

JEFFERSON DAVIS COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2017

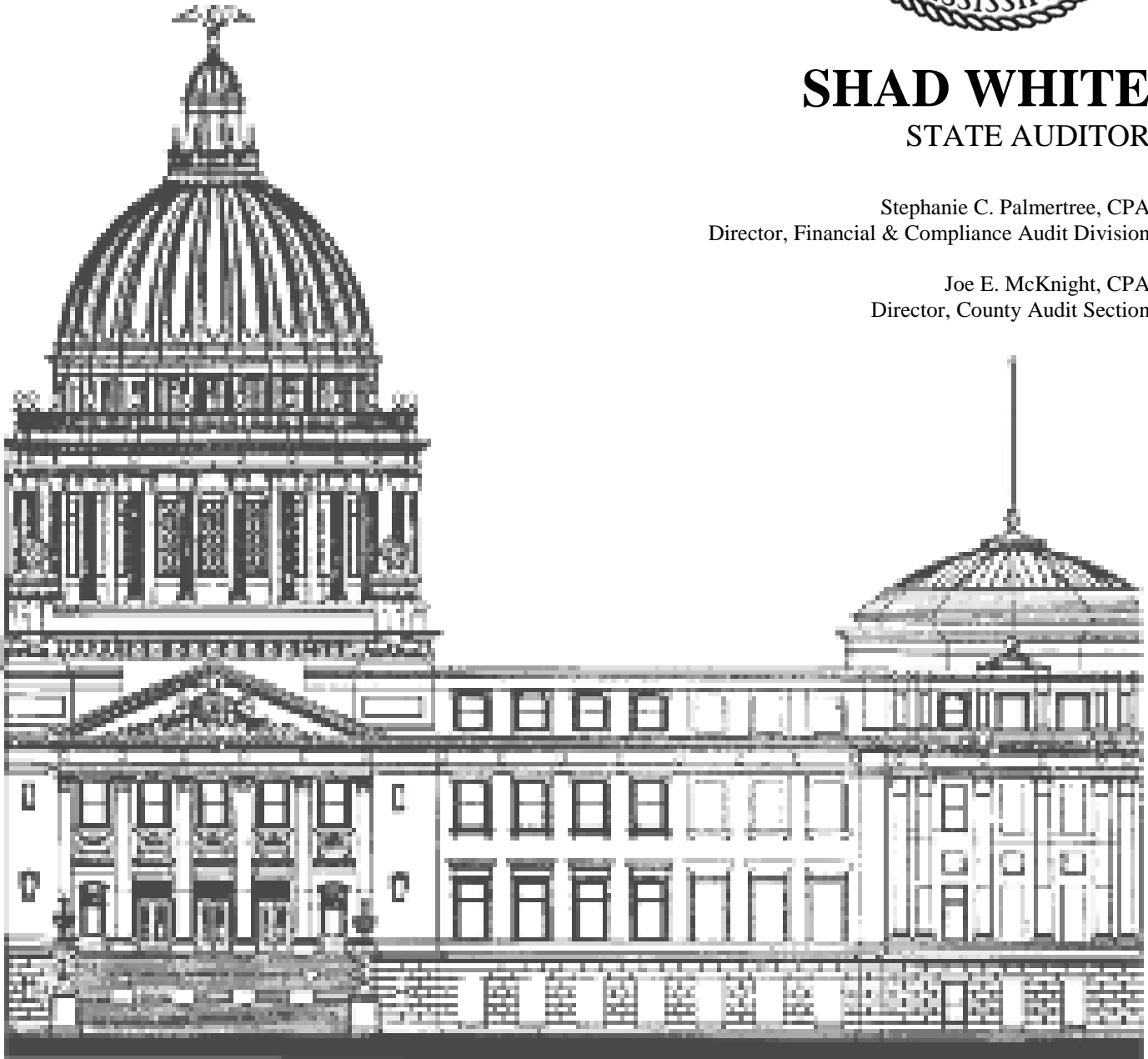


SHAD WHITE

STATE AUDITOR

Stephanie C. Palmertree, CPA
Director, Financial & Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

Shad White
AUDITOR

October 8, 2019

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2017 financial and compliance audit report for Jefferson Davis County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Jefferson Davis County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jefferson Davis County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a horizontal line.

Shad White

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL SECTION

JEFFERSON DAVIS COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Davis County, Mississippi, (the County) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the 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 the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 applicable to the County's cash basis of accounting 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 cash basis assets, net position, receipts, and disbursements of the aggregate discretely presented component units is not reasonably determinable.

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 cash basis financial position of the aggregate discretely presented component units of Jefferson Davis County, Mississippi, as of September 30, 2017, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of September 30, 2017, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Jefferson Davis County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson Davis County, Mississippi's basic financial statements. The accompanying Schedule of Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule 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 Budgetary Comparison Schedules, Schedule of Investments, Schedule of Interfund Loans, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2019 on our consideration of Jefferson Davis County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Jefferson Davis County, Mississippi's 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 Davis County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 8, 2019

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Statement of Net Position - Cash Basis
September 30, 2017

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 4,074,839
Total Assets	<u>4,074,839</u>
NET POSITION	
Restricted:	
Expendable:	
General government	12,113
Public safety	50,426
Public works	2,015,197
Culture and recreation	130,780
Debt service	266,337
Unemployment compensation	17,255
Unrestricted	<u>1,582,731</u>
Total Net Position	<u>\$ 4,074,839</u>

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

JEFFERSON DAVIS COUNTY
Statement of Activities - Cash Basis
For the Year Ended September 30, 2017

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,845,400	187,840	3,120		(2,654,440)
Public safety	1,789,663	195,069	114,216		(1,480,378)
Public works	2,731,488		572,756	247,966	(1,910,766)
Health and welfare	194,212		188,741		(5,471)
Culture and recreation	224,086				(224,086)
Education	103,078				(103,078)
Conservation of natural resources	109,702				(109,702)
Economic development and assistance	254,584				(254,584)
Purchase of investments	1,002,715				(1,002,715)
Debt service:					
Principal	140,665				(140,665)
Interest	41,410				(41,410)
Total Governmental Activities	\$ 9,437,003	382,909	878,833	247,966	(7,927,295)
General receipts:					
Property taxes				\$ 5,754,832	
Road & bridge privilege taxes				162,100	
Grants and contributions not restricted to specific programs				956,484	
Unrestricted interest income				8,213	
Miscellaneous				237,988	
Sale of investments				1,002,221	
Sale of county property				21,672	
Total General Receipts and Other Cash Sources				8,143,510	
Changes in Net Position					216,215
Net Position - Beginning					3,858,624
Net Position - Ending					\$ 4,074,839

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

JEFFERSON DAVIS COUNTY

Exhibit 3

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

September 30, 2017

	<u>Major Funds</u>				
	<u>General</u>	<u>Garbage and</u>	<u>District 4 Road</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Solid Waste</u>	<u>Maintenance</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Construction</u>	<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash	\$ 1,582,731	403,634	476,472	1,612,002	4,074,839
Total Assets	<u>\$ 1,582,731</u>	<u>403,634</u>	<u>476,472</u>	<u>1,612,002</u>	<u>4,074,839</u>
FUND BALANCES					
Restricted for:					
General government	\$			12,113	12,113
Public safety				50,426	50,426
Public works		403,634	476,472	1,135,091	2,015,197
Culture and recreation				130,780	130,780
Debt service				266,337	266,337
Unemployment compensation				17,255	17,255
Unassigned	<u>1,582,731</u>				<u>1,582,731</u>
Total Fund Balances	<u>\$ 1,582,731</u>	<u>403,634</u>	<u>476,472</u>	<u>1,612,002</u>	<u>4,074,839</u>

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

JEFFERSON DAVIS COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
 Governmental Funds
 For the Year Ended September 30, 2017

	Major Funds				
	General	Garbage and	District 4 Road	Other	Total
	Fund	Solid Waste	Maintenance	Governmental	Governmental
	Fund	Fund	Construction	Funds	Funds
RECEIPTS					
Property taxes	\$ 3,801,509	434,013	240,756	1,278,554	5,754,832
Road and bridge privilege taxes			34,041	128,059	162,100
Licenses, commissions and other receipts	95,904			2,681	98,585
Fines and forfeitures	103,685			4,200	107,885
Intergovernmental receipts	931,011	102,918	119,573	929,781	2,083,283
Charges for services	38,860			137,579	176,439
Interest income	5,841	504	573	1,295	8,213
Miscellaneous receipts	191,212	2,159	4,180	40,437	237,988
Total Receipts	<u>5,168,022</u>	<u>539,594</u>	<u>399,123</u>	<u>2,522,586</u>	<u>8,629,325</u>
DISBURSEMENTS					
General government	2,646,014			199,386	2,845,400
Public safety	1,582,597			207,066	1,789,663
Public works		536,625	352,548	1,842,315	2,731,488
Health and welfare	194,212				194,212
Culture and recreation	87,925			136,161	224,086
Education	103,078				103,078
Conservation of natural resources	109,702				109,702
Economic development and assistance	82,962			171,622	254,584
Debt service:					
Principal	8,118			132,547	140,665
Interest	5,267			36,143	41,410
Total Disbursements	<u>4,819,875</u>	<u>536,625</u>	<u>352,548</u>	<u>2,725,240</u>	<u>8,434,288</u>
Excess (Deficiency) of Receipts over (under) Disbursements	<u>348,147</u>	<u>2,969</u>	<u>46,575</u>	<u>(202,654)</u>	<u>195,037</u>
OTHER CASH SOURCES (USES)					
Sale of county property				21,672	21,672
Transfers in				185,782	185,782
Transfers out	(185,782)				(185,782)
Purchase of investments	(1,002,715)				(1,002,715)
Sale of investments	1,002,221				1,002,221
Total Other Cash Sources and Uses	<u>(186,276)</u>	<u>0</u>	<u>0</u>	<u>207,454</u>	<u>21,178</u>
Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses	<u>161,871</u>	<u>2,969</u>	<u>46,575</u>	<u>4,800</u>	<u>216,215</u>
Cash Basis Fund Balances - Beginning	<u>1,420,860</u>	<u>400,665</u>	<u>429,897</u>	<u>1,607,202</u>	<u>3,858,624</u>
Cash Basis Fund Balances - Ending	<u>\$ 1,582,731</u>	<u>403,634</u>	<u>476,472</u>	<u>1,612,002</u>	<u>4,074,839</u>

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

JEFFERSON DAVIS COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2017

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 498,697
Total Assets	\$ <u>498,697</u>
LIABILITIES	
Amounts held in custody for others	\$ 498,697
Total Liabilities	\$ <u>498,697</u>

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

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Jefferson Davis 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. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Jefferson Davis County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

The Statement of Net Position – Cash Basis presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities – Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program receipts 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 receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

each governmental function is self-financing or draws from the general receipts 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, fund balances, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

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 monies from specific sources that are restricted for garbage and solid waste.

District 4 Road Maintenance Construction Fund - This fund is used to account for monies from specific sources that are restricted for road maintenance.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPE

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement 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 disbursement for principal and interest.

FIDUCIARY FUND TYPES

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 classification 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.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

E. Deposits and Investments

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

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.

Unrestricted net position - All other net position not meeting the definition of "restricted."

Net Position Flow Assumption:

When a disbursement is paid 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 disbursements are paid 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.

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

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 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 disbursements paid 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 a disbursement is paid 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 disbursements are paid 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.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2017

G. Property Tax Receipts.

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. All property taxes are recognized as receipts when collected.

H. Changes in Accounting Standards.

The County implemented the following standard issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 77, *Tax Abatement Disclosures*. The provisions of this standard have been incorporated into the financial statements and notes.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2017, was \$4,573,536, and the bank balance was \$4,622,088. 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. 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). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2017:

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>185,782</u>

The principal purpose of interfund transfers was to provide funds for operations. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

(4) 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, 2017, to January 1, 2018. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(5) 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 disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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

(6) Related Organization.

The Jefferson Davis County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Prentiss/Jefferson Davis County Airport, but the County's accountability for this organization does not extend beyond making the appointment. The County contributed \$5,000 for the airport's support in fiscal year 2017.

(7) Joint Venture.

The County participates in the following joint venture:

Jefferson Davis County is a participant with Marion County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi. The County contributed \$135,500 for support of the library in fiscal year 2017.

(8) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Pearl River Valley Opportunity, Incorporated, operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Jefferson Davis County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The County contributed \$5,000 for support of the district in fiscal year 2017.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2017

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of directors. The County contributed \$36,600 for support of the district in fiscal year 2017.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Jefferson Davis County Board of Supervisors appoints two of the 16 members of the college board of trustees. The County contributed \$193,551 for maintenance and support of the college in fiscal year 2017.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributed \$19,000 for support of the district in fiscal year 2017.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of commissioners. The County contributed \$31,000 for support of the entity in fiscal year 2017.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Jefferson Davis County Board of Supervisors appoints one of the seven members of the board of directors. The County contributed \$19,374 for support of the district in fiscal year 2017.

(9) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2017, PERS members were required to contribute 9% of their annual covered salary, and the County was required to contribute at an actuarially determined rate. The rate at September 30, 2017, was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2017, 2016 and 2015 were \$385,007, \$383,953 and \$375,128 respectively, equal to the required contributions for each year.

(10) Tax Abatements.

As of September 30, 2017, Jefferson Davis County provides tax exempt status to two manufacturing companies and one network communications company subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for levies involving the school; the mandatory mill, and community college tax levies. These exemptions are authorized under Sections 27-31-101 and 27-31-104 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2017 totaled \$1,529,427.

JEFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Schedule of Operating Costs of Solid Waste
For the Year Ended September 30, 2017

Operating Disbursements, Cash Basis:

Salaries	\$	197,897
Expendable Commodities:		
Gasoline and petroleum products		38,303
Repair parts		10,303
Maintenance		5,365
Contractual services		150,287
Supplies		5,203
Equipment		<u>129,267</u>
Solid Waste Operating Costs Disbursements	\$	<u><u>536,625</u></u>

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

OTHER INFORMATION

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2017
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 3,856,500	3,801,509	3,801,509	
Licenses, commissions and other receipts	116,000	95,904	95,904	
Fines and forfeitures	115,000	103,685	103,685	
Intergovernmental receipts	750,000	931,011	931,011	
Charges for services	45,000	38,860	38,860	
Interest income	1,100	5,841	5,841	
Miscellaneous receipts	157,000	191,212	191,212	
Total Receipts	<u>5,040,600</u>	<u>5,168,022</u>	<u>5,168,022</u>	<u>0</u>
DISBURSEMENTS				
Current:				
General government	2,811,023	2,646,014	2,646,014	
Public safety	1,376,999	1,582,597	1,582,597	
Public works	5,000			
Health and welfare	203,006	194,212	194,212	
Culture and recreation	68,100	87,925	87,925	
Education	180,000	103,078	103,078	
Conservation of natural resources	107,690	109,702	109,702	
Economic development and assistance	65,200	82,962	82,962	
Debt service:				
Principal		8,118	8,118	
Interest		5,267	5,267	
Bond issue costs				
Total Disbursements	<u>4,817,018</u>	<u>4,819,875</u>	<u>4,819,875</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>223,582</u>	<u>348,147</u>	<u>348,147</u>	<u>0</u>
OTHER CASH SOURCES (USES)				
Transfers out		(185,782)	(185,782)	
Purchase of investments		(1,002,715)	(1,002,715)	
Sale of investments		1,002,221	1,002,221	
Other financing sources	400,000			
Other financing uses	(930,000)			
Total Other Cash Sources and Uses	<u>(530,000)</u>	<u>(186,276)</u>	<u>(186,276)</u>	<u>0</u>
Net Change in Fund Balance	(306,418)	161,871	161,871	0
Fund Balances - Beginning	<u>2,291,137</u>	<u>1,420,860</u>	<u>1,420,860</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,984,719</u>	<u>1,582,731</u>	<u>1,582,731</u>	<u>0</u>

The accompanying notes to the Other Information are an integral part of this schedule.

JEFFERSON DAVIS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Garbage and Solid Waste Fund
 For the Year Ended September 30, 2017
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 437,900	434,013	434,013	
Intergovernmental receipts		102,918	102,918	
Interest income	100	504	504	
Miscellaneous receipts	1,800	2,159	2,159	
Total Receipts	<u>439,800</u>	<u>539,594</u>	<u>539,594</u>	<u>0</u>
DISBURSEMENTS				
Current:				
Public works	<u>385,000</u>	<u>536,625</u>	<u>536,625</u>	
Total Disbursements	<u>385,000</u>	<u>536,625</u>	<u>536,625</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>54,800</u>	<u>2,969</u>	<u>2,969</u>	<u>0</u>
Net Change in Fund Balance	54,800	2,969	2,969	0
Fund Balances - Beginning	<u>375,000</u>	<u>400,665</u>	<u>400,665</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 429,800</u>	<u>403,634</u>	<u>403,634</u>	<u>0</u>

The accompanying notes to the Other Information are an integral part of this schedule.

JEFFERSON DAVIS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 District 4 Road Maintenance Construction Fund
 For the Year Ended September 30, 2017
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
RECEIPTS				
Property taxes	\$ 244,650	240,756	240,756	
Road and bridge privilege taxes	34,000	36,645	34,041	(2,604)
Intergovernmental receipts	125,000	119,573	119,573	
Interest income	175	573	573	
Miscellaneous receipts		4,180	4,180	
Total Receipts	<u>403,825</u>	<u>401,727</u>	<u>399,123</u>	<u>(2,604)</u>
DISBURSEMENTS				
Current:				
Public works	<u>736,000</u>	<u>352,548</u>	<u>352,548</u>	
Total Disbursements	<u>736,000</u>	<u>352,548</u>	<u>352,548</u>	<u>0</u>
Excess of Receipts over (under) Disbursements	<u>(332,175)</u>	<u>49,179</u>	<u>46,575</u>	<u>(2,604)</u>
Net Change in Fund Balance	(332,175)	49,179	46,575	(2,604)
Fund Balances - Beginning	<u>500,000</u>	<u>429,897</u>	<u>429,897</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 167,825</u>	<u>479,076</u>	<u>476,472</u>	<u>(2,604)</u>

The accompanying notes to the Other Information are an integral part of this schedule.

JEFFERSON DAVIS COUNTY
Schedule of Investments
For the Year Ended September 30, 2017
UNAUDITED

<u>Fund</u>	<u>Description</u>	<u>Beginning Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance October 1, 2016</u>	<u>Purchases</u>	<u>Redeemed</u>	<u>Balance September 30, 2017</u>
GENERAL FUND								
007 Severance Tax	Certificates of Deposit	10/21/15	10/15/16	0.050%	\$ 1,002,221		1,002,221	
007 Severance Tax	Certificates of Deposit	10/15/16	10/15/17	0.050%		1,002,715		1,002,715
Total General Fund					\$ 1,002,221	1,002,715	1,002,221	1,002,715
TOTAL GOVERNMENTAL FUNDS					\$ 1,002,221	1,002,715	1,002,221	1,002,715

JEFFERSON DAVIS COUNTY
Schedule of Interfund Loans
For the Year Ended September 30, 2017
UNAUDITED

The following is a summary of interfund balances at September 30, 2017:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Balance at <u>Sept. 30, 2017</u>
General Fund	Other Governmental Funds	\$ <u>2,166</u>

The amounts due are to correct posting errors. Interfund balances are expected to be repaid within one year from the date of the financial statements.

JEFFERSON DAVIS COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2017
UNAUDITED

Governmental activities:

	Balance Oct. 1, 2016	Additions	Deletions	Balance Sept. 30, 2017
Land	\$ 381,562	78,227		459,789
Infrastructure	49,047,465	717,986		49,765,451
Buildings	5,752,437			5,752,437
Improvements other than buildings	1,692,257			1,692,257
Mobile equipment	6,174,004	518,057	151,317	6,540,744
Furniture and equipment	1,125,129			1,125,129
Leased property under capital leases	229,600			229,600
Total capital assets	\$ 64,402,454	1,314,270	151,317	65,565,407

JEFFERSON DAVIS COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2017
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2017:

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2016	Principal Payments	Balance Sept. 30, 2017
Governmental Activities:						
A. General Obligation Bonds:						
Hospital bond	06/2003	07/2025	4.25%	\$ 832,609	86,647	745,962
B. Capital Leases:						
Tractor backhoe (2)	09/2014	09/2019	2.04%	140,558	45,900	94,658
C. Other Loans:						
Access road improvement	02/2014	02/2034	3.00%	<u>180,627</u>	<u>8,118</u>	<u>172,509</u>
Total				\$ <u>1,153,794</u>	<u>140,665</u>	<u>1,013,129</u>

The accompanying notes to the Other Information are an integral part of this schedule.

JEFFERSON DAVIS COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2017
UNAUDITED

Name	Position	Company	Bond
Mason Hollman, Jr.	Supervisor District 1	Western Surety Company	\$100,000
Charles W. Reid	Supervisor District 2	Western Surety Company	\$100,000
John H. Thompson	Supervisor District 3	Western Surety Company	\$100,000
Michael O. Evans	Supervisor District 4	Western Surety Company	\$100,000
Bobby R. Rushing	Supervisor District 5	Western Surety Company	\$100,000
Charlene Fairley	Chancery Clerk	Western Surety Company	\$100,000
Janice Bridges	Purchase Clerk	Western Surety Company	\$75,000
Abrilla Brumfield	Receiving Clerk	Western Surety Company	\$75,000
Jo Drake Arrington	Assistant Receiving Clerk	Western Surety Company	\$50,000
Roy Mitchell Smith	Assistant Receiving Clerk	Western Surety Company	\$50,000
Anna R. Keys	Assistant Receiving Clerk	Western Surety Company	\$50,000
Kelsea T. Brown	Assistant Receiving Clerk	Western Surety Company	\$50,000
Sherrie Lynn Weathersby	Assistant Receiving Clerk	Western Surety Company	\$50,000
Pat Evans	Inventory Control Clerk	Western Surety Company	\$75,000
Clint W. Langley	Circuit Clerk	Western Surety Company	\$100,000
Michelle Williams	Deputy Circuit Clerk	Western Surety Company	\$50,000
Debbie Dyess	Deputy Circuit Clerk	Western Surety Company	\$50,000
Ron Strickland	Sheriff	Western Surety Company	\$100,000
Zackary Jackson	Constable	Western Surety Company	\$50,000
Harold Rhodes	Constable	Western Surety Company	\$50,000
Ronald Barnes	Justice Court Judge	Western Surety Company	\$50,000
Calvin L. Graves	Justice Court Judge	Western Surety Company	\$50,000
Latonya Blanchard	Justice Court Clerk	Western Surety Company	\$50,000
Nicole Jones	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Anna R. Keys	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Kelly D. Ross Brown	Tax Assessor-Collector	Western Surety Company	\$100,000
Rosetta Ball	Deputy Tax Collector	Western Surety Company	\$50,000
Kristi Lee	Deputy Tax Collector	Western Surety Company	\$50,000
Melinda Harper	Deputy Tax Collector	Western Surety Company	\$50,000
Alesha S Williams	Deputy Tax Collector	Western Surety Company	\$50,000
Hidi Scanlan	Deputy Tax Collector	Western Surety Company	\$50,000

JEFFERSON DAVIS COUNTY

Notes to Other Information
For the Year Ended September 30, 2017

(1) Budgetary Comparison Information.

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund.

(2) Long-term Debt Information:

A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2017, the amount of outstanding debt was equal to less than one percent of the latest property assessments.

C. Subsequent Events.

Subsequent to September 30, 2017, the County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/08/2017	2.61%	\$ 500,000	Loan	Ad valorem taxes

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SPECIAL REPORTS

JEFFERSON DAVIS COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson Davis County, Mississippi (the County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 8, 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 applicable to the County's cash basis of accounting 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 Davis County, Mississippi'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 Jefferson Davis County, Mississippi'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 have not been 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 as 2017-001, 2017-003 and 2017-007 to be material weaknesses.

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 as 2017-002, 2017-004, 2017-005 and 2017-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Davis 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Jefferson Davis County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated October 8, 2019, included within this document.

Jefferson Davis County's Responses to Findings

Jefferson Davis County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Jefferson Davis 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 result 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 8, 2019



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

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

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have examined Jefferson Davis 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, 2017. The Board of Supervisors of Jefferson Davis 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 Davis County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory 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 Davis County, Mississippi complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2017.

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.

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

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 8, 2019

JEFFERSON DAVIS COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2017

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

JEFFERSON DAVIS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2017

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
9/5/2017	Bridge piling	\$ 7,000	Pearl River Paving Co.	Bridge repair on Candy Lane

JEFFERSON DAVIS COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2017

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

JEFFERSON DAVIS COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
SHAD WHITE
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

In planning and performing our audit of the financial statements of Jefferson Davis County, Mississippi (the County) for the year ended September 30, 2017, we considered Jefferson Davis County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jefferson Davis County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 8, 2019, on the financial statements of Jefferson Davis County, Mississippi.

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

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

Chancery Clerk.

1. The Chancery Clerk deducted unallowable expenses on the Annual Financial Report.

Repeat Finding Yes

Criteria Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000 after making deductions for employee salaries and related salary expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15th for the preceding calendar year.

Condition As reported in the prior year's audit report, the Chancery Clerk claimed \$2,661 in unallowable expenses on the 2017 Annual Financial Report.

Cause	The Chancery Clerk did not follow state laws.
Effect	Failure to claim only allowable expenses on the Annual Financial Report resulted in the Chancery Clerk overstating expenses by \$2,661.
Recommendation	The Chancery Clerk should ensure that only allowable expenses are claimed on his Annual Financial Report.
Views of Responsible Official(s)	Will comply.
2.	<u>The Chancery Clerk should reconcile bank statements for land redemption on a monthly basis.</u>
Repeat Finding	Yes
Criteria	An effective system of internal control over cash should include the reconciliation of land redemption bank accounts on a monthly basis.
Condition	As reported in the prior two years' audit reports, the bank statements for the land redemption account were not reconciled. During a cash count on November 11, 2018, an unidentified overage was noted in the amount of \$1,864 in the land redemption bank account.
Cause	The Chancery Clerk did not have the necessary internal controls over cash.
Effect	The failure to reconcile the land redemption bank account on a monthly basis could result in the loss or misappropriation of public funds.
Recommendation	The Chancery Clerk should implement a system that ensures the land redemption bank account is reconciled on a monthly basis.
Views of Responsible Official(s)	I will comply.
Circuit Clerk.	
3.	<u>The Circuit Clerk deducted unallowed expenses on the Annual Financial Report.</u>
Repeat Finding	No
Criteria	Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15 th for the preceding calendar year.
Condition	The Circuit Clerk claimed \$3,280 in unallowable expenses on the 2017 Annual Financial Report.
Cause	The Circuit Clerk did not follow state laws.
Effect	Failure to claim only allowable expenses on the Annual Financial Report resulted in the Circuit Clerk overstating expenses by \$3,280.
Recommendation	The Circuit Clerk should ensure that only allowable expenses are claimed on the Annual Financial Report.
Views of Responsible Official(s)	I understand it is not allowable.

Jefferson Davis 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.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

October 8, 2019

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2017

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|---|------------|
| 1. Type of auditor's report issued on the financial statements: | |
| Governmental activities | Unmodified |
| Aggregate discretely presented component units | Adverse |
| General Fund | Unmodified |
| Garbage and Solid Waste Fund | Unmodified |
| District 4 Road Maintenance Construction Fund | Unmodified |
| Aggregate remaining fund information | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified? | Yes |
| 3. Noncompliance material to the financial statements noted? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2017-001. Various part-time employees paid as full-time employees.

Repeat Finding No

Criteria According to the Public Employees' Retirement System of Mississippi (PERS) Regulation, Title 27, Part 210, Chapter 36, any person who works half time or more based on a full-time equivalent position and whose employment is anticipated to exceed four and one-half consecutive months shall be covered, whether probationary or otherwise.

Condition According to test work performed, it was noted that numerous employees who worked consistently over twenty hours a week were considered part-time employees by the County. These employees were eligible to participate in PERS; however, the County did not contribute to PERS on their behalf.

Cause The County did not follow the regulation set forth by PERS.

Effect Failure to transition employees to full-time status breaks the contractual obligation made to PERS, and retirement settled to PERS could be directly understated as a result.

Recommendation The County should transition employees working over twenty hours a week to full-time status.

Views of Responsible Official(s) We will comply.

Significant Deficiency

2017-002.	<u>Internal controls over cash should be strengthened.</u>
Repeat Finding	No
Criteria	An effective system of internal control over cash should include the reconciliation of all bank accounts on a monthly basis and the proper recording of cash disbursements in the general ledger.
Condition	Results of tests performed indicated that the County's general ledger did not include several disbursements made from the Sheriff's USDA Fund. Also, the bank account was not reconciled.
Cause	The County lacks the necessary control procedures needed over cash.
Effect	The failure to reconcile all bank accounts and record all disbursements could result in the misappropriation of public funds.
Recommendation	The Board of Supervisors should implement internal controls to ensure that all bank accounts are reconciled and to ensure all funds disbursed are recorded in the general ledger.
Views of Responsible Official(s)	We will comply.

Board of Supervisors and Payroll Clerk.**Material Weakness**

2017-003.	<u>Internal controls over the payroll function should be strengthened.</u>
Repeat Finding	No
Criteria	An effective system of internal control over the county payroll function should include proper segregation of duties and timely reconciliations of the payroll bank account.
Condition	During our tests of the payroll system, it was noted that the Payroll Clerk had the authorization to process payroll checks, setup new employees, change pay rates, and reconcile the bank statement. Additionally, it was noted that the account had not been reconciled for several months.
Cause	The County did not have adequate controls over the payroll function.
Effect	Without proper segregation of duties, erroneous payments could be made without being detected resulting in the loss or misappropriation of public funds.
Recommendation	The Board of Supervisors should ensure that personnel processing payroll checks do not also have authority to reconcile the account, and the reconciliation of said account must be performed timely.
Views of Responsible Official(s)	We will comply with recommendations.

Chancery Clerk and Board of Supervisors.**Significant Deficiency**

2017-004.	<u>The Chancery Clerk should strengthen controls over payroll.</u>
Repeat Finding	No

Criteria	An effective system of internal control should include the timely reimbursement of all payroll expenses to the Board of Supervisors.
Condition	The following issues were noted regarding the Chancery Clerk's payroll system: <ul style="list-style-type: none"> a. The Chancery Clerk's payroll was being processed out of the General Fund. b. Reimbursements were not being made before the payroll was run by the County. c. The Chancery Clerk failed to reimburse the Board of Supervisors payroll expenses in the amount of \$7,179, which is considered to be an interest free loan.
Cause	The Chancery Clerk did not have the necessary controls needed over payroll.
Effect	The failure to maintain a separate fund for the Chancery Clerk's payroll and reimburse all payroll expenses could result in the loss of public funds.
Recommendation	The Chancery Clerk should ensure a separate fund is maintained for the Clerk's employees. Additionally, reimbursements should be made in full before the payroll is run.
Views of Responsible Official(s)	We will comply.
Auditor's Note	The Chancery Clerk reimbursed the County for all payroll expenses as evidenced by receipt warrant number 16590 on November 1, 2018 in the amount of \$2,145.98, receipt warrant number 16765 on February 20, 2019 in the amount of \$2,000, and receipt warrant number 17088 on September 5, 2019 in the amount of \$3,033.34.

Circuit Clerk.

Significant Deficiency

2017-005. The Circuit Clerk's Office should make timely deposits.

Repeat Finding Yes

Criteria An effective system of internal control over cash requires that timely bank deposits be made.

Condition As reported in the prior three years' audit reports, the Circuit Clerk failed to make timely deposits throughout the fiscal year.

Cause The Circuit Clerk lacked the necessary internal controls over cash.

Effect The failure to make timely deposits could result in the loss or misappropriation of public funds.

Recommendation The Circuit Clerk should implement internal controls to ensure that timely bank deposits are made.

Views of Responsible Official(s) I understand I need to make deposits at least weekly.

Sheriff.

Significant Deficiency

2017-006. Sheriff's Office is not making deposits daily.

Repeat Finding Yes

Criteria Management is responsible for establishing a proper internal control system to ensure a strong financial accountability and safeguarding of assets and revenue.

Condition	As reported in the prior three years' audit reports, during our test of internal controls of the Sheriff's Office receipts, we noted receipts were not deposited in a timely manner.
Cause	This is due to inadequate controls surrounding the depositing of revenue collected in the Sheriff's Office.
Effect	Inadequate controls surrounding the deposits of revenue collections could result in theft of assets and improper revenue recognition.
Recommendation	We recommend that all revenue collected in the Sheriff's Office be deposited daily.
Views of Responsible Official(s)	I, Sheriff Ron Strickland, will comply.
Tax Assessor-Collector.	
Material Weakness	
2017-007.	<u>Controls over the Tax Assessor-Collector's cash journal should be strengthened.</u>
Repeat Finding	No
Criteria	An effective system of internal control over the collection, recording, and disbursement of cash should include maintaining a cash journal.
Condition	<p>The cash journal was not properly maintained. We noted the following problems in the Tax Assessor-Collector's office:</p> <ul style="list-style-type: none"> d. A cash count on December 3, 2018 revealed an unidentified overage of \$3,043 in the Tax Assessor-Collector's bank account. e. The Tax Assessor-Collector is not reconciling the bank statement to the cash journal. f. Receipts have not been entered into the cash journal as of the date of the cash count. g. Cash and check totals on the daily check-up sheets examined do not agree with deposit slips.
Cause	The Tax Assessor-Collector lacked the necessary internal controls over cash.
Effect	Failure in properly maintain the cash journal could result in incorrect settlements and the loss of public funds.
Recommendation	The Tax Assessor-Collector should ensure that the cash journal is properly maintained and that the bank statements are properly reconciled to the cash journal. Additionally, the unidentified overage should be settled to the Board of Supervisors.
Views of Responsible Official(s)	I will make sure all journals are updated and have a list of NSF. Also, I will be working with the County's contracted CPA.