

JEFFERSON DAVIS COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2019



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

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

Shad White
AUDITOR

March 16, 2021

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2019 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, 2019, 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, 2019, 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, 2019, 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 as a whole.

The Budgetary Comparison Schedules, Schedule of Investments, Schedule of Interfund Advances, 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 March 16, 2021 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 fluid and cursive, with the first name "Joe" and last name "McKnight" clearly legible.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 16, 2021

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, 2019

Exhibit 1

| | Primary Government |
|---------------------------|---------------------|
| | Governmental |
| | Activities |
| ASSETS | |
| Cash | \$ 3,970,293 |
| Total Assets | <u>3,970,293</u> |
| NET POSITION | |
| Restricted: | |
| Expendable: | |
| General government | 42,436 |
| Public safety | 23,208 |
| Public works | 2,112,253 |
| Culture and recreation | 145,580 |
| Debt service | 405,229 |
| Unemployment compensation | 17,255 |
| Unrestricted | <u>1,224,332</u> |
| Total Net Position | <u>\$ 3,970,293</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, 2019

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 | \$ 2,972,054 | 173,368 | 86,166 | | (2,712,520) |
| Public safety | 1,937,926 | 171,340 | 132,478 | | (1,634,108) |
| Public works | 3,706,491 | | 475,831 | 268,036 | (2,962,624) |
| Health and welfare | 176,907 | | 23,467 | | (153,440) |
| Culture and recreation | 158,104 | | | | (158,104) |
| Education | 258,640 | | | | (258,640) |
| Conservation of natural resources | 105,907 | | | | (105,907) |
| Economic development and assistance | 67,441 | | | | (67,441) |
| Purchase of investments | 1,024,598 | | | | (1,024,598) |
| Debt service: | | | | | |
| Principal | 242,119 | | | | (242,119) |
| Interest | 46,497 | | | | (46,497) |
| Total Governmental Activities | \$ 10,696,684 | 344,708 | 717,942 | 268,036 | (9,365,998) |
| General receipts: | | | | | |
| Property taxes | | | | \$ | 6,351,461 |
| Road & bridge privilege taxes | | | | | 161,649 |
| Grants and contributions not restricted to specific programs | | | | | 614,972 |
| Unrestricted interest income | | | | | 22,595 |
| Miscellaneous | | | | | 111,384 |
| Sale of county property | | | | | 3,176 |
| Sale of investments | | | | | 1,016,437 |
| Total General Receipts and Other Cash Sources | | | | | 8,281,674 |
| Changes in Net Position | | | | | (1,084,324) |
| Net Position - Beginning | | | | | 5,054,617 |
| Net Position - Ending | | | | \$ | 3,970,293 |

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

JEFFERSON DAVIS COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
September 30, 2019

Exhibit 3

| | <u>Major Funds</u> | | | | |
|---------------------------|---------------------|--------------------|------------------------|---------------------|---------------------|
| | <u>General</u> | <u>Garbage and</u> | <u>District 3 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>Construction</u> | <u>Funds</u> | <u>Funds</u> |
| | | | <u>Fund</u> | | |
| ASSETS | | | | | |
| Cash | \$ 1,224,332 | 360,210 | 429,261 | 1,956,490 | 3,970,293 |
| Total Assets | <u>\$ 1,224,332</u> | <u>360,210</u> | <u>429,261</u> | <u>1,956,490</u> | <u>3,970,293</u> |
| FUND BALANCES | | | | | |
| Restricted for: | | | | | |
| General government | \$ | | | 42,436 | 42,436 |
| Public safety | | | | 23,208 | 23,208 |
| Public works | | 360,210 | 429,261 | 1,322,782 | 2,112,253 |
| Culture and recreation | | | | 145,580 | 145,580 |
| Debt service | | | | 405,229 | 405,229 |
| Unemployment compensation | | | | 17,255 | 17,255 |
| Unassigned | 1,224,332 | | | | 1,224,332 |
| Total Fund Balances | <u>\$ 1,224,332</u> | <u>360,210</u> | <u>429,261</u> | <u>1,956,490</u> | <u>3,970,293</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, 2019

| | Major Funds | | | | |
|-------------------------------------------------------------------------------------------------------------|-----------------|------------------------------------|---------------------------------------------------------|--------------------------------|--------------------------------|
| | General Fund | Garbage and Solid Waste Fund | District 3 Road Maintenance/ Construction Fund | Other Governmental Funds | Total Governmental Funds |
| RECEIPTS | | | | | |
| Property taxes | \$ 4,063,748 | 453,647 | 240,427 | 1,593,639 | 6,351,461 |
| Road and bridge privilege taxes | | | 32,330 | 129,319 | 161,649 |
| Licenses, commissions and other receipts | 92,297 | | | 2,584 | 94,881 |
| Fines and forfeitures | 90,893 | | | | 90,893 |
| Intergovernmental receipts | 724,118 | 4,640 | 118,958 | 753,234 | 1,600,950 |
| Charges for services | 27,918 | 1,200 | | 129,816 | 158,934 |
| Interest income | 16,094 | 1,159 | 1,275 | 4,067 | 22,595 |
| Miscellaneous receipts | 103,306 | 34 | | 8,044 | 111,384 |
| Total Receipts | 5,118,374 | 460,680 | 392,990 | 2,620,703 | 8,592,747 |
| DISBURSEMENTS | | | | | |
| General government | 2,773,182 | | | 198,872 | 2,972,054 |
| Public safety | 1,761,111 | | | 176,815 | 1,937,926 |
| Public works | 501,169 | 549,939 | 379,351 | 2,276,032 | 3,706,491 |
| Health and welfare | 176,907 | | | | 176,907 |
| Culture and recreation | 61,605 | | | 96,499 | 158,104 |
| Education | 258,640 | | | | 258,640 |
| Conservation of natural resources | 105,907 | | | | 105,907 |
| Economic development and assistance | 67,441 | | | | 67,441 |
| Debt service: | | | | | |
| Principal | 8,518 | | | 233,601 | 242,119 |
| Interest | 4,868 | | | 41,629 | 46,497 |
| Total Disbursements | 5,719,348 | 549,939 | 379,351 | 3,023,448 | 9,672,086 |
| Excess (Deficiency) of Receipts over (under) Disbursements | (600,974) | (89,259) | 13,639 | (402,745) | (1,079,339) |
| OTHER CASH SOURCES (USES) | | | | | |
| Sale of county property | 675 | | | 2,501 | 3,176 |
| Transfers in | | | | 20,000 | 20,000 |
| Transfers out | (20,000) | | | | (20,000) |
| Purchase of investments | (1,024,598) | | | | (1,024,598) |
| Sale of investments | 1,016,437 | | | | 1,016,437 |
| Total Other Cash Sources and Uses | (27,486) | 0 | 0 | 22,501 | (4,985) |
| Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses | (628,460) | (89,259) | 13,639 | (380,244) | (1,084,324) |
| Cash Basis Fund Balances - Beginning | 1,852,792 | 449,469 | 415,622 | 2,336,734 | 5,054,617 |
| Cash Basis Fund Balances - Ending | \$ 1,224,332 | 360,210 | 429,261 | 1,956,490 | 3,970,293 |

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, 2019

Exhibit 5

| | Agency Funds |
|------------------------------------|-------------------|
| ASSETS | |
| Cash | \$ 404,815 |
| Total Assets | \$ <u>404,815</u> |
| LIABILITIES | |
| Amounts held in custody for others | \$ 404,815 |
| Total Liabilities | \$ <u>404,815</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 the Financial Statements For the Year Ended September 30, 2019

(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 each governmental function is self-financing or draws from the general receipts of the County.

JEFFERSON DAVIS COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2019

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 3 Road Maintenance/Construction Fund - This fund is used to account for monies from specific sources that are restricted for district three road maintenance and construction.

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 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 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 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 the Financial Statements For the Year Ended September 30, 2019

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 the Financial Statements
For the Year Ended September 30, 2019

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.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2019, was \$4,375,108, and the bank balance was \$4,494,213. 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, 2019:

Transfers In/Out:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|--------------------------|----------------------|------------------|
| Other Governmental Funds | General Fund | \$ <u>20,000</u> |

The principal purpose of interfund transfers was to provide operating funds for the E-911 fund. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(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

JEFFERSON DAVIS COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2019

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, 2019, to January 1, 2020. 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 2019.

(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 majority of the 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 \$95,500 for support of the library in fiscal year 2019.

(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 provided no support to the district in fiscal year 2019.

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 \$35,000 for support of the district in fiscal year 2019.

JEFFERSON DAVIS COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2019

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 \$201,466 for maintenance and support of the college in fiscal year 2019.

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 2019.

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 2019.

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 \$19,623 for support of the district in fiscal year 2019.

(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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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, 2019, 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 rate at September 30, 2019 was 17.40% 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, 2019, 2018 and 2017 were \$431,261, \$390,515, and \$385,007, respectively, equal to the required contributions for each year.

(10) Tax Abatements.

As of September 30, 2019, 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 2019 totaled \$ 1,478,055.

JEFFERSON DAVIS COUNTY

SUPPLEMENTARY INFORMATION

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Schedule of Operating Costs of Solid Waste
For the Year Ended September 30, 2019

Operating Disbursements, Cash Basis:

| | | |
|-------------------------------------------|----|-----------------------|
| Salaries | \$ | 261,546 |
| Expendable Commodities: | | |
| Gasoline and petroleum products | | 48,166 |
| Repair parts | | 4,903 |
| Capital outlay | | 121,939 |
| Maintenance | | 3,745 |
| Contractual services | | 105,677 |
| Supplies | | <u>3,962</u> |
| Solid Waste Operating Costs Disbursements | \$ | <u><u>549,938</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, 2019
UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|-------------------------------------------------------------------------------------------------------------|---------------------|------------------|--------------------------------|---------------------------------------------------------|
| RECEIPTS | | | | |
| Property taxes | \$ 3,972,113 | 4,063,748 | 4,063,748 | |
| Licenses, commissions and other receipts | 99,000 | 92,297 | 92,297 | |
| Fines and forfeitures | 106,900 | 90,893 | 90,893 | |
| Intergovernmental receipts | 896,658 | 724,118 | 724,118 | |
| Charges for services | 48,200 | 27,918 | 27,918 | |
| Interest income | 4,825 | 16,094 | 16,094 | |
| Miscellaneous receipts | 206,000 | 103,306 | 103,306 | |
| Total Receipts | <u>5,333,696</u> | <u>5,118,374</u> | <u>5,118,374</u> | <u>0</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| General government | 2,887,962 | 2,773,182 | 2,773,182 | |
| Public safety | 1,405,403 | 1,761,111 | 1,761,111 | |
| Public works | 5,000 | 501,169 | 501,169 | |
| Health and welfare | 199,806 | 176,907 | 176,907 | |
| Culture and recreation | 69,100 | 61,605 | 61,605 | |
| Education | 195,000 | 258,640 | 258,640 | |
| Conservation of natural resources | 108,660 | 105,907 | 105,907 | |
| Economic development and assistance | 68,200 | 67,441 | 67,441 | |
| Debt service: | | | | |
| Principal | | 8,518 | 8,518 | |
| Interest | | 4,868 | 4,868 | |
| Total Disbursements | <u>4,939,131</u> | <u>5,719,348</u> | <u>5,719,348</u> | <u>0</u> |
| Excess (Deficiency) of Receipts over (under) Disbursements | <u>394,565</u> | <u>(600,974)</u> | <u>(600,974)</u> | <u>0</u> |
| OTHER CASH SOURCES (USES) | | | | |
| Purchase of investments | | (1,024,598) | (1,024,598) | |
| Sale of investments | | 1,016,437 | 1,016,437 | |
| Sale of county property | | 675 | 675 | |
| Transfers out | | (20,000) | (20,000) | |
| Other financing uses | <u>(555,000)</u> | | | |
| Total Other Cash Sources and Uses | <u>(555,000)</u> | <u>(27,486)</u> | <u>(27,486)</u> | <u>0</u> |
| Excess (Deficiency) of Receipts and other Cash Sources over (under) Disbursements and other Cash Uses | <u>(160,435)</u> | <u>(628,460)</u> | <u>(628,460)</u> | <u>0</u> |
| Cash Basis Fund Balances - Beginning | <u>2,703,610</u> | <u>1,852,792</u> | <u>1,852,792</u> | <u>0</u> |
| Cash Basis Fund Balances - Ending | <u>\$ 2,543,175</u> | <u>1,224,332</u> | <u>1,224,332</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, 2019
 UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---------------------------------------------------------------|--------------------|-----------------|--------------------------------|---------------------------------------------------------|
| RECEIPTS | | | | |
| Property taxes | \$ 447,695 | 453,647 | 453,647 | |
| Intergovernmental receipts | 2,636 | 4,640 | 4,640 | |
| Charges for services | 400 | 1,200 | 1,200 | |
| Interest income | | 1,159 | 1,159 | |
| Miscellaneous receipts | 1,200 | 34 | 34 | |
| Total Receipts | <u>451,931</u> | <u>460,680</u> | <u>460,680</u> | <u>0</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| Public works | <u>435,000</u> | <u>549,939</u> | <u>549,939</u> | |
| Total Disbursements | <u>435,000</u> | <u>549,939</u> | <u>549,939</u> | <u>0</u> |
| Excess (Deficiency) of Receipts over (under) Disbursements | <u>16,931</u> | <u>(89,259)</u> | <u>(89,259)</u> | <u>0</u> |
| Cash Basis Fund Balances - Beginning | <u>430,000</u> | <u>449,469</u> | <u>449,469</u> | <u>0</u> |
| Cash Basis Fund Balances - Ending | <u>\$ 446,931</u> | <u>360,210</u> | <u>360,210</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 3 Road Maintenance/Construction Fund
 For the Year Ended September 30, 2019
 UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---------------------------------------------------------------|--------------------|-----------------|--------------------------------|---------------------------------------------------------|
| RECEIPTS | | | | |
| Property taxes | \$ 235,562 | 240,427 | 240,427 | |
| Road and bridge privilege taxes | 32,000 | 32,330 | 32,330 | |
| Intergovernmental receipts | 117,000 | 118,958 | 118,958 | |
| Interest income | 400 | 1,275 | 1,275 | |
| Total Receipts | <u>384,962</u> | <u>392,990</u> | <u>392,990</u> | <u>0</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| Public works | <u>573,000</u> | <u>379,351</u> | <u>379,351</u> | |
| Total Disbursements | <u>573,000</u> | <u>379,351</u> | <u>379,351</u> | <u>0</u> |
| Excess (Deficiency) of Receipts over (under) Disbursements | <u>(188,038)</u> | <u>13,639</u> | <u>13,639</u> | <u>0</u> |
| Cash Basis Fund Balances - Beginning | <u>250,000</u> | <u>415,622</u> | <u>415,622</u> | <u>0</u> |
| Cash Basis Fund Balances - Ending | <u>\$ 61,962</u> | <u>429,261</u> | <u>429,261</u> | <u>0</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, 2019
UNAUDITED

| Fund | Description | Beginning Date | Maturity Date | Interest Rate | Balance October 1, 2018 | Purchases | Redeemed Sales | Balance September 30, 2019 |
|--------------------------|-------------------------|-------------------|------------------|------------------|----------------------------|-----------|----------------|-------------------------------|
| GENERAL FUND | | | | | | | | |
| 007 Severance Tax | Certificates of Deposit | 10/15/17 | 10/15/18 | 0.05% | \$ 1,016,437 | | 1,016,437 | |
| 007 Severance Tax | Certificates of Deposit | 10/15/18 | 10/15/19 | 0.05% | | 1,024,598 | | 1,024,598 |
| Total General Fund | | | | | \$ 1,016,437 | 1,024,598 | 1,016,437 | 1,024,598 |
| TOTAL GOVERNMENTAL FUNDS | | | | | \$ 1,016,437 | 1,024,598 | 1,016,437 | 1,024,598 |

JEFFERSON DAVIS COUNTY
Schedule of Interfund Advances
For the Year Ended September 30, 2019
UNAUDITED

The following is a summary of interfund balances at September 30, 2019:

A. Advances From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Balance at Sept. 30, 2019</u> |
|--------------------------|------------------------------|--------------------------------------|
| General Fund | Other Governmental Funds | \$ 2,166 |
| Other Governmental Funds | Garbage and Solid Waste Fund | <u>2,549</u> |
| Total | | <u>\$ 4,715</u> |

The amounts due are to correct posting errors in prior years.

JEFFERSON DAVIS COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2019
UNAUDITED

Governmental activities:

| | Balance Oct. 1, 2018 | Additions | Deletions | Adjustments* | Balance Sept. 30, 2019 |
|--------------------------------------|-------------------------|-----------|-----------|--------------|---------------------------|
| Land | \$ 459,789 | | | | 459,789 |
| Infrastructure | 50,209,868 | 1,078,845 | | | 51,288,713 |
| Buildings | 5,752,437 | | | | 5,752,437 |
| Improvements other than buildings | 1,692,257 | | | | 1,692,257 |
| Mobile equipment | 6,552,895 | 185,281 | 107,954 | 229,600 | 6,859,822 |
| Furniture and equipment | 1,125,129 | 264,544 | | | 1,389,673 |
| Leased property under capital leases | 229,600 | | | (229,600) | 0 |
| Total capital assets | \$ 66,021,975 | 1,528,670 | 107,954 | 0 | 67,442,691 |

* Adjustments to capital assets were to reclassify paid-off leased property under capital leases to mobile equipment.

JEFFERSON DAVIS COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2019
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2019:

| Description and Purpose | Issue Date | Maturity Date | Interest Rate | Balance Oct. 1, 2018 | Principal Payments | Balance Sept. 30, 2019 |
|---------------------------------|------------|---------------|---------------|-------------------------|-----------------------|---------------------------|
| Governmental Activities: | | | | | | |
| A. General Obligation Bonds: | | | | | | |
| Hospital bond | 06/2003 | 04/2025 | 4.25% | \$ 659,695 | 89,933 | 569,762 |
| B. Capital Leases: | | | | | | |
| Tractor backhoe (2) | 09/2014 | 09/2019 | 2.04% | 47,710 | 47,710 | |
| C. Other Loans: | | | | | | |
| Access road improvement | 02/2014 | 02/2034 | 3.00% | 164,358 | 8,517 | 155,841 |
| Road and bridge construction | 11/2017 | 05/2022 | 2.61% | 399,770 | 95,959 | 303,811 |
| Total | | | | \$ 1,271,533 | 242,119 | 1,029,414 |

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, 2019
UNAUDITED

| Name | Position | Company | Bond |
|-------------------------|--------------------------------------|------------------------|-----------|
| Mason Holliman, Jr. | Supervisor District 1 | Western Surety Company | \$100,000 |
| Charles W. Reid | Supervisor District 2 | Western Surety Company | \$100,000 |
| Demarrio Sanchez Booth | Supervisor District 3 | Western Surety Company | \$100,000 |
| Terry Wade Mathis | 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 District 1 | Western Surety Company | \$50,000 |
| Roy Mitchell Smith | Assistant Receiving Clerk District 2 | Western Surety Company | \$50,000 |
| Anna R. Keys | Assistant Receiving Clerk District 3 | Western Surety Company | \$50,000 |
| Nicole Jones | Assistant Receiving Clerk District 4 | Western Surety Company | \$50,000 |
| Sherrie Lynn Weathersby | Assistant Receiving Clerk District 5 | 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 |
| Harold Rhodes | Constable | Western Surety Company | \$50,000 |
| Michael Edward Davis | 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 Collector-Assessor | 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 Assessor | Western Surety Company | \$50,000 |
| Alesha S Williams | Deputy Tax Collector | Western Surety Company | \$50,000 |

JEFFERSON DAVIS COUNTY

Notes to Other Information For the Year Ended September 30, 2019 UNAUDITED

(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, 2019, the amount of outstanding debt was equal to less than one percent of the latest property assessments.

B. Subsequent Events.

Subsequent to September 30, 2019, the County issued the following debt obligations:

| <u>Issue Date</u> | <u>Interest Rate</u> | | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u> |
|-------------------|----------------------|----|---------------------|--------------------------|----------------------------|
| 03/26/2020 | 2.34% | \$ | 77,074 | Capital lease | Ad valorem taxes |
| 03/26/2020 | 2.37% | | 77,074 | Capital lease | Ad valorem taxes |
| 05/28/2020 | 2.37% | | 92,371 | Capital lease | Ad valorem taxes |
| 06/08/2020 | 2.37% | | 112,769 | Capital lease | Ad valorem taxes |
| 08/14/2020 | 1.74% | | 116,692 | Capital lease | 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 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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 16, 2021. 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 2019-001, 2019-002 and 2019-006 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 2019-003, 2019-004, 2019-005 and 2019-007 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 Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated March 16, 2021, 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

March 16, 2021



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, 2019. 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.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below.

Purchase Clerk.

1. Two competitive written bids should be obtained for purchases over \$5,000.

Repeat Finding No

Criteria Section 31-7-13(b), Miss. Code Ann. (1972) requires purchases of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained.

| | |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Condition | We noted in our audit test work that two competitive written bids were not obtained for the purchase of pea gravel in the amount of \$9,921.64. |
| Cause | The Purchase Clerk did not comply with state laws. |
| Effect | Failure to obtain at least two competitive written bids could result in excess costs to the County. |
| Recommendation | The Purchase Clerk should ensure that at least two competitive written bids are obtained prior to purchasing any items with a cost between \$5,000 and \$50,000, as required by law. |
| View of Responsible Official(s) | We will comply. |

Inventory Control Clerk.

2. Capital asset purchases and deletions should be recorded in capital asset records.

| | |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Repeat Finding | No |
| Criteria | Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of additions and deletions. |
| Condition | Five (5) Crown Victorias were removed from the County's inventory reports while the County continued to use the assets for a number of years until they were sold in fiscal year 2019. |
| Cause | The County did not comply with state laws. |
| Effect | Failure to maintain an accurate inventory system could result in the loss or misappropriation of public assets. |
| Recommendation | The Inventory Control Clerk should implement a system of controls to ensure that additions and deletions are accurately reported in the capital asset subsidiary records and ensure that disposals remain on the inventory records until assets are sold or disposed of. |
| View of Responsible Official(s) | I will comply. |

In our opinion, except for the noncompliance referred to in the preceding paragraph, 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, 2019.

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.

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 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, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

March 16, 2021

JEFFERSON DAVIS COUNTY

Schedule 1Schedule of Purchases From Other Than the Lowest Bidder
For the Year Ended September 30, 2019

| <u>Date</u> | <u>Item Purchased</u> | <u>Bid Accepted</u> | <u>Vendor</u> | <u>Lowest Bid</u> | <u>Reason for Accepting Other Than the Lowest Bid</u> |
|-------------|---------------------------|-------------------------|---------------|-----------------------|-------------------------------------------------------------------|
| 11/19/2018 | Garbage truck | \$ 77,000 | Truckworx | \$ 75,000 | Better warranty and quicker delivery. |

JEFFERSON DAVIS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2019

Schedule 2

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount Paid</u> | <u>Vendor</u> | <u>Reason for Emergency Purchase</u> |
|-------------|---------------------------|------------------------|-----------------------|-----------------------------------------------|
| 12/3/2018 | Elevator repairs | \$ 6,776 | Otis Elevator Company | Upcoming court proceedings in the courthouse. |

JEFFERSON DAVIS COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2019

Schedule 3

| <u>Date</u> | <u>Item Purchased</u> | | <u>Amount Paid</u> | <u>Vendor</u> |
|-------------|---------------------------|----|------------------------|---------------------------------|
| 8/5/2019 | AC-10 Asphalt | \$ | 85,135 | Hunt Southland Refining Company |
| 9/3/2019 | AC-10 Asphalt | | 150,641 | Hunt Southland Refining Company |



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 cash basis financial statements of Jefferson Davis County, Mississippi (the County) for the year ended September 30, 2019, 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 March 16, 2021, 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:

Board of Supervisors.

1. The Board of Supervisors approved inappropriate salary increases for the Board of Supervisors.

Repeat Finding No

Criteria Section 25-3-13(1)(d), Miss. Code Ann. (1972), limits the compensation of the Board of Supervisors to \$35,741 for counties having a total assessed valuation of at least \$75,000,000, but less than \$125,000,000. Furthermore, Section 25-3-13(2), Miss. Code Ann. (1972), states that the annual salary established for the members of the Board of Supervisors shall not be reduced as a result of a reduction in total assessed valuation.

Condition The Board of Supervisors approved a salary increase in January 2020 to \$46,041 based off an assessed valuation of at least \$300,000,000, but less than \$1,000,000,000. In 2008, the County had an assessed valuation of \$320,105,981, which increased the Board of Supervisors' salaries to \$44,700. However, the County currently has an assessed valuation of \$120,534,988. This current assessed valuation limits the Board of Supervisors' salaries to the previously approved salary of

\$44,700, which is based off the 2008 assessed valuation since a reduction in total assessed valuation shall not reduce their annual salaries already in place.

| | |
|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cause | The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation if certain conditions were met. However, the County did not meet these conditions. |
| Effect | This resulted in each Board of Supervisor being overpaid. |
| Recommendation | The Board of Supervisors should repay the overpayment to the County. |
| Views of Responsible Official(s) | The amount owed has been paid back. |
| Auditor's Note | The overpayment was repaid via a payroll deduction on September 30, 2020. |

Board of Supervisors and Payroll Clerk.

| | |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2. | <u>PERS Retirees should not be paid more than one-half of their position.</u> |
| Repeat Finding | No |
| Criteria | Section 25-11-127(4)(a), Miss. Code Ann. (1972), requires retirees to receive no more than one-half of the salary in effect for the position at the time of employment in a fiscal year. |
| Condition | According to test work performed, we noted several PERS retirees were paid more than one-half of the salary for their positions during the fiscal year. |
| Cause | The Board of Supervisors and Payroll Clerk did not comply with state laws. |
| Effect | By overpaying PERS retirees, the County is not in compliance with state legal requirements. |
| Recommendation | The County should ensure that PERS retirees are not being paid more than the allowable amount. |
| Views of Responsible Official(s) | We will comply. |

Chancery Clerk.

| | |
|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3. | <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 four years' audit reports, the bank statements for the land redemption account were not reconciled. During a cash count on September 8, 2020, an unidentified overage was noted in the amount of \$1,817 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 correctly and 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 correctly reconciled on a monthly basis. |

**View of Responsible
Official(s)**

I will comply.

4. Chancery Clerk's annual financial report was misstated.

Repeat Finding No

Criteria Section 9-1-45(1), Miss. Code Ann. (1972), states that each Chancery and Circuit Clerk shall file, not later than April 15th of each year, with the State Auditor of Public Accounts a true and accurate annual report on a form to be designed and supplied to each clerk by the State Auditor of Public Accounts immediately after January 1st of each year. The form shall include the following information: (a) revenues subject to the salary cap, including fees; (b) revenues not subject to the salary cap; and (c) expenses of office, including any salary paid to a clerk's spouse or children. Each Chancery and Circuit Clerk shall provide any additional information requested by the Public Employees' Retirement System for the purpose of retirement calculations. The Chancery and Circuit Clerk are responsible for providing all adequate amounts for revenues and expenses related to their office.

Condition During the testing of the Chancery Clerk's 2019 annual financial report we noted \$10,189 in fee revenue that was erroneously unrecorded on the fee journal and the 2019 annual financial report. After recalculation of the 2019 annual financial report, the Clerk remained under the \$90,000 cap, which resulted in no additional funds being owed to the County.

Cause The Chancery Clerk failed to detect recording errors on the fee journal.

Effect Understating fee revenue could result in additional amounts being owed to the County.

Recommendation The Chancery Clerk should file an amended 2019 annual financial report with the Office of the State Auditor and the Public Employees' Retirement System. The Chancery Clerk should also establish a system of controls to ensure the fee journal is accurate and complete.

**Views of Responsible
Official(s)**

I will comply.

5. The audit synopsis should be published.

Repeat Finding No

Criteria Section 7-7-221, Miss. Code Ann. (1972), requires the Clerk of the Board to publish a synopsis of the annual audit report as soon as possible after receipt of the audit report. The Clerk of the Board shall forward a copy of the published synopsis to the State Auditor.

Condition The Chancery Clerk has not published a synopsis of the 2018 annual audit report.

Cause The Chancery clerk did not comply with state law.

Effect If the synopsis is not published accordingly, the State Auditor is authorized to prepare the synopsis and have it published in accordance with Section 7-7-221 at cost to the County.

Recommendation The Chancery Clerk should publish a synopsis of the annual audit report when the report is received and forward the synopsis to the State Auditor.

**Views of Responsible
Official(s)**

I will comply.

Circuit Clerk.

6. Circuit Clerk's annual financial report was misstated.

Repeat Finding No

Criteria Section 9-1-45(1), Miss. Code Ann. (1972), states that each Chancery and Circuit Clerk shall file, not later than April 15th of each year, with the State Auditor of Public Accounts a true and accurate annual report on a form to be designed and supplied to each clerk by the State Auditor of Public Accounts immediately after January 1st of each year. The form shall include the following information: (a) revenues subject to the salary cap, including fees; (b) revenues not subject to the salary cap; and (c) expenses of office, including any salary paid to a clerk's spouse or children. Each Chancery and Circuit Clerk shall provide any additional information requested by the Public Employees' Retirement System for the purpose of retirement calculations. The Chancery and Circuit Clerk are responsible for providing all adequate amounts for revenues and expenses related to their office.

Condition During the testing of the Circuit Clerk's 2019 annual financial report we noted revenues were understated by \$1,857.12. These fees were improperly recorded on the fee journal and not included on the 2019 annual financial report.

Cause The Circuit Clerk did not comply with state law.

Effect As a result, the Circuit Clerk was over the \$90,000 fee cap and \$1,262.12 is owed to the County's general fund.

Recommendation The Circuit Clerk should file an amended 2019 annual financial report with the Office of the State Auditor and the Public Employees' Retirement System. The Circuit Clerk should also submit a payment to the County's general fund in the amount of \$1,262.12 and establish a system of controls to ensure the fee journal is accurate and complete.

Views of Responsible Official(s) All "over the cap" monies have been paid to County. Records have been corrected.

Auditor's Note Amount was paid to the County's general fund on September 3, 2020 as evidenced by receive warrant number 17709.

Tax Assessor-Collector.

7. The Board of Supervisors approved an inappropriate salary increase for the Tax Assessor-Collector.

Repeat Finding No

Criteria Section 25-3-3(2)(g), Miss. Code Ann. (1972), limits the base compensation of the Tax Assessor-Collector to \$55,125 based upon a total assessed valuation of \$120,354,988 for the preceding taxable year. Furthermore, Section 25-3-3(4), Miss. Code Ann. (1972), states the annual salary established for assessors and tax collectors shall not be reduced as a result of a reduction in total assessed valuation. Therefore, the base salary of the Tax Assessor-Collector is limited to \$56,000 based on a 2008 assessed valuation of \$320,105,981.

Condition The Board of Supervisors approved an increase to the Tax Assessor-Collector's base salary in January 2020 of \$2,800 from \$56,000 to \$58,800 per year. Additionally, the Tax Assessor-Collector receives additional compensation for benchmarks that are not affected by this error.

Cause The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation if certain conditions were met. However, the County did not meet those conditions.

Effect This resulted in the Tax Assessor-Collector being overpaid.

Recommendation The Tax Assessor-Collector should repay the overpayment to the County.

Views of Responsible Official(s) Paid back in full.

Auditor's Note The overpayment was repaid via a payroll deduction on September 30, 2020.

County Prosecuting Attorney.

8. The Board of Supervisors approved an inappropriate salary increase for the County Prosecuting Attorney.

Repeat Finding No

Criteria Section 25-3-9(4), Miss. Code Ann. (1972), states notwithstanding any provision of this section to the contrary, no county prosecuting attorney shall receive for his services an annual salary less than the salary paid to a justice court judge in his respective county. This limits the compensation of the county prosecuting attorney to \$44,700 based upon the salaries of the justice court judges.

Condition The Board of Supervisors approved a salary increase in January 2020 of \$1,341 from \$44,700 to \$46,041 per year.

Cause The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation if certain conditions were met. However, the County did not meet those conditions.

Effect This resulted in the County Prosecuting Attorney being overpaid.

Recommendation The County Prosecuting Attorney should repay the overpayment to the County.

Views of Responsible Official(s) The amount owed has been paid back.

Auditor's Note The overpayment was repaid via a payroll deduction on September 30, 2020.

Justice Court Judges.

9. The Board of Supervisors approved an inappropriate salary increase for the Justice Court Judges.

Repeat Finding No

Criteria Section 25-3-36(2)(a), Miss. Code Ann. (1972), limits the compensation of the Justice Court Judges to the amount paid to a member of the Board of Supervisors in the same county in which the Justice Court Judge presides. Therefore, the annual salary of the Justice Court Judges is limited to \$44,700, the same as a member of the Board of Supervisors.

Condition The Board of Supervisors approved a salary increase in January 2020 of \$1,341 from \$44,700 to \$46,041 per year.

Cause The Board of Supervisors misinterpreted a change in the law that allowed for an increase in compensation.

Effect This resulted in the Justice Court Judges being overpaid.

Recommendation Each Justice Court Judge should repay the overpayment to the County.

Views of Responsible Official(s) The amount owed has been paid back.

Auditor's Note The overpayment was repaid via a payroll deduction on September 30, 2020.

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

March 16, 2021

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, 2019

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 3 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 and Payroll Clerk.

Material Weakness

| | |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2019-001. | <u>Internal controls over the payroll function should be strengthened.</u> |
| Repeat Finding | Yes |
| 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 | As reported in the prior two years' audit reports, 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. |

JEFFERSON DAVIS COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2019

Board of Supervisors.

Material Weakness

2019-002. Various part-time employees paid as full-time employees.

Repeat Finding Yes

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 As reported in the prior two years' audit reports, 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

2019-003. Internal controls over cash should be strengthened.

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 a disbursement 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 loss or 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.

JEFFERSON DAVIS COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2019

Significant Deficiency

| | |
|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2019-004. | <u>The County's general ledger was altered after the books were closed out at the end of the fiscal year.</u> |
| Repeat Finding | No |
| Criteria | An effective system of internal control should include safeguards against the alteration of digital history records. |
| Condition | The County recorded transactions in the general ledger's history database after the September 30, 2019 fiscal year end's books were closed and the subsequent year's rollover had been performed. |
| Cause | The County's system of controls does not include sufficient safeguards over the alteration of digital history records. |
| Effect | The alterations to the County's general ledger misstated the Payroll Clearing Fund's cash balance and caused the cash balance at September 30, 2019 to not agree with the opening cash balance at October 1, 2019. |
| Recommendation | The County should develop a system of controls to prevent the alteration of the digital history records. |
| Views of Responsible Official(s) | We will comply. |

Significant Deficiency

| | |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2019-005. | <u>The County should maintain an accounts receivable subsidiary ledger for amounts due to the jail for housing prisoners.</u> |
| Repeat Finding | No |
| Criteria | An effective system of internal control over billing and collections should include an accounts receivable ledger to ensure that all amounts billed and owed to the County are collected. |
| Condition | The Board of Supervisors invoices the Town of Prentiss for the housing of city prisoners in the County's jail. During testing, we noted that some of the receipts from the Town of Prentiss did not match the invoices that were sent to the Town. In addition, billing adjustments were being allowed without Board of Supervisors' approval. Only the Board of Supervisors has the authority to approve billing adjustments. We know of no authority that allows the Board of Supervisors to forgive a debt to the County. |
| Cause | The County lacks the necessary internal controls over the collection of receivables for housing prisoners for the Town of Prentiss. |
| Effect | Failure to maintain an accounts receivable subsidiary ledger and allowing unauthorized billing adjustments could result in a loss of revenue for the County. |
| Recommendation | The Board of Supervisors should adopt a policy for approval of billing adjustments and create an accounts receivable subsidiary ledger to monitor past due amounts owed to the County. |
| Views of Responsible Official(s) | We will comply. |

JEFFERSON DAVIS COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2019

Tax Assessor-Collector.

Material Weakness

2019-006. Controls over the Tax Assessor-Collector's cash journal should be strengthened.

Repeat Finding Yes

Criteria An effective system of internal control over the collection, recording and disbursement of cash should include maintaining a cash journal.

Condition As reported in the prior two years' audit reports, the cash journal was not properly maintained. We noted the following problems in the Tax Assessor-Collector's office:

- a. A cash count on September 10, 2020 revealed an unidentified overage of \$29,401.65 in the Tax Assessor-Collector's bank account.
- b. The Tax Assessor-Collector is not reconciling the bank statement to a cash journal.
- c. Receipts have not been entered into the cash journal as of the date of the cash count.

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) Working on the problems of the office and hopefully will have all the problems fixed by the end of the year 2020 or first of the year 2021. Will not settle overage until all problems have been fixed and clean on the exact amount.

Sheriff.

Significant Deficiency

2019-007. 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 five 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) We will comply.