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Jefferson County, Mississippi
Audited Financial Statements
and Special Reports
For the Year Ended
September 30, 2015

Fortenberry & Ballard, PC
Certified Public Accountants

Jefferson County, Mississippi
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FINANCIAL REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jefferson County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jefferson County, Mississippi (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of Jefferson County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jefferson County, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of the County's Proportionate Share of the Net Pension Liability, Schedule of the County's Contributions and corresponding notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained

during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Management has omitted the Management's Discussion and Analysis and the Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2019, on our consideration of Jefferson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson County, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 9, 2019

Certified Public Accountants

FINANCIAL STATEMENTS

JEFFERSON COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,457,913		1,457,913
Restricted assets investments		1,385,108	1,385,108
Restricted cash with fiscal agent	299,493		299,493
Property tax receivable	2,757,057		2,757,057
Accounts receivable (net of allowance for uncollectibles of \$517,964)	118,745		118,745
Fines receivable (net of allowance for uncollectibles of \$859,083)	248,822		248,822
Loans receivable	41,000		41,000
Intergovernmental receivables	38,997	227,129	266,126
Other receivables	17,266		17,266
Internal balances	268,620	(268,620)	-
Capital assets:			
Land and construction in progress	50,453	235,000	285,453
Other capital assets, net	5,674,748	2,418,222	8,092,970
Total Assets	10,973,114	3,996,839	14,969,953
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	1,003,684	685,162	1,688,846
Total Deferred Outflows of Resources	1,003,684	685,162	1,688,846
LIABILITIES			
Claims payable	122,647	33,774	156,421
Intergovernmental payables	312,753		312,753
Accrued interest payable	78,297	1,850	80,147
Unearned revenue	10,357		10,357
Amounts held in custody for others	376,759		376,759
Other payables	36,022		36,022
Long-term liabilities			
Due within one year:			
Capital debt	254,719	185,000	439,719
Due in more than one year:			
Capital debt	3,660,000		3,660,000
Non-capital debt	160,096	90,445	250,541
Net pension liability	4,789,287	3,248,886	8,038,173
Total Liabilities	9,800,937	3,559,955	13,360,892
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	2,757,057		2,757,057
Total Deferred Inflows of Resources	2,757,057	-	2,757,057
NET POSITION			
Net investment in capital assets	3,325,204	2,468,222	5,793,426
Restricted for:			
Expendable:			
General government	417,994		417,994
Public safety	335,795		335,795
Public works	2,471,231		2,471,231
Health and welfare	77,728		77,728
Culture and recreation	233,117		233,117
Economic development	215,556		215,556
Debt service	566,341		566,341
Unrestricted	(8,224,162)	(1,346,176)	(9,570,338)
Total Net Position	\$ (581,196)	1,122,046	540,850

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

JEFFERSON COUNTY, MISSISSIPPI

Statement of Activities

For the Year Ended September 30, 2015

Exhibit 2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,760,475	356,007			(2,404,468)		(2,404,468)
Public safety	1,110,216	113,711	227,964	22,277	(746,264)		(746,264)
Public works	3,840,793	275,133	1,098,227	29,959	(2,437,474)		(2,437,474)
Health and welfare	78,014		152,058		74,044		74,044
Culture and recreation	17,320				(17,320)		(17,320)
Conservation of natural resources	33,037				(33,037)		(33,037)
Economic development and assistance	2,987				(2,987)		(2,987)
Interest on long-term debt	123,917				(123,917)		(123,917)
Pension expense	626,984				(626,984)		(626,984)
Total Governmental Activities	8,593,743	744,851	1,478,249	52,236	(6,318,407)		(6,318,407)
Business-type activities:							
Jefferson County Correctional Facility	3,136,939	3,064,099				(72,840)	(72,840)
Pension expense	428,012					(428,012)	(428,012)
Total Business-type Activities	3,564,951	3,064,099	-	-		(500,852)	(500,852)
Total Primary Government	\$ 12,158,694	3,808,950	1,478,249	52,236	(6,318,407)	(500,852)	(6,819,259)
General revenues:							
Property taxes					\$ 3,116,768		3,116,768
Road & bridge privilege taxes					95,756		95,756
Grants and contributions not restricted to specific programs					166,482		166,482
Unrestricted interest income					56,446		56,446
Miscellaneous					853,501		853,501
Total General Revenues					4,288,953	-	4,288,953
Changes in Net Position					(2,029,454)	(500,852)	(2,530,306)
Net Position - Beginning, as previously reported					6,092,177	3,987,188	10,079,365
Prior period adjustment					(4,643,919)	(2,364,290)	(7,008,209)
Net Position - Beginning, as restated					1,448,258	1,622,898	3,071,156
Net Position - Ending					\$ (581,196)	1,122,046	540,850

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

JEFFERSON COUNTY, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	Major Funds					Total Governmental Funds
	General Fund	Garbage and Solid Waste Fund	Countywide Road Maintenance Fund	Bond Construction Fund	Other Governmental Funds	
ASSETS						
Cash	\$ 67,076			1,215,229	175,608	1,457,913
Cash with fiscal agent				299,493		299,493
Property tax receivable	1,851,639	78,212	458,909		368,297	2,757,057
Accounts receivable (net of allowance for uncollectibles of \$517,964)		118,745				118,745
Fines receivable (net of allowance for uncollectibles of \$859,083)	248,822					248,822
Loans receivable					41,000	41,000
Intergovernmental receivables	38,997					38,997
Other receivables	17,266					17,266
Due from other funds		467	2,014,205		1,011,179	3,025,851
Advances to other funds	19,500	3,800	62,800		805,078	891,178
Total Assets	\$ 2,243,300	201,224	2,535,914	1,514,722	2,401,162	8,896,322
LIABILITIES						
Claims payable	\$ 36,087	11,860	47,971		26,729	122,647
Intergovernmental payables	66,729					66,729
Due to other funds	2,391,654	611,601				3,003,255
Advances from other funds	442,282	38,600	172,423		237,873	891,178
Unearned revenue		10,357				10,357
Amounts held in custody for others	376,759					376,759
Other payables			36,022			36,022
Total Liabilities	\$ 3,313,511	672,418	256,416	-	264,602	4,506,947
DEFERRED INFLOWS OF RESOURCES:						
Unavailable revenue - property taxes	1,851,639	78,212	458,909		368,297	2,757,057
Unavailable revenue - accounts receivable		118,745				118,745
Unavailable revenue - fines	248,822					248,822
Total Deferred Inflows of Resources	\$ 2,100,461	196,957	458,909	-	368,297	3,124,624
FUND BALANCES:						
Nonspendable:						
Advances	19,500					19,500
Restricted for:						
General government					417,994	417,994
Public safety					335,795	335,795
Public works			1,820,589	1,514,722	650,642	3,985,953
Health and welfare					77,728	77,728
Culture and recreation					233,117	233,117
Economic development and assistance					215,556	215,556
Debt service					644,638	644,638
Unassigned	(3,190,172)	(668,151)			(807,207)	(4,665,530)
Total Fund Balances	\$ (3,170,672)	(668,151)	1,820,589	1,514,722	1,768,263	1,264,751
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,243,300	201,224	2,535,914	1,514,722	2,401,162	8,896,322

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

JEFFERSON COUNTY, MISSISSIPPI**Exhibit 3-1**

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

Total fund balances for governmental funds	\$	1,264,751
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$6,743,110.		5,725,201
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts receivable		118,745
Fines receivable		248,822
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		(4,074,815)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.		(78,297)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(4,789,287)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		<u>1,003,684</u>
Net Position of governmental activities	\$	<u><u>(581,196)</u></u>

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

JEFFERSON COUNTY, MISSISSIPPI**Exhibit 4**

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2015

	Major Funds					
	General Fund	Garbage and Solid Waste Fund	Countywide Road Maintenance Fund	Bond Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 2,196,260	30,885	410,380		479,243	3,116,768
Road and bridge privilege taxes			95,756			95,756
Licenses, commissions and other revenue	116,990				4,704	121,694
Fines and forfeitures	254,787					254,787
Intergovernmental revenues	421,924	37,791	1,060,436	25,392	151,424	1,696,967
Charges for services		275,133			75,658	350,791
Interest income	50,196			6,036	214	56,446
Miscellaneous revenues	475,735	1,167	7,095		376,956	860,953
Total Revenues	<u>3,515,892</u>	<u>344,976</u>	<u>1,573,667</u>	<u>31,428</u>	<u>1,088,199</u>	<u>6,554,162</u>
EXPENDITURES						
Current:						
General government	2,845,084				55,365	2,900,449
Public safety	902,091				265,310	1,167,401
Public works		389,220	1,377,537	1,762,143	126,257	3,655,157
Health and welfare	79,749					79,749
Culture and recreation					17,320	17,320
Conservation of natural resources	36,566					36,566
Economic development and assistance					2,987	2,987
Debt service:						
Principal		39,893	63,931		100,000	203,824
Interest	79,983	1,413	3,953			85,349
Total Expenditures	<u>3,943,473</u>	<u>430,526</u>	<u>1,445,421</u>	<u>1,762,143</u>	<u>567,239</u>	<u>8,148,802</u>
Net Changes in Fund Balances	<u>(427,581)</u>	<u>(85,550)</u>	<u>128,246</u>	<u>(1,730,715)</u>	<u>520,960</u>	<u>(1,594,640)</u>
Fund Balances - Beginning	<u>(2,743,091)</u>	<u>(582,601)</u>	<u>1,692,343</u>	<u>3,245,437</u>	<u>1,247,303</u>	<u>2,859,391</u>
Fund Balances - Ending	\$ <u><u>(3,170,672)</u></u>	<u><u>(668,151)</u></u>	<u><u>1,820,589</u></u>	<u><u>1,514,722</u></u>	<u><u>1,768,263</u></u>	<u><u>1,264,751</u></u>

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

JEFFERSON COUNTY, MISSISSIPPI**Exhibit 4-1**

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds	\$ (1,594,640)
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation \$322,367 exceeded capital outlays of \$48,065 in the current period.	(274,302)
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In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$7,452.	(7,452)
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Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	17,579
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Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(5,337)
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Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt debt repayments totaling \$203,824.	203,824
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Some items reported in the statement of activities related to the implementation of GASB 68 are not reported as revenues / expenditures in the Governmental Funds. These activities include:

Recording of pension expense for the current year	(626,984)
Recording of contributions made prior to the measurement date	226,526
Recording of contributions made subsequent to the measurement date	82,351

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

The amount of increase in accrued interest payable	(38,568)
The amount of increase in compensated absences	(12,451)

Change in Net Position of governmental activities	\$ <u>(2,029,454)</u>
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The notes to the financial statements are an integral part of these statements.

JEFFERSON COUNTY, MISSISSIPPI
Statement of Net Position - Proprietary Fund
September 30, 2015

Exhibit 5

		Business-type Activities Enterprise Fund Correctional Facility
ASSETS		
Current assets:		
Restricted assets - investments	\$	1,385,108
Other receivables		227,129
Total Current Assets		<u>1,612,237</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress		235,000
Other capital assets, net		2,418,222
Total Noncurrent Assets		<u>2,653,222</u>
Total Assets		<u>4,265,459</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pensions		685,162
Total Deferred Outflows of Resources		<u>685,162</u>
LIABILITIES		
Current liabilities:		
Claims payable		33,774
Accrued interest payable		1,850
Due to other funds		268,620
Capital debt:		
Other long-term liabilities		185,000
Total Current Liabilities		<u>489,244</u>
Noncurrent liabilities:		
Non-capital debt:		
Compensated absences payable		90,445
Net pension liability		3,248,886
Total Noncurrent Liabilities		<u>3,339,331</u>
NET POSITION		
Net investment in capital assets		2,468,222
Unrestricted		(1,346,176)
Total Net Position	\$	<u><u>1,122,046</u></u>

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

JEFFERSON COUNTY, MISSISSIPPI**Exhibit 6**

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
 For the Year Ended September 30, 2015

	Business-type Activities Enterprise Fund Correctional Facility
Operating Revenues	
Charges for services	\$ 3,064,099
Total Operating Revenues	<u>3,064,099</u>
Operating Expenses	
Personal services	1,994,099
Contractual services	383,358
Materials and supplies	647,345
Depreciation expense	85,887
Pension expense	428,012
Total Operating Expenses	<u>3,538,701</u>
Operating Income (Loss)	<u>(474,602)</u>
Nonoperating Revenues (Expenses)	
Interest expense	<u>(26,250)</u>
Net Nonoperating Revenue (Expenses)	<u>(26,250)</u>
Changes in Net Position	<u>(500,852)</u>
Net Position - Beginning	3,987,188
Prior period adjustments	<u>(2,364,290)</u>
Net Position - Beginning, as restated	1,622,898
Net Position - Ending	\$ <u><u>1,122,046</u></u>

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

JEFFERSON COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 7

		Business-type Activities Enterprise Fund Correctional Facility
Cash Flows From Operating Activities		
Receipts from customers	\$	3,166,740
Payments to suppliers		(1,555,537)
Payments to employees		(1,999,833)
Net Cash Provided (Used) by Operating Activities		(388,630)
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt		(425,000)
Interest paid on debt		(24,400)
Net Cash Provided (Used) by Capital and Related Financing Activities		(449,400)
Cash Flows From Investing Activities		
Purchase of investment securities		(3,762,677)
Sale of investment securities		4,600,707
Net Cash Provided (Used) by Investing Activities		838,030
Net Increase (Decrease) in Cash and Cash Equivalents		-
Cash and Cash Equivalents at Beginning of Year		-
Cash and Cash Equivalents at End of Year	\$	-
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$	(474,602)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		85,887
(Increase) decrease in other receivables		(192,885)
(Increase) decrease in deferred outflows related to pensions		(632,344)
Increase (decrease) in claims payable		(50,232)
Increase (decrease) in interfund payables		28,684
Increase (decrease) in compensated absences liability		(2,658)
Increase (decrease) in net pension liability		849,520
Total Adjustments		85,972
Net Cash Provided (Used) by Operating Activities	\$	(388,630)

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

JEFFERSON COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 37,550
Due from other funds	246,024
Total Assets	\$ <u>283,574</u>
LIABILITIES	
Amounts held in custody for others	\$ 37,550
Intergovernmental payables	246,024
Total Liabilities	\$ <u>283,574</u>

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

Jefferson County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

- Jefferson County Hospital
- Jefferson County Nursing Home

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's legal entity and therefore are reported as part of the primary government financial statements.

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

B. Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues 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 Position 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 as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

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

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

Bond Construction Fund - This fund is used to account for proceeds from a bond issue that is restricted for capital improvements.

The County reports the following major Enterprise Fund:

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

Jefferson County, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits and Investments

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

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

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 month or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any governmental securities during the fiscal year.

F. Receivables

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

G. Interfund Transactions and Balances

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

H. Restricted Assets

Proprietary Fund assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. Certain proceeds of the County's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue" fund is used to account for all revenues of the correctional facility and to provide payment for operating and maintenance expenses as well as required monthly deposits to other accounts to meet minimum requirements of the trust agreement. The "depreciation and operating reserve" fund is used to pay the costs of major repairs and replacements to the correctional facility the costs of which are such that they should be spread over a number of years rather than charged as a current expense in a single year. The "excess revenue" fund is used to pay the costs of major repairs and replacements to the

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

correctional facility as well as to pay operating and maintenance expense when other funds are insufficient to pay these expenses within established limitations. The “debt service reserve” account is used to report resources set aside to subsidize potential deficiencies from the County’s operation that could adversely affect debt service payments. The “general” account is used to accumulate funds to pay the principal and interest payments due on the County’s enterprise fund revenue bonds. When both restricted and nonrestricted assets are available for use, the policy is to use the restricted assets first.

I. Capital Assets

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Jefferson County, 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. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

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

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

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 17 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. There are three types of deferred inflows and they are:

Property tax for future reporting period/unavailable revenue - property taxes -
Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Unavailable revenues - fines - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Unavailable revenues - accounts receivable - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Long-term Liabilities

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position.

M. Equity Classifications

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

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

Fund Financial Statements:

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

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

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

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

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

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

N. Property Tax Revenues

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

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

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

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

O. Intergovernmental Revenues in Governmental Funds

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

P. Compensated absences

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

Q. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(2) Prior Period Adjustment

Exhibit 2 - Statement of Activities

Governmental Activities:

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability at October 1, 2014	\$ (3,545,545)
Deferred outflows - contributions made after measurement date	<u>78,049</u>
Total prior period adjustment related to GASB 68 and 71	(3,467,496)
2. To correct prior year errors in capital assets.	<u>(1,176,423)</u>
Total	\$ <u><u>(4,643,919)</u></u>

Business-type Activities:

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability at October 1, 2014	\$ (2,399,366)
Deferred outflows - contributions made after measurement date	<u>52,818</u>
Total prior period adjustment related to GASB 68 and 71	(2,346,548)
2. To correct prior year errors in capital assets.	<u>(17,742)</u>
Total	\$ <u><u>(2,364,290)</u></u>

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Exhibit 6 - Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Fund

Explanation	Amount
1. Implementation of GASB 68 and 71:	
Net pension liability at October 1, 2014	\$ (2,399,366)
Deferred outflows - contributions made after measurement date	<u>52,818</u>
Total prior period adjustment related to GASB 68 and 71	(2,346,548)
2. To correct prior year errors in capital assets.	<u>(17,742)</u>
Total	\$ <u><u>(2,364,290)</u></u>

(3) Deposits and Investments

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$1,495,463, and the bank balance was \$2,177,777. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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.

Cash with Fiscal Agents:

The carrying amount of County's cash with fiscal agents held by financial institutions was \$299,493.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the operations of the Regional Correctional Facility.

Investments balances at September 30, 2015, are as follows:

Investment Type	Maturities	Fair Value	Rating
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$ <u>1,385,108</u>	AAAm

The investment in the Hancock Horizon Treasury Securities Money Market Mutual Fund is uninsured and unregistered and is not backed by the full faith and credit of the federal government.

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 Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. These investments are uninsured, unregistered, and held in trust accounts by the investment's counterparty on behalf of the County, not in the name of the County.

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer. All of the County's investments are in the Hancock Horizon Treasury Securities Money Market Mutual Fund and are reported in the Correctional Facility Fund.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Garbage and Solid Waste Fund	General Fund	\$ 467
Countywide Road Maintenance Fund	General Fund	1,133,984
Countywide Road Maintenance Fund	Garbage and Solid Waste Fund	611,601
Countywide Road Maintenance Fund	Proprietary Fund	268,620
Other Governmental Funds	General Fund	1,011,179
Fiduciary Funds	General Fund	246,024
Total		<u>\$ 3,271,875</u>

The majority of the receivables represent amounts received from various funds to cover deficit cash balances. All other receivables represent ad valorem revenue collected in September 2015 but not settled until October 2015. The ad valorem interfund balances are expected to be repaid within one year.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Garbage and Solid Waste Fund	\$ 2,800
General Fund	Other Governmental Funds	16,700
Garbage and Solid Waste Fund	Other Governmental Funds	3,800
Countywide Road Maintenance Fund	Garbage and Solid Waste Fund	18,000
Countywide Road Maintenance Fund	Other Governmental Funds	44,800
Other Governmental Funds	General Fund	442,282
Other Governmental Funds	Garbage and Solid Waste Fund	17,800
Other Governmental Funds	Countywide Road Maintenance Fund	172,423
Other Governmental Funds	Other Governmental Funds	172,573
Total		<u>\$ 891,178</u>

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

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2015 consisted of the following:

Governmental Activities:

Description	Amount
Tax Collector - Legislative Tax Credit	\$ <u>38,997</u>

(6) Loans Receivable

Loans receivable balances at September 30, 2015, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Low income housing loan	12/2000	1.00%	12/2050	\$ 410,000
Less: Allowance for doubtful accounts				(369,000)
Total				\$ <u>41,000</u>

(7) Restricted Assets

The balance of the restricted assets accounts in the enterprise fund are as follows:

Revenue fund	\$ 652,227
General account	48,104
Debt service reserve fund	285,333
Excess revenue fund	100,771
Depreciation and operating reserve fund	298,673
Total restricted assets	\$ <u>1,385,108</u>

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(8) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2015:

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
Non-depreciable capital assets:					
Land	\$ 50,453				50,453
Total non-depreciable capital assets	50,453	0	0	0	50,453
Depreciable capital assets:					
Infrastructure	5,896,199				5,896,199
Buildings	2,649,889				2,649,889
Mobile equipment	2,779,635	48,065	74,520	172,194	2,925,374
Furniture and equipment	419,546			(103,211)	316,335
Property under capital leases	679,561			(49,500)	630,061
Total depreciable capital assets	12,424,830	48,065	74,520	19,483	12,417,858
Less accumulated depreciation for:					
Infrastructure	1,648,156	191,585		382,424	2,222,165
Buildings	1,125,750			612,670	1,738,420
Mobile equipment	1,956,417	86,288	67,068	166,981	2,142,618
Furniture and equipment	225,292	26,407		(102,083)	149,616
Property under capital leases	336,290	18,087		135,914	490,291
Total accumulated depreciation	5,291,905	322,367	67,068	1,195,906	6,743,110
Total depreciable capital assets, net	7,132,925	(274,302)	7,452	(1,176,423)	5,674,748
Governmental activities capital assets, net	\$ 7,183,378	(274,302)	7,452	(1,176,423)	5,725,201

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Business-type Activities:

	Balance Oct. 1, 2014	Additions	Adjustments	Balance Sept. 30, 2015
Non-depreciable capital assets:				
Land	\$ 235,000			235,000
Total non-depreciable capital assets	235,000	0	0	235,000
Depreciable capital assets:				
Buildings	3,862,120			3,862,120
Mobile equipment	51,425			51,425
Furniture and equipment	106,749		3,141	109,890
Total depreciable capital assets	4,020,294	0	3,141	4,023,435
Less accumulated depreciation for:				
Buildings	1,390,360	77,242	4	1,467,606
Mobile equipment	37,375	2,969		40,344
Furniture and equipment	70,708	5,676	20,879	97,263
Total accumulated depreciation	1,498,443	85,887	20,883	1,605,213
Total depreciable capital assets, net	2,521,851	(85,887)	(17,742)	2,418,222
Business-type activities capital assets, net	\$ 2,756,851	(85,887)	(17,742)	2,653,222

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

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 5,801
Public safety	42,103
Public works	272,986
Health and welfare	1,477
Total depreciation expense	\$ 322,367
Business-type Activities:	
Correctional facility	\$ 85,887

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(9) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015 to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(10) Capital Leases

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

Classes of Property		Governmental Activities
Mobile equipment	\$	630,061
Less: accumulated depreciation		(490,291)
Leased Property Under Capital Leases	\$	<u>139,770</u>

The following is a schedule by years of the total payments due as of September 30, 2014:

Governmental Activities:

Year Ending September 30,	Principal	Interest
2016	\$ <u>114,719</u>	<u>1,778</u>

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(11) Long-Term Debt

Debt outstanding as of September 30, 2015, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Special Obligation Bonds:			
Mississippi Development Bank Series			
2014 - General Obligation Fund Project	\$ <u>3,800,000</u>	3.00 - 4.75%	10/2033
B. Capital Leases:			
Caterpillar 938H Wheel Loader	\$ 79,973	3.38%	01/2016
2010 Dura Patcher	4,404	3.38%	01/2016
Caterpillar 12H Motor Grader	9,890	3.35%	12/2015
2010 Dump Truck	<u>20,452</u>	3.35%	01/2016
Total Capital Leases	\$ <u>114,719</u>		
Business-type Activities:			
A. Limited Obligations Bonds:			
Urban renewal bonds-correctional			
facility Construction-refunding	\$ <u>185,000</u>	4.00-4.50%	07/2016

Pledge of Future Revenues - The County has pledged future revenues for housing inmates, net of specified operating expenses, to repay \$2,845,000 in limited obligation urban renewal revenue bonds issued in 2008. Proceeds from the bonds provided financing for the refunding of the original urban renewal bonds that were used to construct the Jefferson County Regional Correctional Facility. The bonds are not a general obligation of the County and, therefore, are not secured by the full faith and credit of the County. The bonds are payable solely from income derived from an inmate housing agreement with the Mississippi Department of Corrections for housing state prisoners and income received from any other governments for housing and holding prisoners and are payable through 2016. Annual principal and interest payments on the bonds are expected to require less than 13 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$192,400. Principal and interest paid for the current year and total inmate housing net revenues were \$449,400 and \$3,064,099, respectively.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

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

Governmental Activities:

Year Ending September 30,	Special Obligation Bonds	
	Principal	Interest
2016	\$ 140,000	154,494
2017	145,000	150,219
2018	150,000	145,794
2019	155,000	140,444
2020	160,000	134,144
2021-2025	895,000	568,218
2026-2030	1,090,000	366,103
2031-2034	1,065,000	102,619
Total	<u>\$ 3,800,000</u>	<u>1,762,035</u>

Business-type Activities:

Year Ending September 30,	Limited Obligation Bonds	
	Principal	Interest
2016	\$ 185,000	7,400

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 by 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, 2015, the amount of outstanding debt was equal to 7.05% of the latest property assessments.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
Governmental Activities:					
Special obligation bonds	\$ 3,900,000		100,000	3,800,000	140,000
Capital leases	218,543		103,824	114,719	114,719
Compensated absences	147,645	12,451		160,096	
Total	<u>\$ 4,266,188</u>	<u>12,451</u>	<u>203,824</u>	<u>4,074,815</u>	<u>254,719</u>
Business-type Activities:					
Limited obligation bonds	\$ 610,000		425,000	185,000	185,000
Compensated absences	93,103		2,658	90,445	
Total	<u>\$ 703,103</u>	<u>0</u>	<u>427,658</u>	<u>275,445</u>	<u>185,000</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Countywide Road Maintenance Fund and the Correctional Facility Fund.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(12) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2015:

Fund	Deficit Amount
General Fund	\$ 3,170,672
Garbage and Solid Waste Fund	668,151
Mapping and Reappraisal	254,041
CDC - Health Needs Assessment	353
HOME Grant	19,277
Farmers Market Promo	32,650
Emergency 911 Fund	50,728
Fire Maintenance Fund	9,158
CDBG Road Grant	59,149
SW Illegal Dump Enforcement	2,812
Parks and Recreation	4,400
Daycare Escrow Fund	10,600
Youth Build	10,162
Jefferson County Road and Bridge Bond	249,744
Courthouse Special	14,800
H20 / Sewer	89,332

(13) Contingencies

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

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(14) No Commitment Debt (Not Included in the 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 September 30, 2015
Nursing home revenue bonds	\$ <u>634,012</u>

(15) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Southwest Mississippi Planning and Development District operates in a district composed of the counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The governing body is a 40 member board of directors, with four appointed by the Jefferson County Board of Supervisors. The County appropriated \$8,953 for the support of the district in fiscal year 2015.

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 two of the ten members of the board of commissioners. The County appropriated \$17,950 for the support of the district in fiscal year 2015.

Copiah-Lincoln Community College operates in a district composed of the counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln and Simpson. The governing body is a 27 member board of trustees, with two appointed by the Jefferson County Board of Supervisors. The County appropriated \$123,357 for the maintenance and support of the college in fiscal year 2015.

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

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

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

General Information about the Pension Plan

Plan Description. The County 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$523,266, \$481,887, \$434,178, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the County reported a liability of \$8,038,173 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was .052000 percent, which was an increase of .003059 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$1,054,996. At September 30, 2015 the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 123,703
Net difference between projected and actual earnings on pension plan investments	470,319
Change of assumptions	692,461
Changes in proportion and differences between County contributions and proportionate share of contributions	263,800
County contributions subsequent to the measurement date	138,563
Total	<u>\$ 1,688,846</u>

\$138,563 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:

2016	\$	417,640
2017		417,640
2018		333,623
2019		381,380
Total	\$	<u><u>1,550,283</u></u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 10,595,050	\$ 8,038,173	\$ 5,916,446

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

(17) Effect of Deferred Amounts on Net Position

The unrestricted net position amount of the governmental activities (\$8,224,162) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflows of resources related to pension in the amount of \$523,266 resulting from the county contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2016. The \$480,418 balance of deferred outflow of resources at September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of the business-type activities (\$1,346,176) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$685,162 balance of deferred outflow of resources at September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position amount of the governmental activities (\$8,224,162) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from property taxes that belong to a future period. The balance of the deferred inflow of resources at September 30, 2015 was \$2,757,057.

(18) Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Jefferson County evaluated the activity of the County, through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

Jefferson County, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

The County issued the following debt obligations:

Issue Date	Interest Rate		Issue Amount	Type of Financing	Source of Financing
08/1/2016	11%	\$	2,500,000	Tax Anticipation Note	The Jefferson Bank
07/27/2016	11%		1,500,000	Tax Anticipation Note	Ad valorem taxes
10/16/2017	8%		1,535,000	Tax Anticipation Note	Ad valorem taxes
09/13/2018	6%		1,535,000	Tax Anticipation Note	Ad valorem taxes

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson County, Mississippi

Schedule of the County's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	2015
County's proportion of the net pension liability (asset)	\$ 0.052000%
County's proportionate share of the net pension liability (asset)	8,038,173
County's covered payroll	3,250,895
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	247.26%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

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

The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

Jefferson County, Mississippi
Schedule of County Contributions
PERS
Last 10 Fiscal Years*

	2015
Contractually required contribution	\$ 523,266
Contributions in relation to the contractually required contribution	523,266
Contribution deficiency (excess)	\$ -
County's covered payroll	3,322,324
Contributions as a percentage of covered - payroll	15.75%

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

* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10-year trend is compiled, the County has only presented information for the years in which information is available.

Jefferson County, Mississippi

Notes to the Required Supplementary Information For the year ended September 30, 2015

1) Pension Schedules

A. Change of Benefit Terms

None

B. Change of Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.5% to 3% and 8% to 7.75%, respectively.

SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY, MISSISSIPPI

Reconciliation of Operating Costs of Solid Waste

For the Year Ended September 30, 2015

OPERATING EXPENDITURES, CASH BASIS

Salaries	\$	251,226
Contractual Services		65,834
Expendable Commodities:		
Gasoline and petroleum products		32,822
Repairs and parts		5,696
Other items		4,207
Utilities		<u>15,388</u>
 Solid Waste Cash Basis Operating Expenditures	\$	 375,173
 Full Cost Expenses:		
Indirect administrative costs		12,723
Depreciation on equipment		<u>25,920</u>
 Solid Waste Full Cost Operating Expenses	\$	 <u><u>413,816</u></u>

OTHER INFORMATION

JEFFERSON COUNTY, MISSISSIPPI

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2015

UNAUDITED

Name	Position	Company	Bond
Christopher Lowe	Supervisor District 1	FCCI Insurance	\$100,000
Dudley Guice, Sr.	Supervisor District 2	Travelers	\$100,000
Trent Hudson	Supervisor District 3	Western Surety	\$100,000
David Day	Supervisor District 4	Western Surety	\$100,000
Ray Perryman	Supervisor District 5	Western Surety	\$100,000
Lorraine Lias	County Administrator	Western Surety	\$100,000
Delorise Frye	Chancery Clerk	Western Surety	\$100,000
Sherra H. Wilson	Purchase Clerk	Lexon Insurance	\$75,000
Terrance Cruel	Receiving Clerk	Western Surety	\$75,000
Linda White	Inventory Control Clerk	Western Surety	\$75,000
Ray Smith	Road Manager	Western Surety	\$50,000
James E. Bailey	Constable	FCCI Insurance	\$50,000
Carl Bailey	Constable	Western Surety	\$50,000
Arnell Harried	Circuit Clerk	Western Surety	\$100,000
Peter E. Walker	Sheriff	Western Surety	\$100,000
Sheriff's Deputies, each	Deputy Sheriff*	Western Surety	\$25,000
James E. Oliver	Justice Court Judge	Travelers	\$50,000
Tomika Erving	Justice Court Judge	Western Surety	\$50,000
Marilyn Jones	Justice Court Clerk	Old Republic	\$50,000
Kinshasa West	Deputy Justice Court Clerk	Western Surety	\$50,000
Velronquie Turner	Deputy Justice Court Clerk	Western Surety	\$50,000
Samantha Franklin-Jackson	Tax Collector-Assessor	Western Surety	\$100,000
Tamika Smith	Solid Waste Manager	Western Surety	\$100,000

* hired under Section 45-5-9, Miss. Code Ann. (1972)

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 FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
Jefferson County, Mississippi

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jefferson County, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 9, 2019. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be material weaknesses. Finding 2015-001, 2015-002, and 2015-006.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies. Finding 2015-003, 2015-004, 2015-005, and 2015-007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 2015-001, and 2015-002.

We also noted certain matters which we have reported to the management of Jefferson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated August 9, 2019, included within this document.

Jefferson County's Response to Findings

Jefferson County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Jefferson County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
August 9, 2019

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors
Jefferson County, Mississippi

We have examined Jefferson County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Jefferson County, Mississippi, is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jefferson County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Jefferson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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 examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

1929 SPILLWAY ROAD
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

This report is intended for use in evaluating Jefferson County, Mississippi's compliance with the aforementioned requirements, 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 & Ballard, PC
August 9, 2019

Certified Public Accountants

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2015

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, 2015

Our test results did not identify any emergency purchases.

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

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, 2015, we considered Jefferson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jefferson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 9, 2019, 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 the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Chancery Clerk.

1. Synopsis of audit report was not published.

Finding:

Section 7-7-221(1), Miss. Code Ann. (1972), requires a synopsis of the annual audit report of the fiscal and financial affairs of the County to be published in a local newspaper as soon as possible after the County receives a copy of the audit report. The County did not publish the 2014 audit

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synopsis. The failure to publish the annual audit synopsis resulted in noncompliance with state law.

Recommendation:

The County should publish an audit synopsis of the annual report as required by law.

Chancery Clerk's Response:

I will comply.

Chancery Clerk.

2. Collateralization procedures are not being performed.

Finding:

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the County is still required to perform certain duties related to the collateralization of public funds. As reported in numerous prior year audit reports, the following duties were not performed:

- a. The County did not reconcile annual report information received from the County depositories to their records.
- b. The Public Depositories Annual Report was not submitted to the Office of the State Treasurer.

Without accurate and timely reconciliation of the annual report, risk increases that the County's total deposits may not be properly collateralized.

Recommendation:

The Chancery Clerk should ensure the reconciliation is prepared annually and the annual report is submitted by October 31st for the prior fiscal year.

Chancery Clerk's Response:

I will comply.

Board of Supervisors.

3. Jefferson County should strengthen passwords and set all individuals passwords to expire on a periodic basis.

Finding:

During our review, we noted Jefferson County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that do not meet these standards, thereby creating unnecessary risk for Jefferson County information assets. Also, security settings revealed that users' passwords were not set to expire. All passwords should be set to expire in accordance with a policy to be determined by Jefferson County.

Recommendation:

We recommend that Jefferson County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Also, we recommend that a policy be implemented to ensure all passwords expire on a regular basis. In addition, Jefferson County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

Board of Supervisors' Response:

Once the software and equipment has been upgraded a policy will be implemented to ensure that passwords are strong and expire on a regular basis. These discussions have taken place already with the equipment/software provider.

Board of Supervisors.

4. Jefferson County should install network banners on its internal network.

Finding:

As reported in the prior two audit reports, the information system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

Recommendation:

We recommend that Jefferson County implements appropriate network banners on its internal network.

Board of Supervisors' Response:

The County's technology upgrade project will have the appropriate network banners included in the implementation.

Board of Supervisors.

5. Controls over repayment of interfund advances should be strengthened.

Finding:

As reported in numerous prior year audit reports, the County has interfund loans outstanding that are over a year old. As of September 30, 2015, there were \$891,178 in total interfund advances over one year old. The Mississippi Code is silent regarding the authority of the County to make these loans. Failure to repay these loans constitutes a diversion of legally restricted funds.

Recommendation:

The Board of Supervisors should ensure that these old interfund advances are repaid.

Board of Supervisors' Response:

The Chancery Clerk as Clerk of the Board will ensure proper documentation is spread upon the Board minutes for all interfund loans approved by the Board. In addition, an approved schedule will be developed to govern repayment with the Board immediately implementing this policy.

Board of Supervisors

6. County signed warrants without sufficient money.

Finding:

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same.

Condition:

As reported in prior years' audit reports, warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2015, the following funds had negative cash balances in the indicated amounts:

- a. General Fund - \$3,166,110
- b. Mapping and Reappraisal Fund - \$234,541
- c. CDC - Health Needs Assessments - \$353
- d. USDA Home Grants - \$19,277
- e. Farmers Market Promo - \$32,650
- f. E99 - \$47,587

- g. Garbage and Solid Waste - \$611,601
- h. Fire Maintenance Fund - \$58,300
- i. CDBG Road Grant - \$55,749
- j. SW Illegal Dumping Enforcement - \$2,288
- k. Economic Development - \$10,162
- l. Jefferson County Road and Bridge Bond - \$264,763
- m. Jail Bond Interest & Sinking - \$18,508
- n. Jefferson County Water & Sewer - \$89,332
- o. Jefferson-Franklin Regional Correctional Facility - \$268,620

Recommendation:

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Management's Response:

The Chancery Clerk's Office, Board of Supervisors, as well as, the County Administrator are currently working on ways to improve the financial management process of the County as it relates to issuing warrants without sufficient funds. Additionally proper planning of spending/purchases will ensure that the County only makes necessary purchases and that these purchases are made during the months that the County received the majority of tax revenues.

Justice Court Clerk

7. The Justice Court Clerk should properly identify all funds.

Finding:

Section 27-105-371, Miss. Code Ann. (1972), requires that unidentifiable funds to be settled into the County's General Fund. As reported in the prior eight years' audit reports, an unknown balance exists in cash reconciled by the Justice Court Clerk. As of September 30, 2015, the balance of \$361,834.48 is unknown funds in the clearing account.

Recommendation:

The Justice Court Clerk should continue its effort to identify the proper recipients of these monies before settlement is made to the County.

Justice Court Clerk's Response:

I will comply with the recommendation that all monies and receipts of all money will be identified before settlement is made to the County. (I inherited this problem when I became clerk in 2009.)

Board of Supervisors

8. The County did not prepare a budget of revenues, expenses, and a working cash balance of all funds.

Finding:

Section 19-11-17, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare and submit at its August meeting of each year a complete budget of revenues, expenses, and a working cash balance estimated for the next fiscal year for each fund. The County did not provide an original budget for the auditors. Failure to prepare and submit a complete budget of revenues, expenses, and a working cash balance for all funds along with ongoing monitoring of operations can result in cash understatements possibly resulting in the misappropriation of public funds.

Recommendation:

The Board of Supervisors should prepare and submit each year a complete budget of revenues, expenses, and a working cash balance for all funds, as required by law.

Board of Supervisors' Response:

The Board of Supervisors will comply with the requirements and ensure they are met with the time frame.

Board of Supervisors

9. Final amended budget was not prepared and approved in the minutes of the Board of Supervisors.

Finding:

Section 19-11-9, Miss. Code Ann. (1972), requires the County to prepare a budget of revenues, expenses, and a working cash balance in such form as may be necessary. Furthermore, the final amended budget of all funds for the fiscal year, which may be amended up to the end of the fiscal year, must be approved and entered onto the minutes of the Board of Supervisors no later than October 31, following the close of the fiscal year. The County did not prepare a final amended budget for fiscal year 2015. As a result, approval and budget detail was not spread on the minutes of the Board of Supervisors resulting in noncompliance with the listed statute.

Recommendation:

The Board of Supervisors should prepare, approve, and spread the final amended budget on the minutes each year, as required by law.

Board of Supervisors' Response:

The Board of Supervisors will work to ensure that the amended budget is spread across the minutes.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 9, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Jefferson County, Mississippi

Schedule of Findings and Responses For the Year Ended September 30, 2015

Section I: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Business-type activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
Garbage and Solid Waste Fund	Unmodified
Countywide Road Maintenance Fund	Unmodified
Bond Construction Fund	Unmodified
Aggregate remaining fund information	Unmodified
Correctional Facility Fund	Unmodified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes.
 - b. Significant deficiencies identified? Yes.
3. Noncompliance material to financial statements noted? Yes.

Section II: Financial Statement Findings

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

Board of Supervisors

Material Weakness

Material Noncompliance

Finding 2015-001

The County should include discretely-presented component units within its financial statements.

Criteria:

Generally accepted accounting principles require the financial data for the County's discretely-presented component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for the County's legally separate component units.

Condition:

As reported in prior audit reports, the financial statements do not include the financial data of the legally separate component units.

Cause:

Management chooses to omit this information.

Effect/Possible Effect:

The Independent Auditor's Report on the discretely-presented component units is adverse because of the failure of the County to include this information alongside the financial data of the County's primary government resulting in the failure to properly follow generally accepted accounting principles.

Recommendation:

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

Response:

The Board of Supervisors will comply. However, based upon the volume of work that the component units generate, the Board elected not to include them.

Material Weakness
Material Noncompliance

Finding 2015-002
County signed warrants without sufficient funds.

Criteria:

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same.

Condition:

As reported in prior years' audit reports, warrants were issued on funds which did not have sufficient money to pay the warrants. As of September 30, 2015, the following funds had negative cash balances in the indicated amounts:

- a. General Fund - \$3,166,110
- b. Garbage and Solid Waste Fund - \$611,601
- c. Mapping and Reappraisal Fund - \$234,541

- d. CDC - Health Needs Assessments - \$353
- e. USDA Home Grants - \$19,277
- f. Farmers Market Promo - \$32,650
- g. E911 - \$47,587
- h. Fire Maintenance Fund - \$58,300
- i. CDBG Road Grant - \$55,749
- j. SW Illegal Dumping Enforcement - \$2,288
- k. Economic Development - \$10,162
- l. Jefferson County Road & Bridge Bond - \$264,763
- m. Jail Bond Interest & Sinking - \$18,508
- n. Jefferson County Water & Sewer - \$89,332
- o. Jefferson-Franklin Regional Correctional Facility - \$268,620

Cause:

Lacks of controls to ensure the signing of warrants or the delivery of warrants until there is sufficient money in the funds.

Effect/Possible Effect:

Failure to have sufficient cash balances in County funds prior to the signing and delivery of warrants on these funds resulted in the use of the cash balance of other funds for purposes other than their intended purpose. These types of transactions could result in the board of Supervisors being held personally liable for such amounts.

Recommendation:

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Response:

The Chancery Clerk's office, Board of Supervisors, as well as the County Administrator are currently working on ways to improve the financial management process of the County as it relates to issuing warrants without sufficient funds. Additionally, proper planning of spending and purchases will ensure that the County only makes necessary purchases and that these purchases are made during the months that the County receives the majority of their tax revenues.

Board of Supervisors

Significant Deficiency

Finding 2015-003

The County should implement a formal Information Security Policy.

Criteria:

A robust set of information technology policies should cover at least the following areas:

- ◆ Acceptable Use
- ◆ Portable Computing
- ◆ Change Management
- ◆ Encryption
- ◆ Security Incident Response
- ◆ Risk Management
- ◆ Backup and Recovery
- ◆ Business Continuity / Disaster Recovery

Condition:

As reported in the prior two audit periods, the County has not adopted a formal information security policy or enterprise security plan.

Cause:

No formal information security plan has been established.

Effect/Possible Effect:

The lack of a formal information security policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

Recommendation:

We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by the County Board of Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Response:

A security policy will be included in the upgrading process which has started. A plan of compliance will be developed and approved by the Board of Supervisors and made available to each employee using County owned computers.

Board of Supervisors

Significant Deficiency

Finding 2015-004

The County should establish and test a disaster recovery process.

Criteria:

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster.

Condition:

As reported in the prior two audit periods, the County has not established a disaster recovery process. As a result, Jefferson County cannot fully ensure that the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions.

Cause:

Jefferson County is currently using an automated system to perform daily back-ups for the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise.

Effect/Possible Effect:

Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalate the longer an exposure goes unmitigated. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

Recommendation:

We recommend that the County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

Response:

The County is in the process of upgrading its technology system and a disaster recovery plan is included in the upgrade.

Chancery Clerk

Significant Deficiency

Finding 2015-005

Internal controls over land redemption collections and settlements should be strengthened.

Criteria:

An effective system of internal control over land redemption collections and settlements should include reconciling land redemption cash balance to bank statements.

Condition:

As reported in the prior two audit reports, the Chancery Clerk has not been reconciling land redemption account bank statements. The September 2012 bank statement was the last reconciled bank statement noted. No bank statements since that date have been reconciled. As a result, reconciliations to cash journal balance at month-end could not be accurately performed. Whether sufficient cash was within the bank account to settle outstanding land redemption warrant claims could not be determined with any degree of accuracy.

Cause:

Inaction.

Effect/Possible Effect:

Failure to implement adequate controls over land redemption collections and settlements could lead to a loss of public funds.

Recommendation:

The Chancery Clerk should ensure controls are in place over land redemption collections and settlements in order to maintain accountability and safeguard these funds.

Response:

I will comply.

Justice Court Clerk

Material Weakness

Finding 2015-006

The Justice Court Clerk should properly identify all funds.

Criteria:

Section 27-105-371, Miss. Code Ann. (1972), requires that unidentifiable funds to be settled into the County's General Fund.

Condition:

As reported in the prior eight years' audit reports, an unknown balance exists in cash reconciled by the Justice Court Clerk. As of September 30, 2015, the balance of \$361,834 is unknown funds in the clearing account.

Cause:

Poor record keeping from several years ago predating the current Justice Court Clerk.

Effect/Possible Effect:

Failure to properly identify and account for all funds could result in the loss of public funds.

Recommendation:

The Justice Court Clerk should continue its effort to identify the proper recipients of these monies before settlement is made to the County.

Response:

I will comply with the recommendation that all monies and receipts of all money will be identified before settlement is made to the County. (I inherited this problem when I became clerk in 2009.)

Board of Supervisors

Significant Deficiency

Finding 2015-007

Attendance records should be used.

Criteria:

Attendance records are effective in determining if employee(s) are actually present on the job in which they are hired to perform.

Condition:

As reported in the prior two audit reports, formal attendance records or time cards are not required to be used. Employees only report leave and overtime. Time reports were not approved by department heads/supervisors.

Cause:

Inaction.

Effect/Possible Effect:

Failure to require use of formal attendance records could result in the loss or misappropriation of public funds.

Recommendation:

The Board of Supervisors should require the use of attendance records which are approved by the employee's supervisor/department head prior to processing payroll.

Response:

The County will start this process of requiring employees to sign in each day and have the supervisors of the various departments to approve sign in sheets and then submit them for payroll to be processed.