amount of \$25,000. One Constable's bond could not be verified.

Recommendation: The Justice Court Office should annually review bonding requirements and comply as stipulated by state law.

Response: The Constable's bond will be obtained or verified.

Finding #7: Section 9-11-7, Miss. Code Ann. (1972) requires the bonding of Justice Court Judges in the amount of \$10,000. One judge's bond could not be verified.

Recommendation: The Justice Court Office should annually review bonding requirements and comply as stipulated by law.

Response: The judge's bond will be obtained for the amount required by law.

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



J.E. Fortenberry, III, PC
August 23, 2006

Certified Public Accountant

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Jefferson County, Mississippi

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the primary government financial statements:
Qualified.
2. Material noncompliance relating to the primary government financial statements? Yes.
3. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes.
 - b. Reportable conditions identified that are not considered to be material weaknesses? Yes.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weaknesses identified? No.
 - b. Reportable conditions identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section __.510(a) of Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Surveys, Studies, Investigations and Special Purpose Grants - CFDA No. 66.606
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? No.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133? Yes.

Section 2: Findings Relating to the Financial Statements

Board of Supervisors

05-1. Finding

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

Board of Supervisors' Response

Every effort will be taken to repay interfund loans. Future interfund transactions will be spread on board minutes before transaction.

05-02. Finding

During my testing of 40 expenditures by the county, four items were incorrectly recorded, one item was incorrectly classified as to department code and six items did not have any purchase order attached.

Recommendation:

Supporting documentation for all claims paid should be maintained for not less than three years from the date of the last audit report. Items entered into the general ledger should be more closely scrutinized for correct posting.

Board of Supervisors' Response:

The documents will be made available. Every effort will be made to post items correctly.

05-03 Finding

Procedures have not been established to record and maintain an inventory of general infrastructure assets.

Recommendation:

Procedures should be developed to establish records and maintain the inventory of general infrastructure assets.

Board of Supervisors' Response:

Every effort will be made to comply with the recording of general infrastructure in capital

assets.

Tax Assessor-Collector

05-04. Finding

As reported in the prior year's report, cash on hand at September 30, 2005 was insufficient to settle the September 2005 obligations in the amount of \$45,038.59.

Recommendation:

The Tax Assessor- Collector should determine the source of this variance and remedy the variance.

Tax Assessor-Collector's Response:

The Tax Assessor-Collector is working on this.

05-5 Finding

The following deviations were noted from the accounting system:

Cash journals were not properly maintained. The journal totals do not foot correctly and do not tie to the bank statements.

The County does not reconcile the bank statements in a timely manner.

Recommendation

The Tax Assessor-Collector should comply with the accounting system. Cash journals should be more carefully footed and bank statements should be reconciled in a timely manner.

Tax Assessor-Collector's Response

The Tax Assessor-Collector is working on this.

Sheriff.

05-6. Finding

As reported in prior years' audit reports, I noted the following deviation from the accounting system:

Bank statements were not reconciled.

Failure of the Sheriff to comply with the accounting system could result in undetected errors in the cash journal and improper or incomplete settlements being made to the county.

Recommendation

As reported in the prior year report, the Sheriff should follow the accounting system. Bank statements should be reconciled, and the reconciled total should match the cash journal total.

Sheriff's Response

Bank statements will be reconciled to the general ledger cash accounts.

Justice Court Clerk

05-7. Finding

As reported in prior years' audit reports, I noted the following deviations from the accounting system:

- a. Cash journals were not properly maintained. The Justice Court Clerk has a computer program in place to generate the cash journals which are not utilized to the fullest extent possible. The program is used only to record receipts and not disbursements. Therefore, a true cash balance is not maintained in the cash journals.
- b. Bank statements were not reconciled to the cash journals because a true cash balance is not maintained in the journals.

Failure of the Justice Court Clerk to comply with the accounting system could result in undetected errors in the cash journal and improper or incomplete settlements being made to the county.

Recommendation

The computer program should be used to generate both receipts and disbursements so that a true and correct balance can be maintained in the cash journals, and bank statements should be reconciled to the cash journals on a monthly basis.

Justice Court Clerk's Response

I am making a continuous effort to do all of the above.

Circuit Clerk

05-8. Finding

I noted the following deviations from the accounting system:

- a. Circuit journal, settlement report, Fee and Cash journals were not properly reconciled and were not in agreement.

Failure of the Circuit Clerk to comply with the accounting system could result in undetected

errors in the cash journal and improper or incomplete settlements being made to the county.

Recommendation

The journals and settlement report should be reconciled and in agreement.

Circuit Clerk's Response

The journals and settlement report will be reconciled and in agreement.

Section 3: Federal Award Findings and Questioned Costs

There were no findings noted for Federal Awards.

**AUDITEE'S CORRECTIVE ACTION PLAN
AND
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Jefferson County, Mississippi
P.O. Box 145
Fayette, MS 39069

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section __.315(b) of OMB Circular A-133, 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, 2005:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
05-1	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>name: Freddie Oliver title: County Administrator phone number: (601) 786-3021</p> <p>b. Corrective Action Planned:</p> <p>The Administrator will present these inter-fund loans to the Board of Supervisors for approval.</p> <p>c. Anticipated Completion Date:</p> <p>September 30, 2006</p>
05-2	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>name: Delorise Frye title: Chancery Clerk phone number: (601) 786-3021</p> <p>b. Corrective Action Planned:</p> <p>Supporting documentation will be maintained.</p> <p>c. Anticipated Completion Date:</p> <p>Immediately</p>
05-3	<p>a. Name of Contact Person Responsible for Corrective Action:</p> <p>name: Freddie Oliver title: County Administrator phone number: (601) 786-3021</p>

- b. Corrective Action Planned:
- Infrastructure values will be ascertained and entered into the capital assets reporting program.
- c. Anticipated Completion Date:
- September 30, 2006
- 05-4 a. Name of Contact Person Responsible for Corrective Action:
- name: Samantha Franklin Jackson
title: Tax Collector
phone number: (601) 786-3781
- b. Corrective Action Planned:
- This variance is to be investigated and remedied
- c. Anticipated Completion Date:
- September 30, 2006
- 05-5 a. Name of Contact Person Responsible for Corrective Action:
- name: Samantha Franklin Jackson
title: Tax Collector
phone number: (601) 786-3781
- b. Corrective Action Planned:
- The bank reconciliations will be reconciled timely and cash journals will be properly maintained.
- c. Anticipated Completion Date:
- September 30, 2006
- 05-6 a. Name of Contact Person Responsible for Corrective Action:
- name: Peter E. Walker
title: Sheriff
phone number: (601) 786-3403
- b. Corrective Action Planned:
- The bank reconciliations will be reconciled correctly.
- c. Anticipated Completion Date:

September 30, 2006

05-7

- a. Name of Contact Person Responsible for Corrective Action:

name: Mary Herrington
title: Justice Court Clerk
phone number: (601) 786-8594

- b. Corrective Action Planned:

The bank reconciliations will be reconciled correctly.

- c. Anticipated Completion Date:

September 30, 2006

05-8

- a. Name of Contact Person Responsible for Corrective Action:

name: Burnell Harris
title: Circuit Clerk
phone number: (601) 786-3422

- b. Corrective Action Planned:

The journals and settlement report will be reconciled and in agreement.

- c. Anticipated Completion Date:

September 30, 2006

Jefferson County, Mississippi

Auditee's Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2005

As required by Section __.315(b) of OMB Circular A-133, Jefferson County prepared and hereby submits the following summary schedule of prior audit findings as of September 30, 2005:

<u>Finding</u>	<u>Status</u>
04-1	Not corrected.
04-2	Not corrected.
04-3	Not corrected.
04-4	Not corrected.
04-5	Not corrected.
04-6	Not corrected.
04-7	Not corrected.

