

# JEFFERSON DAVIS COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2008

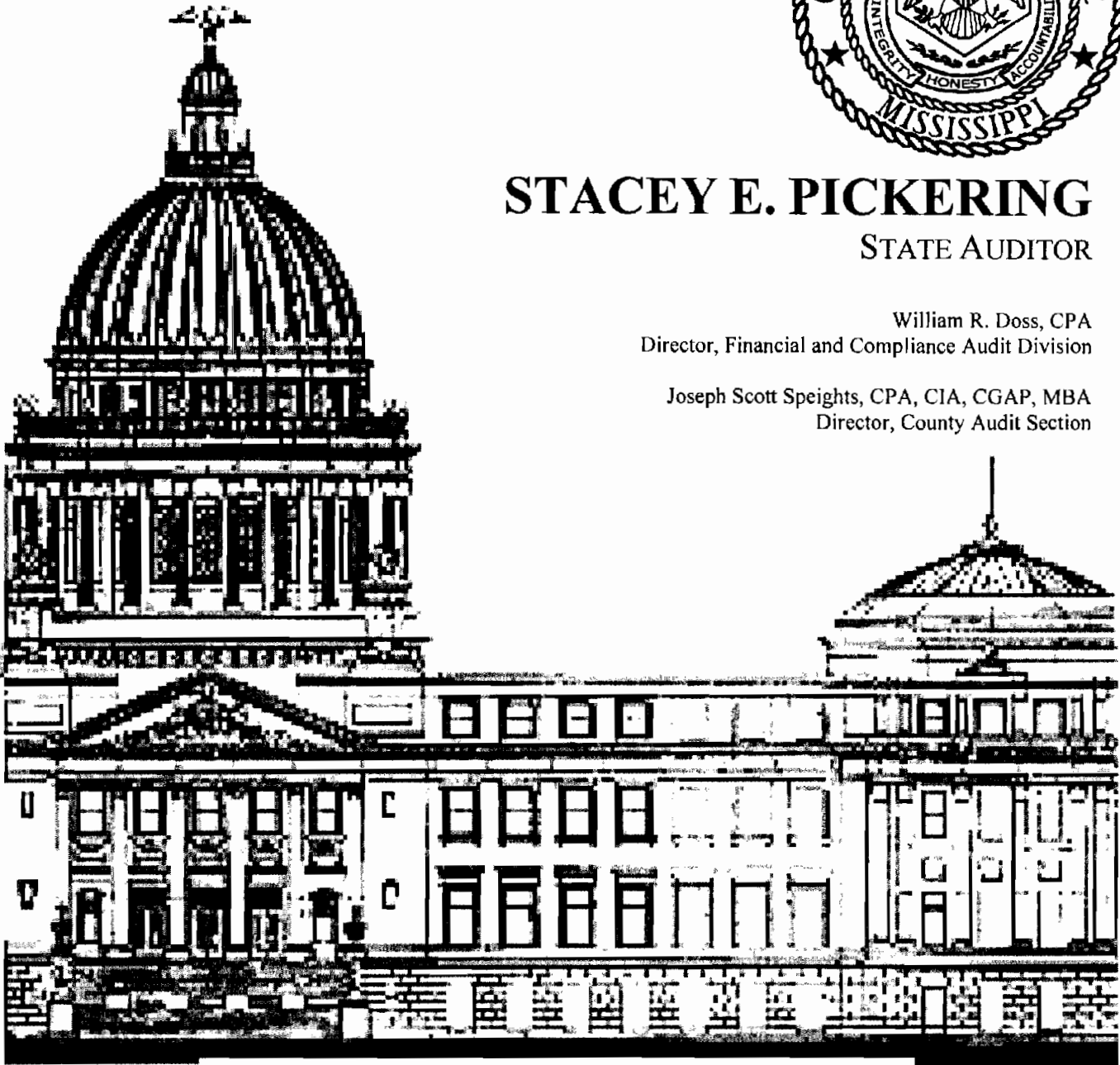


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

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A Report from the County Audit Section

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JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL SECTION

**JEFFERSON DAVIS COUNTY**

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

### INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Jefferson Davis County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Jefferson Davis County, Mississippi, as of September 30, 2008, or the changes in financial position thereof for the year then ended.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009, on our consideration of Jefferson Davis County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

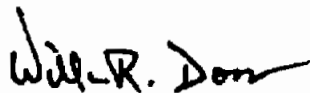
Jefferson Davis County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson Davis County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



STACEY E. PICKERING  
State Auditor



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

October 30, 2009

**JEFFERSON DAVIS COUNTY**

**FINANCIAL STATEMENTS**

**JEFFERSON DAVIS COUNTY**

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JEFFERSON DAVIS COUNTY  
Statement of Net Assets  
September 30, 2008

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 11,120,413
Property tax receivable	3,760,746
Fines receivable (net of allowance for uncollectibles of \$1,050,859)	202,045
Intergovernmental receivables	65,249
Other receivables	17,912
Capital assets:	
Land	381,562
Other capital assets, net	21,734,079
Total Assets	<u>37,282,006</u>
LIABILITIES	
Claims payable	330,770
Intergovernmental payables	76,550
Deferred revenue	3,760,746
Other payables	40,345
Long-term liabilities	
Due within one year:	
Capital debt	56,320
Non-capital debt	60,576
Due in more than one year:	
Capital debt	198,200
Non-capital debt	1,350,529
Total Liabilities	<u>5,874,036</u>
NET ASSETS	
Invested in capital assets, net of related debt	21,861,121
Restricted:	
Expendable:	
General government	460,877
Debt service	120,474
Public safety	64,726
Public works	2,264,801
Unemployment compensation	17,255
Unrestricted	6,618,716
Total Net Assets	<u>\$ 31,407,970</u>

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

JEFFERSON DAVIS COUNTY  
Statement of Activities  
For the Year Ended September 30, 2008

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,683,150	161,882		(2,521,268)
Public safety	2,117,667	192,478	91,390	(1,833,799)
Public works	3,058,923		487,705	(2,546,925)
Health and welfare	377,493		13,595	(363,898)
Culture and recreation	184,842			(184,842)
Conservation of natural resources	98,184		406	(97,778)
Economic development and assistance	71,737			(63,776)
Interest on long-term debt	64,567			(64,567)
Total Governmental Activities	\$ 8,656,563	354,360	593,096	32,254
				(7,676,853)
General revenues:				
Property taxes				\$ 3,888,865
Road & bridge privilege taxes				173,273
Grants and contributions not restricted to specific programs				4,800,619
Unrestricted interest income				246,511
Miscellaneous				287,934
Total General Revenues				9,397,202
Changes in Net Assets				1,720,349
Net Assets - Beginning				29,687,621
Net Assets - Ending				\$ 31,407,970

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

JEFFERSON DAVIS COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2008

Exhibit 3

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>ASSETS</b>			
Cash	\$ 8,011,058	3,109,355	11,120,413
Property tax receivable	2,154,026	1,606,720	3,760,746
Fines receivable (net of allowance for uncollectibles of \$1,050,859)	202,045		202,045
Intergovernmental receivables	65,249		65,249
Other receivables	17,912		17,912
Due from other funds		42,615	42,615
Total Assets	\$ 10,450,290	4,758,690	15,208,980
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Claims payable	\$ 106,933	223,837	330,770
Intergovernmental payables	72,781		72,781
Due to other funds	46,384		46,384
Deferred revenue	2,356,071	1,606,720	3,962,791
Other payables	40,345		40,345
Total Liabilities	2,622,514	1,830,557	4,453,071
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Debt service		120,474	120,474
Unemployment compensation		17,255	17,255
<b>Unreserved - undesignated, reported in:</b>			
General Fund	7,827,776		7,827,776
Special Revenue Funds		2,790,404	2,790,404
Total Fund Balances	7,827,776	2,928,133	10,755,909
Total Liabilities and Fund Balances	\$ 10,450,290	4,758,690	15,208,980

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

## JEFFERSON DAVIS COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2008

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,755,909
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$36,013,599.	22,115,641
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	202,045
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,665,625)</u>
Total Net Assets - Governmental Activities	\$ <u>31,407,970</u>

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



## JEFFERSON DAVIS COUNTY

Exhibit 4

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

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>REVENUES</b>			
Property taxes	\$ 2,271,372	1,617,493	3,888,865
Road and bridge privilege taxes		173,273	173,273
Licenses, commissions and other revenue	87,121	4,783	91,904
Fines and forfeitures	155,650		155,650
Intergovernmental revenues	3,987,524	1,438,445	5,425,969
Charges for services	41,962	127,667	169,629
Interest income	205,878	40,633	246,511
Miscellaneous revenues	158,700	129,235	287,935
Total Revenues	6,908,207	3,531,529	10,439,736
<b>EXPENDITURES</b>			
Current:			
General government	2,427,046	191,338	2,618,384
Public safety	1,850,787	208,087	2,058,874
Public works	24,105	3,300,132	3,324,237
Health and welfare	178,367	184,535	362,902
Culture and recreation	75,380	94,434	169,814
Conservation of natural resources	96,458		96,458
Economic development and assistance	58,304	2,620	60,924
Debt service:			
Principal		73,428	73,428
Interest		64,567	64,567
Total Expenditures	4,710,447	4,119,141	8,829,588
Excess of Revenues over (under) Expenditures	2,197,760	(587,612)	1,610,148
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term capital debt issued		269,860	269,860
Proceeds from sale of capital assets		14,559	14,559
Transfers in		1,467,594	1,467,594
Transfers out	(1,438,674)	(28,920)	(1,467,594)
Total Other Financing Sources and Uses	(1,438,674)	1,723,093	284,419
Net Changes in Fund Balances	759,086	1,135,481	1,894,567
Fund Balances - Beginning	7,068,690	1,792,652	8,861,342
Fund Balances - Ending	\$ 7,827,776	2,928,133	10,755,909

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

## JEFFERSON DAVIS COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,894,567
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$1,027,786 exceeded depreciation of \$712,351 in the current period.	315,435
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$215,838 and the proceeds from the sale of \$14,559 in the current period.	(230,397)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(62,824)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$269,860 exceeded debt repayments of \$73,428.	<u>(196,432)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>1,720,349</u></u>

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

JEFFERSON DAVIS COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2008

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 128,066
Due from other funds	<u>3,769</u>
Total Assets	\$ <u><u>131,835</u></u>
LIABILITIES	
Other liabilities	\$ 58,334
Intergovernmental payables	<u>73,501</u>
Total Liabilities	\$ <u><u>131,835</u></u>

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

## JEFFERSON DAVIS COUNTY

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

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

- Jefferson Davis County Hospital
- Jefferson Davis County Economic Development District

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

## JEFFERSON DAVIS COUNTY

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

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

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

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

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 for 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.

#### FIDUCIARY FUND TYPE

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

## JEFFERSON DAVIS COUNTY

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. 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." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Jefferson Davis County elected to report major general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

# JEFFERSON DAVIS COUNTY

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

	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 and estimated useful life will correspond with the amounts for the asset classification, as listed above.

### 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, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

### 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, construction or improvement of those assets.

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

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

#### Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

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

## JEFFERSON DAVIS COUNTY

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

#### 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.

#### (2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$11,248,479, and the bank balance was \$11,465,705. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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



JEFFERSON DAVIS COUNTY

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

(3) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 42,615
Agency Funds	General Fund	3,769
Total		<u>\$ 46,384</u>

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

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 1,438,674
Other Governmental Funds	Other Governmental Funds	28,920
Total		<u>\$ 1,467,594</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for road repair. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Legislative tax credit	<u>\$ 65,249</u>

JEFFERSON DAVIS COUNTY

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

(5) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 328,562	53,000			381,562
Total non-depreciable capital assets	328,562	53,000	0	0	381,562
<u>Depreciable capital assets:</u>					
Infrastructure	45,877,456	218,569			46,096,025
Buildings	5,752,437				5,752,437
Improvements other than buildings	123,876				123,876
Mobile equipment	5,211,694	443,432	477,781		5,177,345
Furniture and equipment	307,606	42,925	22,396		328,135
Leased property under capital leases		269,860			269,860
Total depreciable capital assets	57,273,069	974,786	500,177	0	57,747,678
<u>Less accumulated depreciation for:</u>					
Infrastructure	31,045,198	152,526			31,197,724
Buildings	1,522,146	107,941			1,630,087
Improvements other than buildings	59,472	4,956			64,428
Mobile equipment	2,712,753	373,633	247,608		2,838,778
Furniture and equipment	231,459	35,051	22,172		244,338
Leased property under capital leases		38,244			38,244
Total accumulated depreciation	35,571,028	712,351	269,780	0	36,013,599
Total depreciable capital assets, net	21,702,041	262,435	230,397	0	21,734,079
Governmental activities capital assets, net	\$ 22,030,603	315,435	230,397	0	22,115,641

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 64,766
Public safety	127,056
Public works	478,371
Health and welfare	14,591
Culture and recreation	15,028
Conservation of natural resources	1,726
Economic development and assistance	10,813
Total governmental activities depreciation expense	\$ 712,351

# JEFFERSON DAVIS COUNTY

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

### (6) Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2008, to January 1, 2009. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

### (7) Operating Leases.

#### As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$24,000 for the year ended September 30, 2008. The lease is automatically renewed from year to year unless notice of termination is given in writing by either party at least 30 days prior to the last day of the lease term.

### (8) Capital Leases.

#### As Lessee:

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

Classes of Property	Governmental Activities	
Mobile equipment	\$	269,860
Less: Accumulated depreciation		38,244
Leased Property Under Capital Leases	\$	<u>231,616</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2009	\$ 56,320	6,210
2010	58,122	4,027
2011	<u>140,078</u>	<u>1,327</u>
Total	\$ <u>254,520</u>	<u>11,564</u>

JEFFERSON DAVIS COUNTY

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

(9) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds:			
Hospital bond	\$ 1,411,105	4.25%	07-2025
B. Capital Leases:			
420E Caterpillar backhoe	\$ 55,737	3.74%	04-2011
LeeBoy motorgrader	85,396	2.99%	05-2011
Caterpillar excavator	113,387	3.19%	09-2011
Total Capital Leases	\$ 254,520		

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

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2009	\$ 60,576	59,777
2010	63,150	57,203
2011	65,832	54,519
2012	68,628	51,721
2013	71,544	48,804
2014 – 2018	406,008	195,740
2019 – 2023	500,004	101,810
2024 – 2026	175,363	9,713
Total	\$ 1,411,105	579,287

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2008, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

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

	Balance Oct. 1, 2007	Additions	Reductions	Adjustments	Balance Sept. 30, 2008	Amount due within one year
General obligation bonds	\$ 1,469,193		58,088		1,411,105	60,576
Capital leases	0	269,860	15,340		254,520	56,320
Total	\$ 1,469,193	269,860	73,428	0	1,665,625	116,896

## JEFFERSON DAVIS COUNTY

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

#### (10) Contingencies.

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

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

#### (11) Related Organization.

The Jefferson Davis County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Prentiss/Jefferson Davis County Airport, but the county's accountability for this organization does not extend beyond making the appointment. The county appropriated \$5,000 for the airport's support in fiscal year 2008.

#### (12) Joint Venture.

The county participates in the following joint venture:

Jefferson Davis County is a participant with Marion County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi.

#### (13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Jefferson Davis County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The county appropriated \$5,000 for support of the district in fiscal year 2008.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry, Stone and Walthall. The Jefferson Davis County Board of Supervisors appoints one of the ten members of the board of directors. The county appropriated \$36,600 for support of the district in fiscal year 2008.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Jefferson Davis County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$151,023 for maintenance and support of the college in fiscal year 2008.

## JEFFERSON DAVIS COUNTY

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

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$20,162 for support of the district in fiscal year 2008.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$31,000 for support of the entity in fiscal year 2008.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Jefferson Davis County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$15,550 for support of the district in fiscal year 2008.

#### (14) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2008 was 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2008, 2007 and 2006 were \$278,658, \$257,206 and \$231,528, respectively, equal to the required contributions for each year.

JEFFERSON DAVIS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON DAVIS COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,077,089	2,233,150	2,317,804	84,654
Licenses, commissions and other revenue	112,010	173,608	88,955	(84,653)
Fines and forfeitures	121,500	155,650	155,650	
Intergovernmental revenues	2,188,200	4,202,976	4,202,976	
Charges for services	25,000	41,962	41,962	
Interest income	250,000	205,625	205,626	1
Miscellaneous revenues	129,950	140,252	140,253	1
Total Revenues	4,903,749	7,153,223	7,153,226	3
<b>EXPENDITURES</b>				
Current:				
General government	2,905,615	2,410,828	2,410,828	
Public safety	1,477,352	1,779,265	1,779,265	
Public works	15,000	24,105	24,105	
Health and welfare	187,587	177,015	177,015	
Culture and recreation	81,000	73,160	73,160	
Education	230,000	214,983	214,983	
Conservation of natural resources	100,563	97,353	97,353	
Economic development and assistance	60,500	58,304	58,304	
Total Expenditures	5,057,617	4,835,013	4,835,013	0
Excess of Revenues over (under) Expenditures	(153,868)	2,318,210	2,318,213	3
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets			1,569	1,569
Transfers out	(6,559,000)	(2,332,828)	(1,205,405)	1,127,423
Other financing sources	908,023	1,023,427	1,021,858	(1,569)
Other financing uses	(64,505)	(127,704)	(1,255,127)	(1,127,423)
Total Other Financing Sources and Uses	(5,715,482)	(1,437,105)	(1,437,105)	0
Net Change in Fund Balance	(5,869,350)	881,105	881,108	3
Fund Balances - Beginning	5,869,350	6,967,332	6,967,332	0
Fund Balances - Ending	\$ 0	7,848,437	7,848,440	3

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



# JEFFERSON DAVIS COUNTY

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

### A. Budgetary Information.

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

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

### B. Basis of Presentation.

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

### C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund:

	Governmental Fund Type
	General Fund
Budget (Cash Basis)	\$ 881,108
Increase (Decrease)	
Net adjustments for revenue accruals	(31,606)
Net adjustments for expenditure accruals	(90,416)
GAAP Basis	\$ <u>759,086</u>

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY

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

Operating Expenditures, Cash Basis:

Salaries	\$	212,809
Expendable Commodities:		
Gasoline and petroleum products		87,223
Repair parts		11,264
Maintenance		7,125
Contractual services		125,788
Supplies		1,796
Equipment		88,224
Buildings below capitalization threshold		<u>1,527</u>

Solid Waste Cash Basis Operating Expenditures 535,756

Full Cost Expenses:

Indirect administrative costs	4,873
Depreciation on equipment	<u>52,210</u>

Solid Waste Full Cost Operating Expenses \$ 592,839

**JEFFERSON DAVIS COUNTY**

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JEFFERSON DAVIS COUNTY

SPECIAL REPORTS

JEFFERSON DAVIS COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
Jefferson Davis County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 30, 2009. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 08-1, 08-2, and 08-3 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1 and 08-2 to be material weaknesses.

#### Compliance and Other Matters

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

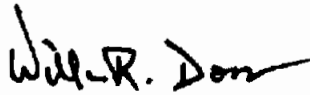
However, we noted a certain matter that we reported to the management of Jefferson Davis County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 30, 2009, included within this document.

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

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



STACEY E. PICKERING  
State Auditor



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

October 30, 2009



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
Jefferson Davis County, Mississippi

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

The Board of Supervisors of Jefferson Davis 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 Davis County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

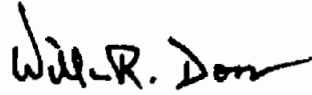
In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Jefferson Davis County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



STACEY E. PICKERING  
State Auditor



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

October 30, 2009

JEFFERSON DAVIS COUNTY

Schedule 1

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

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

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
06/03/08	Repair to control Panel	\$ 7,200	Comerstone Detention Center	Unable to open jail cell doors and outside doors with a key – security risk.

JEFFERSON DAVIS COUNTY

Schedule 3

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

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

JEFFERSON DAVIS COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Jefferson Davis County, Mississippi

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

In addition, for areas not considered material to Jefferson Davis County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 30, 2009, on the financial statements of Jefferson Davis County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our finding, recommendation, and your response are disclosed below:

Board of Supervisors.

#### Finding

Additional compensation in the form of bonuses is prohibited under Article 4, Section 96 of the Mississippi Constitution. During our audit, we noted that three members of the Board of Supervisors paid bonuses to road employees out of county funds. The following members of the Board of Supervisors paid bonuses:

- a. John Thompson, District Three Supervisor - \$3,075.
- b. Lee Price, District Four Supervisor - \$1,750.
- c. Bobby R. Rushing, District Five Supervisor - \$5,775.

The improper use of the county's revenues has resulted in the overpayment of certain road employees' salaries and related withholding amounts.

### Recommendation

The Board of Supervisors should not pay bonuses to county road employees out of county funds per the Constitution of the State of Mississippi. The Supervisors should repay the amounts improperly paid to the county's Road Funds.

### Board of Supervisors' Response

- a. District Three Supervisor, John Thompson, did not pay additional compensation in the form of bonuses in December 2008. Employees were paid for time worked during two severe storms on 12/9/2008 (rain and wind damage) and a severe snow storm on 12/11/08 that left 8" to 10" of snow that brought down trees and branches across roads and bridges. Because I was not aware that the District was required to keep records over 6 months which has been a norm, therefore records are not on file. I don't have a choice, but to pay \$3,075 back to the road fund as you are requiring for salary. I authorized for my employees overtime worked in December 2008 as well as comp time paid for prior months work that the employees were going to lose. I feel your decision in the payroll issue is a violation of justice and unfair. I have hired a clerk that will handle all office duties to prevent this injustice in the future.
- b. District Four, Lee Price, paid District Four employees for time worked 12/8/2008 through 12/12/2008 as a result of storms and preparation for storms. The entire crew worked two hours on 12/8/2008 (3:30 – 5:30 p.m.) preparing saws and other equipment. Overtime (3:30 p.m. – 9:00 p.m.) 12/10/08 – was spreading sand on bridges for snow storm that dumped 8" to 10" of snow on 12/11/09. Crew worked until 9:00 p.m. overtimes from 3:30 p.m. – 9:00 p.m. (all bridges in District IV were sanded); December 11<sup>th</sup>, 2008. Crew and supervisors worked removing branches and trees from across roads until 9:00 p.m. on December 12, 2008. Crew and supervisor worked until 10:30 removing branches and trees from roads. December 13, 2008 – Foreman, 1 crew member (L.F.) and supervisor worked 6:50 a.m. to 8:00 a.m. removing a tree from across a road after an accident from debris left on December 12, 2008. Logs from Sheriff Office have been obtained to verify calls on branches and trees across roads & bridges from snow storm.
- c. Bobby R. Rushing, District Five Supervisor, did not pay additional compensation in the form of bonuses in December 2008. Employees were paid for time worked during two severe storms on 12/9/08 (rain and wind damages) and a severe snow storm on 12/11/08 that left 8" to 10" of snow that brought down trees and branches across road and bridges. I was not aware that the supervisors were required to keep records over 6 months which has been a norm, therefore records are not on file to verify our procedures. As a result, I am paying \$5,775 to District V Road funds, which is a repayment of salary paid to the employees of District V for overtime worked during December 2008 as well as prior comp time worked that would have been lost if not paid or taken prior to 12/31/2008. Effective 7/7/2009, I have hired a clerk that will handle all office duties that include time sheets that will prevent all discrepancies in the future.

### Auditor's Note

John Thompson, District Three Supervisor, repaid \$3,075 to the District Three Road Funds on July 2, 2009, as evidenced by receive warrant number 11467. Also, Bobby R. Rushing, District Five Supervisor, repaid \$5,775 to the District Five Road Funds on July 2, 2009, as evidenced by receive warrant number 11466.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On:

Lee Price, District Four Supervisor

Nature of Exception:

See Finding described in this report.

Amount of Exception:

\$1,750

Disposition of Exception:

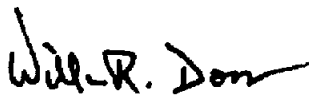
This matter has been turned over to the Investigative Division of the Office of the State Auditor.

Jefferson Davis County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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



STACEY E. PICKERING  
State Auditor



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

October 30, 2009

JEFFERSON DAVIS COUNTY

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**JEFFERSON DAVIS COUNTY**

**SCHEDULE OF FINDINGS AND RESPONSES**

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2008

Section 1: Summary of Auditor's Results

***Financial Statements:***

1. Type of auditor's report issued on the financial statements:

Governmental activities	Unqualified
General Fund	Unqualified
Aggregate remaining fund information	Unqualified
Aggregate discretely presented component units	Adverse
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes
  - b. Significant deficiency identified that is not considered to be a material weakness? Yes
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

08-1. Finding

Generally accepted accounting principles, require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior year's audit report, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

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

Board of Supervisors' Response

The Community Development Association is a county's component unit of Jefferson Davis County. Mrs. Kathy Cloyd, Executive Director, says the financial statements of the agency has been reported to the Board but no official audit due to the cost factor of an audit.

Mr. Lee McCall, CEO of Jefferson Davis County Community Hospital informed Lee Price, Supervisor District IV, that the hospital leased as Prentiss Regional, Inc. is not considered a county's component and therefore cannot submit a copy of the hospital's audit of financial statements to the Board to be included in the financial data for the county's legally separate component unit.

## JEFFERSON DAVIS COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2008

#### Auditor's Note

The Jefferson Davis County Hospital has been determined to be a component unit per GASB Statement 14, as amended by GASB Statement 39. The Jefferson Davis County Board of Supervisors appoints the board members of the hospital and approves the budget of the hospital.

#### Significant Deficiency - Material Weakness

##### 08-2. Finding

An effective system of internal control over the county payroll function should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked. The following inadequate controls exist in the county payroll function:

- a. The status changes of employment and salaries of county employees are not authorized in the Board of Supervisors' minutes and filed in the individual personnel files.
- b. Timesheets are not properly authorized by both the employee and their immediate supervisor. Several timesheets are not signed by the employee and others contain inconsistent employee signatures.
- c. County road employees are paid additional amounts for paving the county roads; however, this additional compensation is not approved in the Board of Supervisors' minutes.
- d. One county road employee receives additional compensation for use of their personal vehicle and tools. The submitted timesheets include an amount in addition to the employee's base salary, but does not document the hours of equipment usage or how the additional amount was calculated. The county should not contract with an employee.
- e. The District Four and District Five Supervisors are not properly calculating overtime. Per the county's personnel handbook, an employee is to receive time and a half for all hours worked over the mandatory 40 hour work week. Instead, an additional amount is being paid to employees for the extra hours worked, which may be more or less than the properly calculated amount.

Without proper controls, unauthorized or inaccurate payroll checks could be processed.

#### Recommendation

The Board of Supervisors should install an adequate system of internal control over the county payroll function.

#### Board of Supervisors' Response

- a. Status changes of employment and salaries of county employees have been authorized in the Board of Supervisor's minutes dated July 7, 2009. County board order pertaining to salary of each employee will be filed in the respective personnel files.
- b. Accurate recording and authorization of timesheets were discussed by the supervisors and the County Attorney during the board meeting held July 7, 2009. As a result of the audit, two supervisors have hired clerks to handle timesheets as well as all office duties. Districts 1, 2 and 4 will employ procedures to eliminate discrepancies reflected from the audit as well. All districts have employees who are unable to fill out their timesheets, but are required to sign them.
- c. The Board of Supervisors' minutes dated July 7, 2009, approved a board order granting additional pay for paving by county road employees.
- d. Additional compensation for the use of personal vehicles and tools have been eliminated effective July 9, 2009. The one employee, noted as a discrepancy or possible discrepancy, monthly salary has been increased to cover additional services.



## JEFFERSON DAVIS COUNTY

### Schedule of Findings and Responses For the Year Ended September 30, 2008

- e. Discrepancy noted for District Four (4) and District (5) concerning calculating overtime has been discussed by the Board of Supervisors, along with the County Attorney. Employees are to receive time and half for all hours worked over the mandatory forty (40) hours, and work weeks will be calculated and verified by the responsible supervisors and payroll clerk prior to income paid. All overtime will be posted on the day worked and outlined at the bottom of the timesheet.

We, the Jefferson Davis County Board of Supervisors, feel that by instituting the above changes, it will render an adequate internal control system over the Payroll function.

Tax Assessor-Collector.

#### Significant Deficiency

##### 08-3. Finding

An effective system of control over the collection, recording and disbursement of cash should include maintaining a cash journal. As reported in the prior three years' audit reports, the cash journal was not properly maintained. The stated cash balance in each month's cash journal does not reconcile to the corresponding month's bank reconciliation. The failure to properly maintain a cash journal could result in inaccurate reporting, incomplete settlements and increases the possibility of the loss or misappropriation of public funds.

##### Recommendation

The Tax Assessor-Collector should properly maintain a cash journal and properly reconcile the bank statement to the cash journal.

##### Tax Assessor-Collector's Response

This problem evolved from an implementation of the computer/bookkeeping program in the year 2001. The Tax Assessor's Office, as well as Delta Computer Systems has worked to alleviate this problem. With corrections made, it now appears the problem extends back to prior years which were not anticipated. We will diligently work to correct this problem for the coming year.

JEFFERSON DAVIS COUNTY

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**JEFFERSON DAVIS COUNTY**

**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

JEFFERSON DAVIS COUNTY

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**Jefferson Davis County  
Board of Supervisors**

P O Box 1317  
Prentiss, MS 39474  
601-792-4336  
Fax 601-792-4038

Macon "Corky" Holliman, District 1  
Charles W. Reid, District 2  
John Thompson, District 3  
Lee Price, District 4  
Bobby R. Rushing, District 5

John W. Davies,  
Chancery Clerk  
Wes Daughdrill,  
Board Attorney

July 13, 2009

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

For Year Ended September 30, 2007

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

Gentlemen:

Jefferson Davis County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

**U.S. DEPARTMENT OF HOMELAND SECURITY**

2007 – FINDINGS NO. 5: U.S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency, Grant Number 1604-DR-MS.

**Condition:** The OMB Circular A-133 Compliance Supplement, Part 3(I), specifies that a non-federal entity entering into a covered transaction with another entity must verify that the entity is not suspended or debarred or otherwise excluded. The county entered into a contract for services, which qualified as a covered transaction. During our audit testing procedures, we noted no evidence that control activities were in place to ensure that verification was obtained to determine if the entity was suspended or debarred.

**Recommendation:** The Board of Supervisors should implement controls to ensure verification is obtained that an entity is not suspended or debarred or otherwise excluded. The verification may be accomplished by checking the Excluded Parties List System maintained by the General Services Administration, collecting a certification from the entity or adding a clause or condition to the covered transaction with the entity.

**Current Status:**

Jefferson Davis County has not entered into any similar covered transaction with another entity, but when the County does, the County plans to include in the contract and have verification that the entity is not suspended or debarred or otherwise excluded.

Sincerely yours,

A handwritten signature in black ink, appearing to read "John W. Davies". The signature is fluid and cursive, with a long horizontal stroke at the end.

JOHN W. DAVIES  
CHANCERY CLERK  
(601) 792-4204