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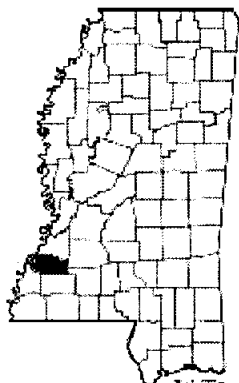


**Jefferson County, Mississippi**  
**Audited Financial Statements**  
**and Special Reports**  
**For the Year Ended**  
**September 30, 2008**

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



## **Jefferson County Location in Mississippi**



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

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

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

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

Members of the Board of Supervisors  
Jefferson County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi as of and for the year ended September 30, 2008, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Jefferson County Hospital, component unit, which represent 79%, 100%, and 79% of the assets, net assets and revenues of the governmental component units column. We did not audit the financial statements of the Jefferson County Nursing Home, component unit, which represent 21%, 0%, and 21% of the assets, net assets and revenues of the governmental component units column. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors.

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

As discussed in Note 1(I) 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.

In our opinion, except for the effects of the matter described in the paragraph above, and based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi, as of September 30,

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2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2009 on our consideration of Jefferson County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is 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 performed for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information 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.

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
July 31, 2009

Certified Public Accountants

**Jefferson County, Mississippi  
Management's Discussion & Analysis  
For the Year Ended September 30, 2008**

## **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, 2008. 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. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

## **FINANCIAL HIGHLIGHTS**

- Total net assets increased \$1,136,634, which represents a 44% increase from the prior fiscal year. The County's ending cash balance increased by \$993,876 which represents an 65% increase from the prior fiscal year.
- The County had \$9,400,419 in total revenues. Tax revenues account for \$3,201,342 or 34% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$261,016 or 3% of total revenues.
- The County had \$8,263,785 in total expenses. Expenses in the amount of \$5,555,039 were offset by charges for services, grants, or outside contributions. General revenues of \$3,845,380 were adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$2,910,557 in revenues and \$2,501,023 in expenditures. The General Fund's fund balance increased \$409,534 over the prior year. Last year's revenues were \$2,816,685, expenditures were \$2,588,955 and other financing uses were \$103,052.
- Among major funds, the County Wide Road Maintenance Fund had \$1,291,611 in revenues, \$1,541,075 in expenditures and \$86,500 in other financing sources. The County Wide Road Maintenance Fund's fund balance decreased \$162,964 from the prior year.

- Among major funds, the Garbage and Solid Waste Fund had \$387,943 in revenues and \$419,216 in expenditures. The Garbage and Solid Waste Fund's fund balance decreased \$31,273 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$446,981 primarily due to the retirement of mobile equipment and capital leases.
- Long-term debt decreased by \$841,462. The main reason for this decrease was due to the issuance of refunding bond issue and the principal payments made during the year.

### ***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

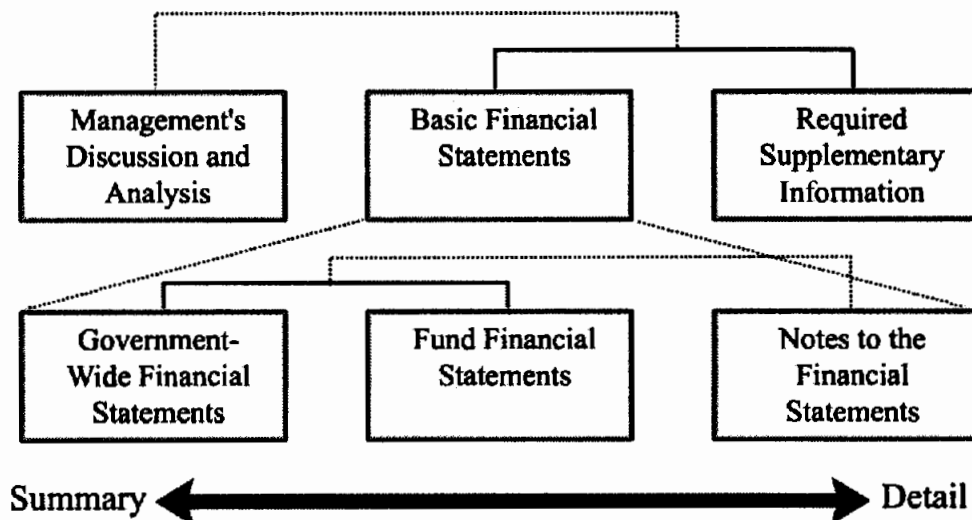


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets

may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

The Government-wide Financial Statements can be found on pages 19 and 20 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, and capital project 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 24 and 28 respectively.

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

The basic governmental funds financial statements can be found on pages 22 and 26 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County's government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 33 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 34-56 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 pages 57-63 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 \$3,696,722 as of September 30, 2008.

A portion of the County's net assets (49%) reflects its investment in capital assets (e.g. land, buildings, mobile equipment, furniture & equipment, leased property under capital leases) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2008 as compared to the fiscal year ended September 30, 2007.

	<u>09/30/08</u>	<u>09/30/07</u>
Assets:		
Current assets	\$6,413,531	\$6,244,144
Capital assets, net	6,267,076	6,714,057
Total Assets	<u>12,680,607</u>	<u>12,958,201</u>
Liabilities:		
Current liabilities	4,394,202	4,966,968

Long-term debt outstanding	4,589,683	5,431,145
Total Liabilities	<u>8,983,885</u>	<u>10,398,113</u>
Net Assets:		
Invested in capital assets, net of related debt	1,822,469	1,402,408
Restricted assets	2,143,575	1,858,291
Unrestricted	(269,322)	(700,611)
Total Net Assets	<u>\$3,696,722</u>	<u>\$2,560,088</u>

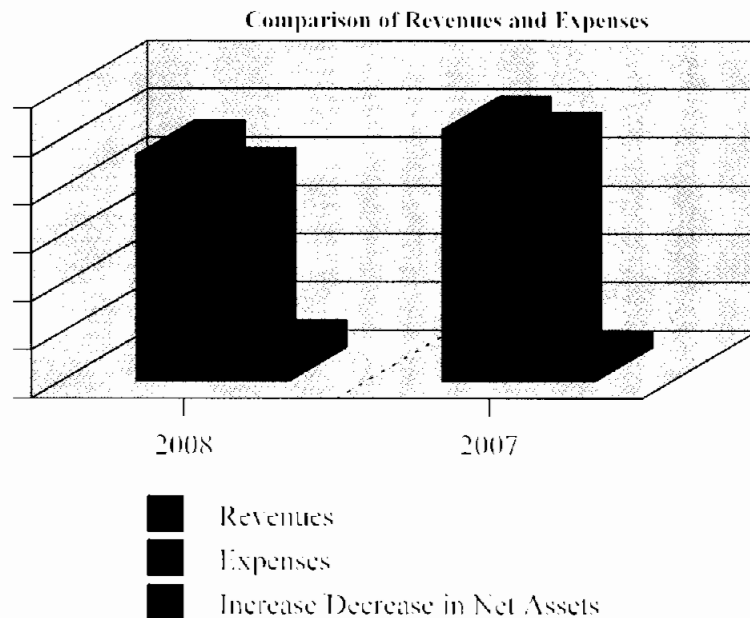
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- \$3,712,042 of long-term debt principal was retired. This figure includes the refunding of a limited obligation bond in the business-type activities.
- \$2,845,000 of long-term debt was issued as a result of the refunding already mentioned.

**Changes in Net Assets** - Jefferson County's total revenues for the fiscal year ended September 30, 2008 were \$9,400,919. The total cost for all services provided was \$8,263,785 and the increase in net assets was \$1,136,634. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2008, as compared to fiscal year end September 30, 2007.

	<u>09/30/08</u>	<u>09/30/07</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,325,969	\$ 3,152,073
Operating grants and contributions	2,047,446	3,300,487
Capital grants and contributions	181,624	154,887
General revenues:		
Taxes	3,201,342	3,089,704
Grants and contributions	261,016	313,329
Unrestricted interest income	56,185	32,028
Other	326,837	371,878
Total Revenues	<u>\$ 9,400,419</u>	<u>\$ 10,414,386</u>
Expenses:		
General government	1,612,165	2,609,404
Public safety	1,067,010	1,232,574
Public works	1,659,354	1,884,048
Health and welfare	132,023	353,868
Culture and recreation	7,556	9,212
Conservation of natural resources	36,382	29,611
Economic development and assistance	12,268	268,267
Interest on long term debt	85,928	103,372

Business-type expenses	3,651,099	3,254,248
Total expenses	8,263,785	9,744,604
Increase/ (Decrease) in Net Assets	\$ 1,136,634	\$ 669,782



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

- Miscellaneous (other) revenue accounted for a recovery of \$300,000 from a prior year audit demand.

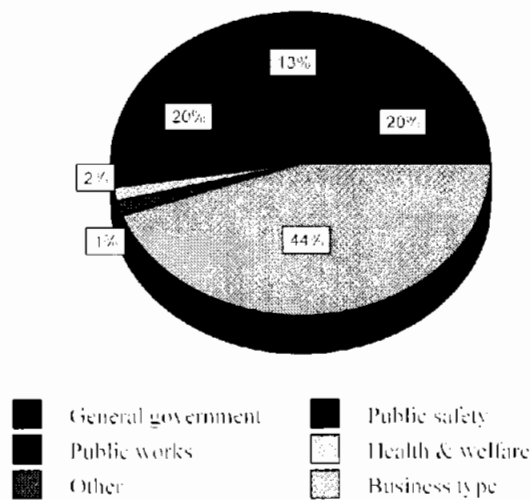
**Governmental Activities** – The following table presents the cost of the various functional activities of the County. These include: General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance, Interest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

	2008 Total Cost	2008 Net Cost	2007 Total Cost	2007 Net Cost
Governmental				
General government	\$ 1,612,165	\$ (1,245,772)	\$ 2,609,404	\$ (2,281,629)



Public safety	1,067,010	(894,353)	1,232,574	(1,089,369)
Public works	1,659,354	(683,828)	1,884,048	53,991
Health & welfare	132,023	(80,454)	353,868	(107,403)
Culture & recreation	7,556	9,523	9,212	235,592
Conservation natural	36,382	(36,382)	29,611	(29,611)
Economic	12,268	(12,268)	268,267	(268,267)
Interest on long-term	85,928	(85,928)	103,372	(103,372)
Business-type	3,651,099	320,716	3,254,248	452,911
Total	<u>\$ 8,263,785</u>	<u>(2,708,746)</u>	<u>9,744,604</u>	<u>(3,137,157)</u>

Expenses per Statement of Activities



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

Governmental funds – At the close of the fiscal year, Jefferson County's governmental funds reported a combined fund balance of \$725,750, an increase of \$768,686 from the prior year. The increase is due primarily to the recovery of a prior year audit demand.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$409,534. The fund balance of the Garbage & Solid Waste Fund decreased \$31,273. The County Wide Road Maintenance Fund's fund balance decreased \$162,964. The Other Governmental Funds showed an increase of \$553,389.

Proprietary fund - The Jefferson-Franklin Correctional Facility is classified as a business-type activity. The increase in this fund was \$320,716 due primarily to an increase of revenue received from charges for services.

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

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

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

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

### **Governmental Activities:**

**Capital Assets** – As of September 30, 2008 Jefferson County's total capital assets were \$5,807,070. This includes land, buildings, improvements other than buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents a decrease from the previous year of \$220,561. Total accumulated depreciation as of September 30, 2008 was \$2,727,168, including \$265,594 of depreciation expense for the year. The balance in total net capital assets was \$3,079,903 at year-end.

	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Land	\$ 50,453	50,453	0.00%
Buildings	2,649,889	2,649,889	0.00%
Mobile equipment	1,883,348	1,928,131	-2.32%
Furniture and equipment	111,022	111,022	0.00%
Leased property under capital leases	1,112,358	1,288,136	-13.65%
Accumulated depreciation	(2,727,167)	(2,580,978)	5.66%
Total Capital Assets, net	\$ <u>3,079,903</u>	<u>3,446,653</u>	-10.64%

**Debt Administration** – At September 30, 2008 Jefferson County had \$1,662,027 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, obligations under capital leases and compensated absences. Of this debt, \$596,819 is due within one year.

	<u>2008</u>	<u>2007</u>	<u>% Change</u>
General obligation bonds	\$ 662,000	785,000	-16%
Limited obligation bonds	305,000	365,000	-16%
Capital leases payable	632,607	881,649	-28%
Compensated absences	62,420	53,255	17%
Total Long-Term Debt	\$ <u>1,662,027</u>	<u>2,084,904</u>	-20%

**Business Type Activities:**

Capital Assets - As of September 30, 2008 Jefferson County's total capital assets were \$4,194,049. This includes land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount was the same in fiscal year 2007. Total accumulated depreciation as of September 30, 2008 was \$1,006,876, including \$80,231 of depreciation expense for the year. The balance in total net capital assets was \$3,187,173 at year-end.

	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Land	\$ 235,000	235,000	0.00%
Buildings	3,862,120	3,862,120	0.00%
Mobile equipment	34,930	34,930	0.00%
Furniture and equipment	30,619	30,619	0.00%
Leased property under capital leases	31,380	31,380	0.00%
Accumulated depreciation	(1,006,876)	(926,645)	8.66%
Total Capital Assets, net	\$ <u>3,187,173</u>	<u>3,267,404</u>	-2.46%

**Debt Administration** - At September 30, 2008 Jefferson County had \$2,927,656 in long-term debt outstanding. This includes limited obligation bonds and compensated absences. Of this debt, \$295,000 is due within one year.

	<u>2008</u>	<u>2007</u>	<u>% Change</u>
Limited obligation bonds	\$ 2,845,000	3,280,000	-13%
Compensated absences	82,656	66,241	25%
Total Long-Term Debt	\$ <u>2,927,656</u>	<u>3,346,241</u>	-13%

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

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

## FINANCIAL STATEMENTS

**JEFFERSON COUNTY**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2008**

	Primary Government			Component
	Governmental	Business-type	Total	Units
	Activities	Activities		
<b>ASSETS</b>				
<b>Assets:</b>				
Cash and Investments	\$ 1,124,361	\$ 1,399,375	\$ 2,523,736	\$ 3,378,211
Cash with fiscal agent	--	5,474	5,474	--
Accounts Receivable, net	80,584	--	80,584	1,529,308
Property tax receivable	3,311,338	--	3,311,338	--
Fines receivable, net	249,513	--	249,513	--
Loans receivable, net	41,000	--	41,000	--
Intergovernmental receivables	110,820	--	110,820	--
Other receivables	91,066	--	91,066	--
Inventories and prepaid items	--	--	--	213,421
Other assets	--	--	--	36,036
Restricted assets	--	--	--	146,606
Land and Construction in progress	50,453	235,000	285,453	75,228
Other capital assets, net	3,029,450	2,952,173	5,981,623	979,578
<b>Total Assets</b>	<b>8,088,585</b>	<b>4,592,022</b>	<b>12,680,607</b>	<b>6,358,388</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>Liabilities:</b>				
Claims payable	199,386	59,487	258,873	264,161
Accrued liabilities	--	--	--	425,666
Amounts held in custody for others	27,081	--	27,081	--
Intergovernmental payables	64,309	--	64,309	--
Accrued interest payable	19,720	32,063	51,783	42,423
Deferred revenue	3,311,338	--	3,311,338	--
Due to other funds	--	--	--	7,511
Other payables	680,818	--	680,818	80,591
Long term liabilities:				
Due within one year:				
Capital related debt	596,819	295,000	891,819	74,460
Due beyond one year:				
Capital related debt	1,002,788	2,550,000	3,552,788	1,061,367
Non-capital related debt	62,420	82,656	145,076	--
<b>Total Liabilities</b>	<b>5,964,679</b>	<b>3,019,206</b>	<b>8,983,885</b>	<b>1,956,179</b>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	1,480,296	342,173	1,822,469	(88,532)
Restricted For:				
Public Works	141,027	--	141,027	--
Public Safety	343,432	1,230,643	1,574,075	--
Debt Service	34,359	--	34,359	146,606
Health & Welfare	(62,165)	--	(62,165)	--
Culture & Recreation	140,851	--	140,851	--
Economic Development	113,610	--	113,610	--
Capital Projects	47,100	--	47,100	--
Other Purposes	(10,600)	--	(10,600)	157,114
General Government	165,318	--	165,318	--
Unrestricted	(269,322)	--	(269,322)	4,187,021
<b>Total Net Assets</b>	<b>\$ 2,123,906</b>	<b>\$ 1,572,816</b>	<b>\$ 3,696,722</b>	<b>\$ 4,402,209</b>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
<b>Primary Government:</b>						
<b>Governmental Activities:</b>						
General government	\$ 1,612,165	\$ 366,393	\$ —	\$ —	\$ (1,245,772)	\$ (1,245,772)
Public safety	1,067,010	136,692	16,332	19,633	(894,353)	(894,353)
Public works	1,659,354	222,318	591,217	161,991	(683,828)	(683,828)
Health & welfare	132,023	—	51,569	—	(80,454)	(80,454)
Culture and recreation	7,556	17,079	—	—	9,523	9,523
Conservation of natural resources	36,382	—	—	—	(36,382)	(36,382)
Economic development & assistance	12,268	—	—	—	(12,268)	(12,268)
<b>Debt service:</b>						
Interest and fiscal charges	85,928	—	—	—	(85,928)	(85,928)
<b>Total Governmental Activities</b>	<u>4,612,686</u>	<u>742,492</u>	<u>659,118</u>	<u>181,624</u>	<u>(3,029,462)</u>	<u>(3,029,462)</u>
<b>Business-type Activities:</b>						
Jeff/Frank Co. Corr. Facility	3,651,099	2,583,487	1,388,328	—	—	320,716
<b>Total Primary Government</b>	<u>\$ 8,263,785</u>	<u>\$ 3,325,969</u>	<u>\$ 2,047,446</u>	<u>\$ 181,624</u>	<u>\$ (3,029,462)</u>	<u>\$ 320,716</u>
<b>COMPONENT UNITS:</b>						
Jefferson County Hospital	\$ 8,824,765	\$ 11,553,004	\$ 8,945	\$ —	—	\$ 2,737,184
Jefferson County Nursing Home	3,326,827	3,110,419	—	—	—	(216,408)
<b>Total Component Units</b>	<u>\$ 12,151,592</u>	<u>\$ 14,663,423</u>	<u>\$ 8,945</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,520,776</u>
<b>General Revenues:</b>						
Property Taxes					3,129,484	—
Road and Bridge Privilege Taxes					71,858	—
Grants and Contributions Not Restricted to Specific Purposes					261,016	—
Unrestricted investment earnings					56,185	24,953
Miscellaneous					326,837	—
<b>Total General Revenues</b>					<u>3,845,380</u>	<u>24,953</u>
Change in Net Assets					815,918	1,136,634
<b>Net Assets - Beginning</b>					1,307,988	2,545,729
<b>Prior Period Adjustment</b>					—	1,858,814
<b>Net Assets - Retained</b>					<u>1,307,988</u>	<u>(2,334)</u>
<b>Net Assets - Ending</b>					<u>\$ 2,123,906</u>	<u>\$ 4,402,209</u>

The accompanying notes are an integral part of this statement.

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**JEFFERSON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2008**

	General Fund	Garbage & Solid Waste
<b>ASSETS</b>		
Assets:		
Cash	\$ 497,276	\$ --
Intergovernmental receivables	63,345	--
Due from other funds	--	2,385
Fines receivable	249,513	--
Loans receivable	--	--
Property tax receivable	2,456,138	79,783
Accounts receivable	--	80,584
Other receivables	43,474	13,502
Advances to other funds	20,500	3,800
<b>Total Assets</b>	<b>\$ 3,330,246</b>	<b>\$ 180,054</b>
<b>LIABILITIES AND FUND EQUITY</b>		
Liabilities:		
Claims payable	\$ 88,238	\$ 31,870
Intergovernmental payables	64,309	--
Amounts held in custody for others	27,081	--
Due to other funds	16,872	--
Advances from other funds	442,282	38,600
Other payables	--	443,354
Deferred revenue	2,456,138	79,783
<b>Total Liabilities</b>	<b>3,094,920</b>	<b>593,607</b>
Fund Balances:		
Reserved for:		
Advances	20,500	3,800
Loans receivable	--	--
Unreserved - undesignated, reported in:		
General Fund	214,826	--
Special Revenue Funds	--	(417,353)
Debt Service Funds	--	--
<b>Total fund equity</b>	<b>235,326</b>	<b>(413,553)</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,330,246</b>	<b>\$ 180,054</b>

The accompanying notes are an integral part of this statement.



## EXHIBIT 3

County Wide Road Maint.	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 627,085	\$ 1,124,361
47,475	--	110,820
11,003	3,484	16,872
--	--	249,513
--	41,000	41,000
545,395	230,022	3,311,338
--	--	80,584
--	34,090	91,066
62,800	600,571	687,671
<u>\$ 666,673</u>	<u>\$ 1,536,252</u>	<u>\$ 5,713,225</u>
\$ 52,598	\$ 26,680	\$ 199,386
--	--	64,309
--	--	27,081
--	--	16,872
66,830	139,959	687,671
140,327	97,137	680,818
545,395	230,022	3,311,338
<u>805,150</u>	<u>493,798</u>	<u>4,987,475</u>
62,800	600,571	687,671
--	41,000	41,000
--	--	214,826
(201,277)	467,365	(151,265)
--	(66,482)	(66,482)
<u>(138,477)</u>	<u>1,042,454</u>	<u>725,750</u>
<u>\$ 666,673</u>	<u>\$ 1,536,252</u>	<u>\$ 5,713,225</u>

**JEFFERSON COUNTY**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2008**

Total fund balances - governmental funds balance sheet	\$ 725,750
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	3,079,903
Long term liabilities due in one year are not recognized in the funds.	(596,819)
Payables for bond principal which are not due in the current period are not reported in the funds.	(766,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(236,788)
Payables for bond interest which are not due in the current period are not reported in the funds.	(19,720)
Payables for compensated absences not due in the current period are not reported in the funds.	(62,420)
Net assets of governmental activities - statement of net assets	<u>\$ 2,123,906</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, 2008**

	General Fund	Garbage & Solid Waste
Revenue:		
Property taxes	\$ 2,261,242	\$ 156,327
Licenses, commissions and other revenues	114,046	--
Fines and forfeitures	286,802	--
Intergovernmental revenues	188,962	9,298
Charges for services	11,078	222,318
Interest	48,427	--
Miscellaneous revenues	--	--
Total revenues	<u>2,910,557</u>	<u>387,943</u>
Expenditures:		
Current:		
General government	1,566,623	--
Public safety	734,629	--
Public works	--	419,216
Sanitation		
Health and welfare	64,722	--
Culture and recreation	--	--
Conservation of natural resources	36,382	--
Economic development and assistance	--	--
Debt service:		
Principal retirement	60,000	--
Interest and fiscal charges	38,667	--
Total expenditures	<u>2,501,023</u>	<u>419,216</u>
Excess of revenues over (under) expenditures	409,534	(31,273)
Other Financing Sources (Uses):		
Proceeds from sale of capital assets	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Excess of revenues and other sources over (under) expenditures and other uses	409,534	(31,273)
Fund balances		
Beginning of year, as previously reported	(174,208)	(382,280)
End of year	<u>\$ 235,326</u>	<u>\$ (413,553)</u>

The accompanying notes are an integral part of this statement.

## EXHIBIT 4

County Wide Road Maint.	Other Governmental Funds	Total Governmental Funds
\$ 370,977	\$ 336,528	\$ 3,125,074
71,858	12,636	198,540
--	--	286,802
843,427	77,150	1,118,837
--	82,933	316,329
5,349	2,409	56,185
--	326,837	326,837
<u>1,291,611</u>	<u>838,493</u>	<u>5,428,604</u>
--	21,639	1,588,262
--	19,738	754,367
1,284,016	--	1,703,232
--	51,365	116,087
--	2,245	2,245
--	--	36,382
--	27,873	27,873
249,042	123,000	432,042
8,017	39,244	85,928
<u>1,541,075</u>	<u>285,104</u>	<u>4,746,418</u>
(249,464)	553,389	682,186
86,500	--	86,500
<u>86,500</u>	<u>--</u>	<u>86,500</u>
(162,964)	553,389	768,686
24,487	489,065	(42,936)
<u>\$ (138,477)</u>	<u>\$ 1,042,454</u>	<u>\$ 725,750</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, 2008

Net change in fund balances - total governmental funds	\$ 768,686
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(265,594)
The gain or loss on the sale of capital assets is not reported in the funds.	(14,656)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(86,500)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	183,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	249,042
(Increase) decrease in accrued interest from beginning of period to end of period	(8,895)
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	(9,165)
Change in net assets of governmental activities - statement of activities	\$ <u>815,918</u>

The accompanying notes are an integral part of this statement.

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**JEFFERSON COUNTY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2008**

	Enterprise Fund
	Jeff/Frank Co. Corr. Facility
<b>ASSETS</b>	
Assets:	
Cash	\$ 16,521
Investments	1,382,854
Cash with fiscal agents	5,474
Capital Assets, net	3,187,173
<b>Total Assets</b>	<b>\$ 4,592,022</b>
<b>LIABILITIES AND FUND EQUITY</b>	
Liabilities:	
Claims payable	\$ 59,487
Accrued interest payable	32,063
Current:	
Capital related debt	295,000
<b>Total Current Liabilities</b>	<b>386,550</b>
Non current:	
Capital related debt	2,550,000
Non-capital related debt	82,656
<b>Total Non Current Liabilities</b>	<b>2,632,656</b>
<b>Total Liabilities</b>	<b>3,019,206</b>
Net Assets:	
Invested in capital assets, net of related debt	342,173
Restricted for:	
Public Safety	1,230,643
<b>Total net assets</b>	<b>1,572,816</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,592,022</b>

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, 2008

	Enterprise Fund
	Jeff/Frank Co. Corr. Facility
OPERATING REVENUES:	
Charges for services	\$ 2,583,487
Total Operating Revenues	<u>2,583,487</u>
OPERATING EXPENSES:	
Personal services	1,563,751
Contractual services	521,594
Consumable supplies and materials	418,032
Depreciation expense	80,231
Total Operating Expenses	<u>2,583,608</u>
Operating Income (Loss)	<u>(121)</u>
NON-OPERATING REVENUES (EXPENSES):	
Operating grants	1,388,328
Interest Expense	(91,211)
Other expenses	(976,280)
Total Non-operating Revenues (Expenses)	<u>320,837</u>
Net income - Changes in Net Assets	<u>320,716</u>
Retained earnings/fund balances, October 1	1,252,100
Retained earnings/fund balances, September 30	<u>\$ 1,572,816</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Enterprise Funds
	Jeff/Frank Co.
	Corr. Facility
<b>Cash Flows from Operating Activities:</b>	
<i>Receipts from Customers</i>	\$ 2,580,358
<i>Payments to Employees</i>	(1,557,422)
<i>Payments for contractual services and supplies</i>	(968,178)
Net Cash Provided (Used) by Operating Activities	<u>54,758</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Operating Grants Received</i>	1,388,328
<i>Other receipts</i>	(976,280)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>412,048</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<i>Proceeds of Long-term Debt</i>	2,845,000
<i>Principal Paid on Long-term Debt</i>	(3,280,000)
<i>Interest Paid on Debt</i>	(91,211)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(526,211)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (59,405)
Cash and Cash Equivalents at Beginning of Year	1,464,254
Cash and Cash Equivalents at End of Year	<u>\$ 1,404,849</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (121)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	80,231
Change in Assets and Liabilities:	
<i>Increase (Decrease) in claims payable</i>	(44,659)
<i>Increase (Decrease) in compensated absences liability</i>	16,415
<i>Increase (Decrease) in accrued interest liability</i>	2,892
Total Adjustments	<u>54,879</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 54,758</u>

The accompanying notes are an integral part of this statement.

**JEFFERSON COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2008**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Assets:	
Cash	\$ 130,181
<b>Total Assets</b>	<u>\$ 130,181</u>
<b>LIABILITIES AND FUND EQUITY</b>	
Liabilities:	
Amounts held in custody for others	\$ 16,741
Intergovernmental payables	113,440
<b>Total Liabilities</b>	<u>\$ 130,181</u>

The accompanying notes are an integral part of this statement.

**Jefferson County, Mississippi**

Notes to the Financial Statements  
for the year ended September 30, 2008

## Jefferson County, Mississippi

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

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

##### A. Financial Reporting Entity.

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

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

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

##### B. Individual Component Unit Disclosures.

###### Discretely Presented Component Units

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

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

##### C. Basis of Presentation

## **Jefferson County, Mississippi**

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

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

#### **Government-wide Financial Statements:**

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

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

#### **Fund Financial Statements:**

Fund financial statements of the county are organized into funds, each of which is considered to be 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.

#### **D. Measurement Focus and Basis of Accounting.**

## Jefferson County, Mississippi

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

The Government-Wide, Proprietary Fund and Fiduciary Fund (excluding Agency Funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared 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. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

The revenues and expenses of the Proprietary Fund is 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 judgements, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major governmental funds:

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

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

## Jefferson County, Mississippi

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

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

The county reports the following major proprietary fund:

Jefferson/Franklin Correctional Facility- This fund is used to account for Jefferson County's portion of revenue and expenses 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.

### PROPRIETARY FUND TYPE

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

### FIDUCIARY FUND TYPE

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

#### E. Account Classifications.

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

#### F. Deposits and Investments.



## Jefferson County, Mississippi

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

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

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

#### G. Receivables.

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

#### H. Interfund Transactions and Balances.

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

#### I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. However, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. All purchased capital assets are stated at historical cost where records 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

## Jefferson County, Mississippi

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

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 retroactively report major general infrastructure assets retroactively. Jefferson County, Mississippi meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. Also, general infrastructure assets acquired subsequent to October 1, 2002 are not reported on the government wide financial statements.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the fund in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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

	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, 2008.

## **Jefferson County, Mississippi**

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

#### **J. Long-term Liabilities.**

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

In the government-wide financial statements and in the Proprietary Fund 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 Funds Statement of Net Assets.

#### **K. Equity Classifications.**

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

#### **L. Property Tax Revenues**

## **Jefferson County, Mississippi**

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

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

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

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

#### **M. Intergovernmental Revenues in Governmental Funds.**

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

#### **N. Compensated Absences**

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

## Jefferson County, Mississippi

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

#### Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$1,140,882 reported in the Governmental and Proprietary Funds and \$130,181 reported in the Fiduciary Funds. The bank balance was \$708,333. 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.

#### Investments:

Investment balance at September 30, 2008 is as follows:

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Fund	less than one year	\$ <u>1,382,854</u>	AAA

**Interest Rate Risk.** The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

**Credit Risk.** State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that address credit risk.

### (3) Interfund Transactions and Balances.

## Jefferson County, Mississippi

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

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>
Major Funds:		
Garbage & Solid Waste	General Fund	\$ 2,385
County Wide Road Maintenance	General Fund	11,003
Other Governmental Funds	General Fund	3,484
Total		<u>\$ 16,872</u>

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

B. Advances To/From Other Funds:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Nonmajor Governmental Funds	\$ 442,282
Garbage & Solid Waste Fund	General Fund	20,500
Garbage & Solid Waste Fund	Nonmajor Governmental Funds	18,100
Countywide Road Maintenance	Nonmajor Governmental Funds	66,830
Nonmajor Governmental Funds	Garbage & Solid Waste Fund	3,800
Nonmajor Governmental Funds	Countywide Road Maintenance	62,800
Nonmajor Governmental Funds	Nonmajor Governmental Funds	73,359
Total		<u>\$ 687,671</u>

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

(4) Intergovernmental Receivables.

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

Governmental and Business-type Activities:

<u>Description</u>	<u>Amount</u>
CDBG Construction	\$
Legislative Tax Credit	25,843

# Jefferson County, Mississippi

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

Countywide Road- Monthly taxes, licenses, severance, etc...	47,475
Other	37,502
Total Governmental Activities	\$ 110,820

No business-type activity intergovernmental receivables present as of September 30, 2008.

### (5) Loans Receivable.

Loan receivable balance at September 30, 2008, is 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

### (6) 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	\$ 50,453				50,453
Total non-depreciable capital assets	50,453	0	0	0	50,453
<u>Depreciable capital assets:</u>					
Buildings	2,649,889				2,649,889
Mobile equipment	1,928,131		44,783		1,883,348
Furniture and equipment	111,022				111,022
Leased property under capital leases	1,288,136		175,778		1,112,358
Total depreciable capital assets	5,977,178	0	220,561	0	5,756,617
<u>Less accumulated depreciation for:</u>					
Buildings	771,060	50,670			821,730
Mobile equipment	1,305,176	115,805	40,305		1,380,676
Furniture and equipment	100,383	3,177			103,560
Leased property under capital leases	404,359	95,942	79,100		421,201

# Jefferson County, Mississippi

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

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
Total accumulated depreciation	2,580,978	265,594	119,405	0	2,727,167
Total depreciable capital assets, net	3,396,200	(265,594)	101,156	0	3,029,450
Governmental activities capital assets, net	\$ 3,446,653	(265,594)	101,156	0	3,079,903

### Business-type activities:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<u>Non-depreciable capital assets:</u>					
Land	\$ 235,000				235,000
Total non-depreciable capital assets	235,000	0	0	0	235,000
<u>Depreciable capital assets:</u>					
Buildings	3,862,120				3,862,120
Mobile equipment	34,930				34,930
Furniture and equipment	30,619				30,619
Leased property under capital leases	31,380				31,380
Total depreciable capital assets	3,959,049	0	0	0	3,959,049
<u>Less accumulated depreciation for:</u>					
Buildings	849,666	77,242			926,908
Mobile equipment	31,437				31,437
Furniture and equipment	14,476	2,989			17,465
Leased property under capital leases	31,066				31,066
Total accumulated depreciation	926,645	80,231	0	0	1,006,876
Total depreciable capital assets, net	3,032,404	(80,231)	0	0	2,952,173
Business-type activities capital assets, net	\$ 3,267,404	(80,231)	0	0	3,187,173

Infrastructure is not included in the above summary of capital assets.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 23,903



## Jefferson County, Mississippi

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

Public safety	66,399
Public works	154,045
Health and welfare	15,936
Culture and recreation	<u>5,311</u>
Total governmental activities depreciation expense	\$ <u>265,594</u>
Business-type Activities:	
Jefferson/Franklin Correctional Facility	\$ <u>80,231</u>

#### Component Units:

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

	Balance <u>September 30, 2008</u>
<u>Non-depreciable capital assets:</u>	
Land	\$ <u>75,228</u>
Total non-depreciable capital assets	<u>75,228</u>
<u>Depreciable capital assets:</u>	
Buildings	2,199,471
Mobile equipment	943,957
Furniture and equipment	<u>1,210,978</u>
Total depreciable capital assets	<u>4,354,406</u>
<u>Less accumulated depreciation:</u>	
Total accumulated depreciation	<u>3,374,828</u>
Total depreciable capital assets, net	<u>979,578</u>
Component Units capital assets, net	\$ <u>1,054,806</u>

#### (7) Claims and Judgments.

##### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is

## Jefferson County, Mississippi

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

\$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, 2007, to January 1, 2008. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$1,000, and the aggregate policy covers all submitted claims in excess of \$117,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

#### (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	Business-type Activities
Mobile equipment	\$ 1,066,026	0
Other furniture & equipment	46,332	31,380
Total	1,112,358	31,380
Less: Accumulated depreciation	(421,201)	(31,066)
Leased Property Under Capital Leases	\$ 691,157	314

# Jefferson County, Mississippi

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

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

Year Ended September 30	Governmental Activities	
	Principal	Interest
2009	\$ 395,819	13,863
2010	64,497	8,181
2011	59,902	5,241
2012	112,389	790
Total	\$ 632,607	28,075

### (9) Short-term Debt and Liquidity.

Description of Debt	Balance, Oct. 1, 2007	Additions	Reductions	Balance, Sept. 30, 2008
Tax anticipation note	\$ 0	700,000	700,000	0

During the month of October 2007, the county issued \$700,000 of tax anticipation notes in order to alleviate a temporary operating cash flow deficiency.

### (10) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Jail bonds - Series 1990	\$ 95,000	7.1-7.2%	05/2010
Road and bridge bonds - Refunding Series 2005	567,000	3.0-4.25%	07/2014
Total General Obligation Bonds	\$ 662,000		
B. Limited Obligation Bonds:			
Courthouse renovation and jail construction- construction - certificates of participation	\$ 305,000	7.0-7.4%	04/2012
C. Capital Leases:			
Kubota Tractor with Bushlog Cutter	\$ 21,241	3.91%	09/2010
Computer System	34,856	3.99%	08/2010

## Jefferson County, Mississippi

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

CAT Wheel Loader	71,026	3.43%	09/2011
(3) Caterpillar Motor Graders	292,365	3.11%	12/2008
(3) Diamond Spec. Dump Trucks	57,483	3.75%	11/2009
Caterpillar 1211 Motor Grader	<u>155,636</u>	4.24%	11/2011
Total Capital Leases	\$ <u>632,607</u>		

Description and Purpose	Amount Outstanding	Interest Rate	Maturity Date
Business-type Activities:			
A. Limited Obligation Bonds:			
Urban renewal bonds- correctional facility construction - refunding	\$ <u>2,845,000</u>	4.0-4.5%	07/2016

Description and Purpose	Amount Outstanding	Interest Rate
Component Units:		
A. Revenue Bonds	1,104,191	5.875%
B. Notes Payable	<u>31,636</u>	9.25%
	\$ <u>1,135,827</u>	

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

#### Governmental Activities:

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 131,000	29,497	70,000	19,765
2010	140,000	23,075	70,000	14,708
2011	93,000	16,145	80,000	6,085
2012	96,000	12,425	85,000	6,290
2013	99,000	8,585		
2014	103,000	4,378		
Total	\$ <u>662,000</u>	<u>94,105</u>	<u>305,000</u>	<u>46,848</u>

## Jefferson County, Mississippi

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

#### Business Type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 305,000	159,550
2010	325,000	142,693
2011	340,000	124,567
2012	360,000	105,138
2013	380,000	84,227
2014 -2016	1,135,000	112,887
Total	<u>\$ 2,845,000</u>	<u>729,062</u>

#### Component Units:

<u>Year Ending September 30</u>	<u>Principal</u>
2009	\$ 74,460
2010	79,196
2011	84,244
2012	83,148
2013	83,428
Thereafter	731,351
Total	<u>\$ 1,135,827</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 the Financial Statements For the Year Ended September 30, 2008

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, 2008, the amount of outstanding debt was equal to 1.15% 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
Governmental Activities:						
Compensated absences	\$ 53,255	9,165			62,420	
General obligation bonds	785,000		123,000		662,000	131,000
Limited obligation bonds	365,000		60,000		305,000	70,000
Capital leases	881,649		249,042		632,607	395,819
Total	\$ 2,084,904	9,165	432,042	0	1,662,027	596,819

#### Business-type Activities:

Compensated absences	\$ 66,241	16,415			82,656	
Limited obligation bonds	3,280,000	2,845,000	3,280,000		2,845,000	295,000
Total	\$ 3,346,241	2,861,415	3,280,000	0	2,927,656	295,000

#### Component Units:

	Balance Sept. 30, 2008
Revenue bonds	\$ 1,104,191
Notes payable	31,636
Total	\$ 1,135,827

Amount due in one year 74,460

### (11) Deficit Fund Balance of Individual Funds.

## Jefferson County, Mississippi

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

The following funds reported deficits in fund balances or net assets at September 30, 2008:

Fund		Deficit Amount
Garbage and Solid Waste	\$	413,553
County Wide Road Maintenance		138,477

#### (12) Contingencies.

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

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

#### (13) No Commitment Debt (Not Included in Financial Statements).

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

Description		Balance at Sept. 30, 2008
Nursing home revenue bonds	\$	1,105,608

#### (14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

## Jefferson County, Mississippi

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

Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Jefferson County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$8,450 for support of the district in fiscal year 2008.

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 2008.

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 \$92,185 for maintenance and support of the college in fiscal year 2008.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The member counties provide only modest financial support for the entity.

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

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate as of September 30, 2008 is 11.30% of annual covered payroll. Prior to that date, the determined rate was 11.85%. The contribution requirements of PERS members



## **Jefferson County, Mississippi**

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

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 \$322,418, \$290,413, and \$279,518, respectively, equal to the required contributions for each year.

#### **(17) Subsequent Events.**

In October 2008, the county entered into a Tax Anticipation short term note in the amount of \$750,000.

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## REQUIRED SUPPLEMENTARY INFORMATION

**JEFFERSON COUNTY**

Budgetary Comparison Schedule

General Fund

For the Year Ended September 30, 2008

	Budgeted Amounts		Actual (Cash Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property Taxes	\$ 2,863,036	2,457,964	2,457,964	(405,072)	-
Licenses, Commissions and other Revenues	63,575	109,635	109,635	46,060	-
Fines and Forfeitures	202,750	324,704	324,704	121,954	-
Intergovernmental Revenues	137,839	226,250	226,250	88,411	-
Charges for Services	7,000	11,078	11,078	4,078	-
Interest Income	20,000	48,427	48,427	28,427	-
Miscellaneous Revenues	66,000	662,731	662,731	596,731	-
Total Revenues	3,360,200	3,840,789	3,840,789	480,589	-
Expenditures:					
General Government	2,397,553	2,482,101	2,482,101	(84,548)	-
Public Safety	679,722	713,349	713,349	(33,627)	-
Health and Welfare	87,525	73,533	73,533	13,992	-
Conservation of Natural Resources	38,790	36,650	36,650	2,140	-
Debt Service	560,182	548,668	548,668	11,514	-
Total Expenditures	3,763,772	3,854,301	3,854,301	90,529	-
Excess (Deficiency) of Revenues Over Expenditures	(403,572)	(13,512)	(13,512)	390,060	-
Other Financing Sources (Uses):					
Transfers In	-	-	-	-	-
Transfers Out	(46,428)	-	-	46,428	-
Loan in Anticipation of Taxes	450,000	448,000	448,000	(2,000)	-
Total Other Financing Sources (Uses)	403,572	448,000	448,000	44,428	-
Net Change in Fund Balances	-	434,488	434,488	434,488	-
Fund Balances:					
October 1, 2007	-	(53,173)	(53,173)	(53,173)	-
September 30, 2008	\$ -	381,315	381,315	381,315	-

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

**JEFFERSON COUNTY**

## Budgetary Comparison Schedule

## Garbage and Solid Waste

For the Year Ended September 30, 2008

	Budgeted Amounts		Actual (Cash Basis)	Variances Positive (Negative)	
	Original	Final		Original	Final
				to Final	to Actual
Revenues:					
Property Taxes	\$ 194,284	171,563	171,563	(22,721)	-
Intergovernmental Revenues		9,298	9,298	9,298	-
Charges for Services	222,651	242,249	242,249	19,598	-
Total Revenues	416,935	423,110	423,110	6,175	-
Expenditures:					
Public Works	416,935	417,859	417,859	(924)	-
Total Expenditures	416,935	417,859	417,859	(924)	-
Net Change in Fund Balances	-	5,251	5,251	5,251	-
Fund Balances:					
October 1, 2007		(448,605)	(448,605)	(448,605)	-
September 30, 2008	\$ -	(443,354)	(443,354)	(443,354)	-

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

**JEFFERSON COUNTY**

Budgetary Comparison Schedule

Countywide Road Maintenance

For the Year Ended September 30, 2008

	Budgeted Amounts		Actual (Cash Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property Taxes	\$ 490,650	423,294	423,294	(67,356)	-
Road and bridge privilege taxes	77,000	84,886	84,886	7,886	-
Intergovernmental Revenues	828,000	877,542	877,542	49,542	-
Interest Income		35	35	35	-
Miscellaneous Revenues	1,000	5,314	5,314	4,314	-
Total Revenues	1,396,650	1,391,071	1,391,071	(5,579)	-
Expenditures:					
Public Works	1,367,031	1,573,829	1,573,829	(206,798)	-
Debt Service	294,619	258,018	258,018	36,601	-
Total Expenditures	1,661,650	1,831,847	1,831,847	(170,197)	-
Excess (Deficiency) of Revenues Over Expenditures	(265,000)	(440,776)	(440,776)	(175,776)	-
Other Financing Sources (Uses):					
Transfers In	15,000			(15,000)	-
Proceeds from Sale of Capital Assets		86,500	86,500	86,500	-
Loan in Anticipation of Taxes	250,000	252,000	252,000	2,000	-
Total Other Financing Sources (Uses)	265,000	338,500	338,500	73,500	-
Net Change in Fund Balances	-	(102,276)	(102,276)	(102,276)	-
Fund Balances:					
October 1, 2007		(30,103)	(30,103)	(30,103)	-
September 30, 2008	\$ -	(132,379)	(132,379)	(132,379)	-

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

## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

## **Jefferson County, Mississippi**

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

#### **A. Budgetary Information.**

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

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

#### **B. Basis of Presentation.**

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

#### **C. Budget/GAAP Reconciliation.**

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

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



## Jefferson County, Mississippi

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

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

	Governmental Fund Types		
	General Fund	Road & Bridge Maintenance	Solid Waste
Budget (Cash Basis)	\$ 434,488	(102,276)	5,251
Increase (Decrease)			
Net adjustments for revenue accruals	(29,590)	50,025	0
Net adjustments for expenditure accruals	4,636	(110,713)	(36,524)
GAAP Basis	\$ 409,534	(162,964)	(31,273)

## SUPPLEMENTAL INFORMATION

# JEFFERSON COUNTY

## COMBINING BALANCE SHEET - COMPONENT UNITS

SEPTEMBER 30, 2008

	Jefferson County Nursing Home Component Unit	Jefferson County Hospital Component Unit	Total Component Units
<b>ASSETS</b>			
Assets:			
Cash	\$ 3,329,864	\$ 48,347	\$ 3,378,211
Accounts receivable	1,331,268	198,040	1,529,308
Inventory and prepaid items	121,148	92,273	213,421
Other assets	36,036		36,036
Restricted assets	--	146,606	146,606
Capital assets, net of accumulated depreciation	198,309	856,497	1,054,806
<b>Total Assets</b>	<b>\$ 5,016,625</b>	<b>\$ 1,341,763</b>	<b>\$ 6,358,388</b>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities:			
Claims payable	\$ 75,836	\$ 188,325	\$ 264,161
Accrued liabilities	297,608	128,058	425,666
Accrued interest payable	--	42,423	42,423
Line of credit	--	7,511	7,511
Other payables	--	80,591	80,591
			--
Long-term liabilities:			--
Due within one year:			
Capital related debt	--	74,460	74,460
Due beyond one year:			
Capital related debt	--	1,061,367	1,061,367
<b>Total Liabilities</b>	<b>373,444</b>	<b>1,582,735</b>	<b>1,956,179</b>
Net Assets:			
Invested in capital assets, net of related debt	198,309	(286,841)	(88,532)
Restricted for:			
Debt Service		146,606	146,606
Other Purposes	157,114		157,114
Unreserved, undesignated	4,287,758	(100,737)	4,187,021
<b>Total fund equity</b>	<b>4,643,181</b>	<b>(240,972)</b>	<b>4,402,209</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 5,016,625</b>	<b>\$ 1,341,763</b>	<b>\$ 6,360,722</b>

**JEFFERSON COUNTY****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Jefferson County Nursing Home Component Unit	Jefferson County Hospital Component Unit	Total Component Units
Revenue:			
Service & operating revenue	\$ 3,110,419	\$ 11,553,004	\$ 14,663,423
Grants	—	8,945	8,945
Interest	2,734	22,219	24,953
Total revenues	<u>3,113,153</u>	<u>11,584,168</u>	<u>14,697,321</u>
Expenditures:			
Salaries & benefits	1,942,550	3,745,837	5,688,387
Raw food	—	196,130	196,130
Travel	—	207,624	207,624
Operating services	191,445	1,453,969	1,645,414
Operating supplies	1,022,824	437,557	1,460,381
Other	170,008	2,783,648	2,953,656
Total expenditures	<u>3,326,827</u>	<u>8,824,765</u>	<u>12,151,592</u>
Excess of revenues over (under) expenditures	(213,674)	2,759,403	2,545,729
Net Assets			
Beginning of year, as previously reported	(24,964)	1,883,778	1,858,814
Prior period adjustment	(2,334)	—	(2,334)
Beginning of year, as restated	<u>(27,298)</u>	<u>1,883,778</u>	<u>1,856,480</u>
End of year	<u>\$ (240,972)</u>	<u>\$ 4,643,181</u>	<u>\$ 4,402,209</u>

## SPECIAL REPORTS

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

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

Members of the Board of Supervisors  
Jefferson County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's basic financial statements and have issued our report thereon dated July 31, 2009. 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. We did not audit the financial statements of the Jefferson County Hospital, component unit, which represent 79% of the assets and 79% of the revenues of the governmental component units column. We did not audit the financial statements of the Jefferson County Nursing Home, component unit, which represents 21% of the assets and 21% of the revenues of the governmental component units column. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jefferson 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 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 Findings 08-1, 08-2, 08-3, 08-04, 08-5 and 08-6 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 county's financial statements will not be prevented or detected by the county's internal control.

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, and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above in Findings 08-1, 08-2, 08-3 and 08-4 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, we 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 08-1, 08-2, 08-3, 08-4, 08-05 and 08-6.

However, we also noted immaterial instances of noncompliance that we have reported to the management of Jefferson County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated July 31, 2009, included within this document.

Jefferson 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 County's responses and, accordingly, we express no opinion on them.

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

*Fortenberry & Ballard, PC*

Fortenberry and Ballard, PC  
July 31, 2009

Certified Public Accountants

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

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

Members of the Board of Supervisors  
Jefferson County, Mississippi

We have 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, 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 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.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

**Inventory Clerk**

**Finding**

Procedures have not been established to record and maintain an inventory of general infrastructure assets. Failure to establish an inventory of general infrastructure assets (roads and bridges) could adversely affect proper reporting of the financial statements.



### Recommendation

The Inventory Control Clerk must make efforts to identify general infrastructure assets acquired after September 30, 2003, assign proper value to them, and post them to the capital assets to ensure proper reporting of the county's inventory.

### Response

The recommended procedures will be incorporated.

In our 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 our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

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

*FORTENBERRY & BALLARD, PC*

Fortenberry and Ballard, PC  
July 31, 2009

Certified Public Accountants

**Jefferson County, Mississippi**

**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 County, Mississippi**

**Schedule 2**

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

Our 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, 2008**

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

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

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

Members of the Board of Supervisors  
Jefferson County, Mississippi

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

In addition, for areas not considered material in Jefferson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not effect our report dated September 30, 2008, on the financial statements of Jefferson County, Mississippi.

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

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

**Chancery Clerk**

**Finding #1:**

Section 9-1-43 (1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000, after making deductions for employee salaries and related employee expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount less any allowable expenses specified by this statute, are to be deposited into the county's General Fund on or before April 15 for the preceding calendar year. The Chancery Clerk failed to pay the county treasury the full amount in excess of the compensation limit. The amount of excess compensation not settled to the General Fund was \$43,626.

**Recommendation**

The Chancery Clerk should ensure that all amounts in excess of the compensation limit are paid into the county treasury and should remit \$43,626 to the General Fund.

Chancery Clerk's Response

I am in the process of paying the amount in full. I am taking steps to insure this does not happen in future years.

Auditor's Note

As of July 31, 2009, the Chancery Clerk has yet to remit the amount owed to the county. This matter will be turned over to the Investigative Division of the Office of the State Auditor.

Finding #2:

As reported in the prior year audit report, Section 27-105-5 (j), Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits at all entities and allows the Treasurer to monitor the amount of funds on deposit and the amount of collateral needed at each depository. The Chancery Clerk is not reconciling the quarterly reports received from the State Treasurer's Office to their bank deposit records. The county should report any differences to the State Treasurer. Also, the Clerk does not notify the appropriate bank officials when increases in deposits exceed 25% of the average daily balances.

Recommendation

The Chancery Clerk should reconcile the quarterly reports received from the State Treasurer's Office to their bank deposit records and report any differences to the State Treasurer. Also, the Clerk should notify appropriate bank officials when increases in deposits exceed 25% of the average daily balances.

Chancery Clerk's Response

I will make sure that in the future the report will be done properly.

Finding #3:

Section 27-45-5, Miss. Code Ann. (1972), allows the Chancery Clerk twenty days past month-end to settle land redemption releases to the proper parties and officers. During testwork procedures, it was determined that the Chancery Clerk settled various month's collections past the twenty days due date. At times, monies owed to the county and to individual buyers was not settled while clerk fees were settled timely.

Recommendation

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

Chancery Clerk's Response

I will settle all land redemption collection within twenty days after month-end.

Finding #4:

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

deficit cash balances at year-end:

• Garbage and Solid Waste (Major Fund)	\$443,354
• Countywide Road Maintenance (Major Fund)	140,327
• CDBG Road Grant	56,266
• Jefferson County Road & Bridge Bond	19,313
• Jail Bond Interest & Sinking	21,559

Recommendation

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

Chancery Clerk's Response

We are taking steps to render the negative cash balance situation.

**Sheriff**

Finding #5:

Monies collected by Sheriff personnel for bond fees, process fees and cash bonds were not deposited on a daily basis. Additionally, cash journal postings were not performed in a manner prescribed by the Office of the State Auditor. Cash journal balances were not carried over monthly to coincide with the reconciled bank account balance. Failure of the Sheriff to comply with the prescribed accounting system could result in undetected errors in the cash journal and improper or incomplete statements being made to the county.

Recommendation

The Sheriff should make efforts to comply with the prescribed accounting system in the *Mississippi County Financial Accounting Manual*. Deposits of monies should be made on a daily basis. Cash journal postings should foot and match the reconciled bank balance total.

Sheriff's Response

We are currently training a new bookkeeper and should be in compliance shortly.

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
July 31, 2009

Certified Public Accountants

## SCHEDULE OF FINDINGS AND RESPONSES



## Jefferson County, Mississippi

### 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 basic financial statements:

Governmental activities	Qualified
General Fund	Unqualified
Aggregate discretely presented component units	Unqualified
County Wide Road Maintenance	Unqualified
Garbage & Solid Waste Fund	Unqualified
Jefferson County Water / Sewer Fund	Unqualified
Aggregate Remaining fund information	Unqualified
2. Material noncompliance relating to the basic financial statements? Yes.
3. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes.
  - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes.

#### Section 2: Findings Relating to the Financial Statements

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

##### **Material Weaknesses**

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

##### **08-1 Finding**

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

##### **Recommendation:**

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

##### **Board of Supervisors' Response**

The Board is evaluating all interfund loans and is developing a repayment plan for the past

loans.

**08-2 Finding**

As reported in prior audit reports, procedures have not been established to record and maintain an inventory of general infrastructure assets. Failure to establish an inventory of general infrastructure assets (roads and bridges) could adversely affect proper reporting of the financial statements.

**Recommendation:**

The Board of Supervisors must make efforts to identify general infrastructure assets acquired after September 30, 2003, assign proper value to them, and post them to the capital assets to ensure proper reporting of county inventory.

**Board of Supervisors' Response:**

The county engineer has completed this process of upgrading the status of county roads and bridges.

**Auditor's Note**

The county has yet to enter the obtained data into county inventory records.

**08-3 Finding**

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

**Recommendation:**

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

**Board of Supervisors' Response:**

The Board is committed to enhancing the training of existing staff. Staff and financial personnel are taking the necessary actions to obtain additional and necessary training to correct this finding.

**Tax Assessor-Collector**

**08-4 Finding**

As reported in the prior three year's audit reports, cash on hand at September 30, 2008 was insufficient to settle obligations at September 30, 2008. The amount of the deficiency was \$43,474.

**Recommendation:**

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

Tax Assessor-Collector's Response:

Legal action has been taken against individuals involved. Bonding companies will be contacted soon. Hopefully the monies will be resolved in the near future.

**Significant Deficiencies**

**Justice Court Clerk**

**08-5 Finding**

As reported in prior years' audit reports, we noted the following deviations from the prescribed accounting system in the *Mississippi County Financial Accounting Manual*:

- Cash journals were not properly maintained. Receipts are recorded in a computer-generated system. However, disbursement settlements are not recorded resulting in a cash journal without a true cash balance. As a result, reconciled bank statement balances could not be reconciled to the cash journals.
- The September 2008 Clearing Account bank statement was not reconciled by the Justice Court Clerk. No attempt was made to reconcile to the amounts stated on the computer-generated cash journal. As a result, it was not possible to reasonably tie the reconciled cash available to the amounts posted in the Justice Court Clerk's accounting system. The disposition of a portion of the cash listed in the bank reconciliation listed in the Justice Court Clearing Account bank statement could not be determined.

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

**Recommendation**

The Justice Court Clerk should make efforts to comply with the accounting system prescribed in the *Mississippi County Financial Accounting Manual*. Bank statements should be reconciled, and the reconciled total should match the cash journal total. Also, out of county constable fees should be noted in the appropriate cash journal individually.

**Justice Court Clerk's Response**

We are in the process of reconciling the clearing account bank statements and will make efforts to settle in a timely manner.

**Auditor's Note**

As of July 31, 2009, the Office of the State Auditor has an active investigation being conducted in the Justice Court of Jefferson County, Mississippi.

**Chancery Clerk**

**08-6 Finding**

The following deviations were noted from the accounting system prescribed in the *Mississippi County Financial Accounting Manual* for the land redemption account:

- As reported in the prior year's audit report, bank statements were not reconciled. As a result, reconciliations to cash journal balance at month-end could not be performed.
- Various monthly settlements to individual buyers and the county were not settled in a timely manner.
- As of the prior audit year, an unidentifiable balance of \$5,222 has yet to be identified.

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

#### Recommendation

The Chancery Clerk should make efforts to comply with the prescribed accounting system in the *Mississippi County Financial Accounting Manual*. Bank statements should be reconciled, and the reconciled total should match the cash journal total. The Chancery Clerk must make efforts to promptly settle to all proper parties twenty days after month-end. Efforts must be made to identify the remaining balance of \$5,222.

#### Chancery Clerk's Response

We are in the process of reconciling the statements and I will make every effort to settle this in a timely manner.