

# COVINGTON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2009

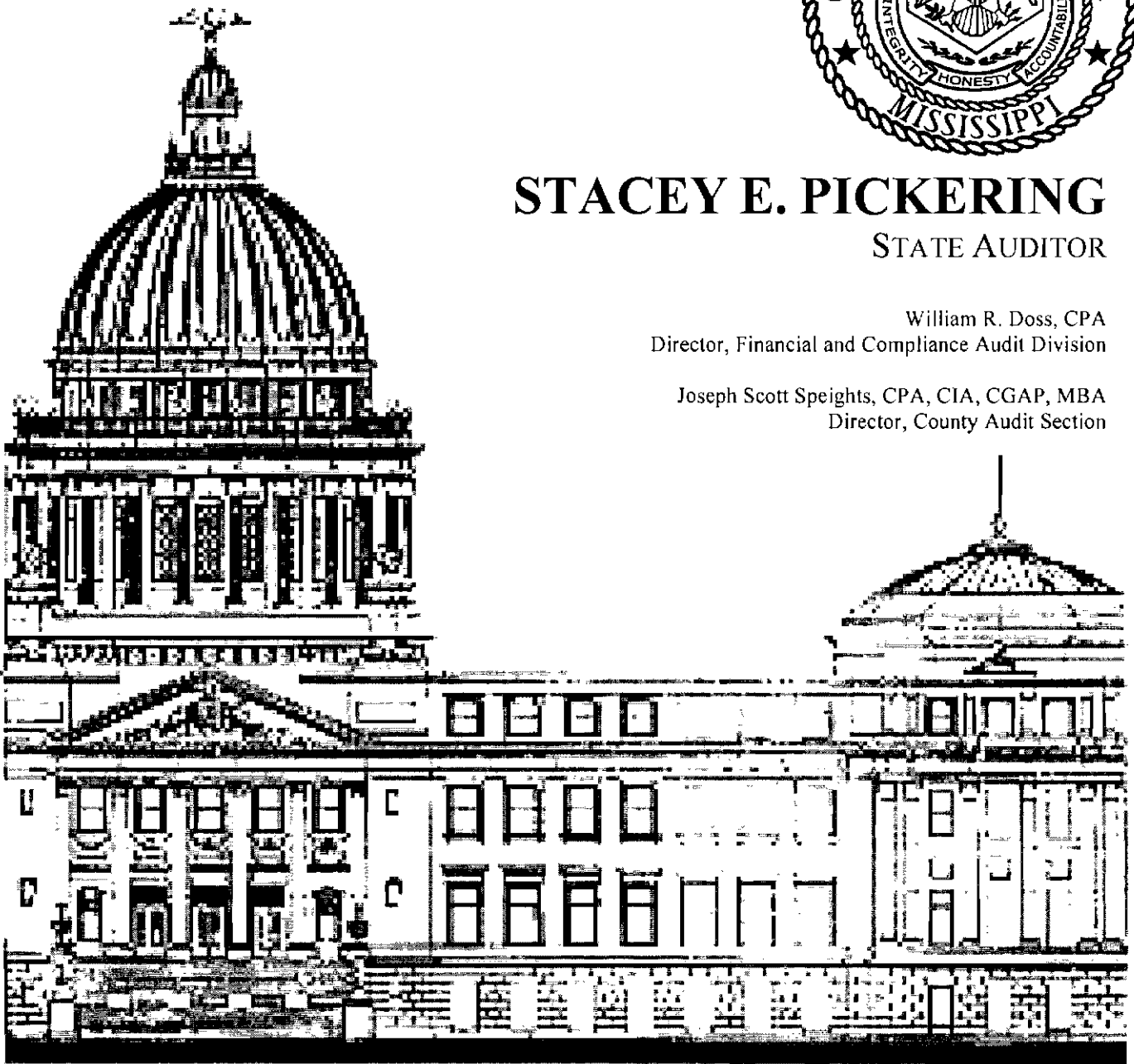


## STACEY E. PICKERING

STATE AUDITOR

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

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

September 17, 2010

Members of the Board of Supervisors  
Covington County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Covington 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 Covington County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Covington County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering  
State Auditor



COVINGTON COUNTY

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COVINGTON COUNTY

FINANCIAL SECTION

COVINGTON COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Covington County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Covington County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

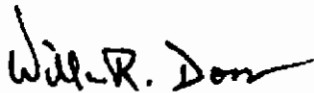
In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Covington County, Mississippi, as of September 30, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Covington County, Mississippi, as of September 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2010, on our consideration of Covington County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



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

September 17, 2010

COVINGTON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

COVINGTON COUNTY

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# ***COVINGTON COUNTY, MISSISSIPPI***

## ***MANAGEMENT DISCUSSION AND ANALYSIS***

### ***INTRODUCTION***

The discussion and analysis of Covington County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2009. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Accounting principles generally accepted in the United States of America do not require comparative data in the financial statements but certain comparative information between the current year and the prior year is required to be presented in Management's Discussion and Analysis and is provided herein.

Covington County is located on U. S. Highway 84 and U. S. Highway 49. The population, according to the 2000 census, is 19,407. The poultry industry, timber industry, other agriculture activities, public storage facilities and a thriving medical community drive the local economic base.

### ***FINANCIAL HIGHLIGHTS***

Covington County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Covington County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The County government tax rate has remained the same over the last six years. This does not include the school taxes.

Total net assets increased \$889,913, which represents a 1% increase from the prior fiscal year. If an analysis is made without the Capital Assets and Long-Term debt there was a decrease of \$793,403, which represents a 5% decrease from the prior fiscal year. The County's ending cash balance decreased by \$879,480, which represents a 5% decrease from the prior fiscal year.

# ***COVINGTON COUNTY, MISSISSIPPI***

The County had \$10,629,287 in total revenues. Property tax revenues account for \$5,556,834 or 52% of total revenues. Operating grants, capital grants, and contributions account for \$1,889,159 or 17.8% of total revenues.

The County had \$9,739,374 in total expenditures, which represents an increase of \$1,326,569 or a 16% increase from the prior fiscal year. Expenses in the amount of \$2,564,711 were offset by grants, outside contributions, or charges for services. The remainder of expenditures was offset by general revenues of \$7,174,663.

Among major funds, the General Fund had \$6,120,920 in revenues and other financing sources and \$6,872,646 in expenditures and other financing uses. The General Fund's fund balance decreased \$751,726 over the prior year.

Capital assets, net of accumulated depreciation, increased by \$1,557,594.

Long-term debt had a net decrease of \$125,722, there was an addition of \$72,498 in other loans from a purchase of a 420E backhoe.

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

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

# COVINGTON COUNTY, MISSISSIPPI

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

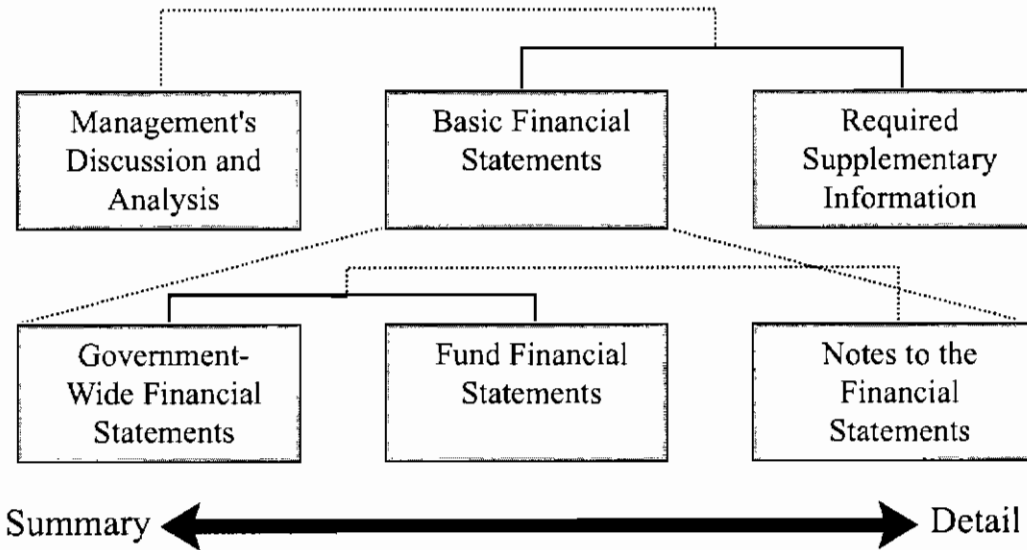


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

# **COVINGTON COUNTY, MISSISSIPPI**

**Figure 2 – Major Features of a County’s Government-Wide and Fund Financial Statements**

	<b>Government -Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in net assets</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

# ***COVINGTON COUNTY, MISSISSIPPI***

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

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; and interest on long-term debt. Covington County does not have any business-type activities.

Component units are not included in our basic financial statements, they consist of legally separate entities for which the County is financially accountable and that have substantially the same board as the County or provide services entirely to the County. The component units that are not included are as follows:

- Southeast Covington Fire District
- Southwest Covington Fire District
- West Covington Fire District
- Mt. Pleasant Fire District
- Hot Coffee and East Covington Fire District
- Covington County Hospital
- Covington County Economic Development Authority
- Covington County Economic Development District

# **COVINGTON COUNTY, MISSISSIPPI**

The Government-wide Financial Statements can be found on pages 23 and 24 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 26 and 28 respectively.

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

The basic governmental funds financial statements can be found on pages 25 and 27 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Assets and Liabilities, which can be found on page 29 of this report.

# ***COVINGTON COUNTY, MISSISSIPPI***

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 30 - 40 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on page 42 of this report.

Covington County, MS was not subject to a single audit for the year ended September 30, 2009.

## ***GOVERNMENT-WIDE FINANCIAL***

**Net Assets** – Net assets may serve over time as a useful indicator of government's financial position. In the case of Covington County, assets exceeded liabilities by \$60,393,339 as of September 30, 2009.

By far, the largest portion of the County's net assets (75%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, and leased property under capital lease) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

# **COVINGTON COUNTY, MISSISSIPPI**

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2009, as compared to fiscal year ended September 30, 2008.

	<b>09/30/09 Governmental Activities</b>	<b>09/30/08 Governmental Activities</b>
<b>Assets:</b>		
Current Assets	\$ 21,439,175	\$ 21,784,802
Capital Assets, Net	45,338,053	43,780,459
Total Assets	\$ 66,777,228	\$ 65,565,261
<b>Liabilities:</b>		
Current Liabilities	\$ 6,166,142	\$ 5,718,366
Long-Term Debt Outstanding	217,747	343,469
Total Liabilities	\$ 6,383,889	\$ 6,061,835
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	\$ 45,120,306	\$ 43,436,990
Restricted	3,176,843	3,218,773
Unrestricted	12,096,190	12,847,663
Total Net Assets	\$ 60,393,339	\$ 59,503,426

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

- The Board of Supervisors used accumulated cash balances to avoid tax increases.
- \$198,220 of long-term debt principal was retired.
- There was \$72,498 of long-term debt issued during the year ending September 30, 2009 to purchase a 420E backhoe for District 5.
- Capital assets had additions of \$2,540,731 from additions in land, construction in progress, infrastructure, mobile equipment, and furniture and equipment.

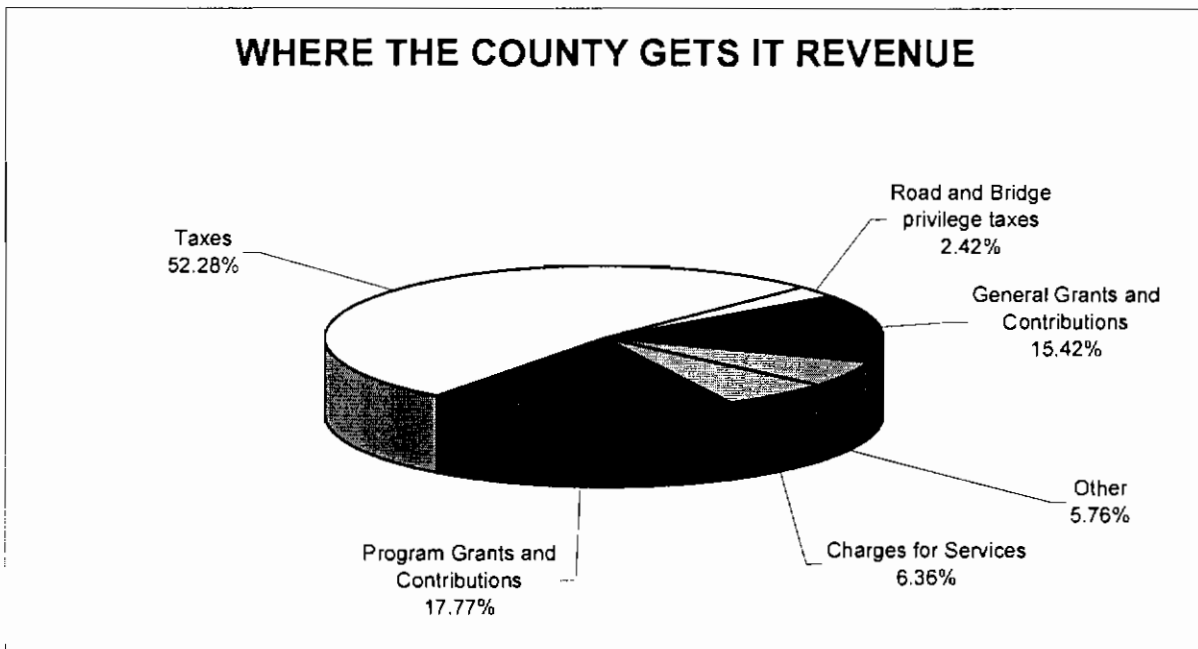
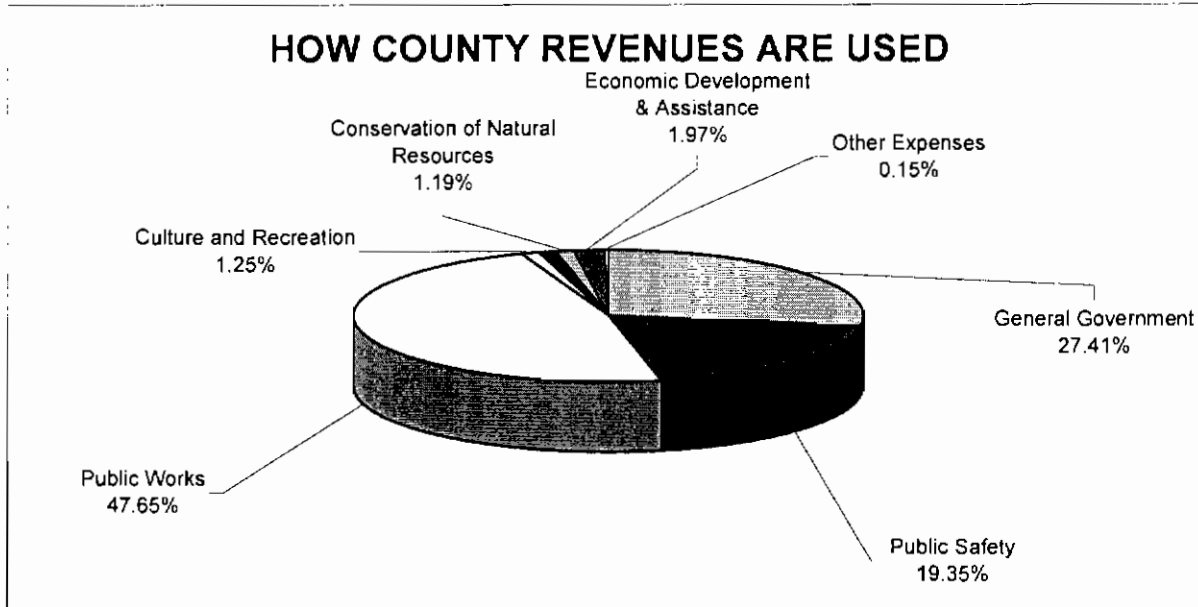
# **COVINGTON COUNTY, MISSISSIPPI**

**Changes in Net Assets**—Covington County’s total revenues for the fiscal year ended September 30, 2009 were \$10,629,287. The total cost for all services provided was \$9,739,374 the increase in net assets were \$889,913. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2009, as compared to fiscal year ended September 30, 2008.

	<b>09/30/09</b>	<b>09/30/08</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services	\$ 675,552	\$ 818,661
Grants and Contributions	1,889,159	1,024,998
General Revenues:		
Taxes	5,556,834	5,192,343
Road and Bridge privilege taxes	256,770	256,910
Grants and Contributions not restricted to specific programs	1,638,737	3,140,988
Interest and miscellaneous	612,235	841,837
Total Revenues	\$ 10,629,287	\$ 11,275,737
<b>Expenses:</b>		
General Government	\$ 2,669,282	\$ 2,428,629
Public Safety	1,884,358	1,498,146
Public Works	4,641,195	,870,005
Health and Welfare	100,874	275,563
Culture and Recreation	121,313	107,570
Conservation of Natural Resources	115,710	110,177
Economic Development & Assistance	192,075	106,520
Other Expenses	14,567	16,195
Total Expenses	\$ 9,739,374	\$ 8,412,805
Increase (Decrease) in Net Assets	\$ 889,913	\$ 2,862,932

# COVINGTON COUNTY, MISSISSIPPI

The following charts present a summary of the sources and uses of the County's revenues for the fiscal year ended September 30, 2009.



# ***COVINGTON COUNTY, MISSISSIPPI***

**Governmental Activities** – The following table presents the cost of major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance, and interest on long-term debt.

	<b>Total Costs</b>	<b>Net Costs</b>
General Government	\$ 2,669,282	\$ 2,244,257
Public Safety	1,884,358	1,355,012
Public Works	4,641,195	3,422,591
Health and Welfare	100,874	(160,862)
Culture and Recreation	121,313	121,313
Conservation of Natural Resources	115,710	115,710
Economic Development and Assistance	192,075	62,075
Interest on Long-Term Debt	14,567	14,567

The table also shows each function’s net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Covington County’s taxpayers by each of these functions.

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

**Governmental funds** – At the close of the fiscal year, Covington County’s governmental funds reported a combined fund balance of \$15,171,733, a decrease of \$793,656. The decrease is 5% of the total fund balance.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year is \$751,726. This decrease is due to a combination of decrease in revenues and an increase in expenditures.

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

Over the course of the year, Covington County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made to correct the estimated beginning cash balances made in the original budget to actual beginning cash balances on October 1.
- Budgeted revenues were increased as better estimates became available.

# **COVINGTON COUNTY, MISSISSIPPI**

- The largest decrease in amendments in the General Fund budget was to the health and welfare department and the largest increase was to public safety. Budgeted expenditures were increased (decreased) as better estimates became available.
- With these adjustments actual disbursements were below final budget amounts by \$172,013 for the General Fund.

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

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** – As of September 30, 2009, Covington County’s total gross capital assets were \$135,058,778. This includes roads, bridges, other infrastructure, land, construction in progress, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents an increase from the previous year of \$2,109,953.

Total accumulated depreciation as of September 30, 2009 was \$89,720,725, including \$830,854 of depreciation expense for the year. The balance in total net capital assets was \$45,338,053 at year-end.

See the schedules below for additional information on Covington County’s capital assets:

<b>Asset Classification</b>	<b>Balance 10/1/2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments</b>	<b>Balance 9/30/2009</b>
Land	\$ 186,973	\$ 84,578			\$ 271,551
Construction in Progress	-	734,872			734,872
Infrastructure	119,344,549	506,900			119,851,449
Buildings	4,040,934				4,040,934
Mobile Equipment	7,130,816	1,186,416	217,788		8,099,444
Furniture and Equipment	1,747,593	27,965			1,775,558
Leased Property under Capital Leases	497,960		212,990		284,970
<b>TOTALS</b>	<b>\$ 132,948,825</b>	<b>\$ 2,540,731</b>	<b>\$ 430,778</b>	<b>\$ -</b>	<b>\$ 135,058,778</b>

# **COVINGTON COUNTY, MISSISSIPPI**

## **Capital Asset Accumulated Depreciation**

<b>Asset Classification</b>	<b>Balance 10/1/2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Adjustments</b>	<b>Balance 9/30/2009</b>
Infrastructure	\$ 81,742,925	\$ 153,466			\$ 81,896,391
Buildings	1,486,271	56,689			1,542,960
Mobile Equipment	4,256,930	534,024	182,640		4,608,314
Furniture and Equipment	1,535,103	61,034			1,596,137
Leased Property under Capital Leases	147,137	25,641	95,855		76,923
	<b>\$ 89,168,366</b>	<b>\$ 830,854</b>	<b>\$ 278,495</b>	<b>\$ -</b>	<b>\$ 89,720,725</b>

**Debt Administration** – At September 30, 2009, Covington County had \$217,747 in long-term debt outstanding. The only debt outstanding as of September 30, 2009 is capital leases and other loans. Of this debt, \$86,369 was due within one year.

The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. As of September 30, 2009, Covington County had no outstanding debt limited by the legal debt margin.

The following is a summary of changes in long-term liabilities and obligations for the year ending September 30, 2009:

	<b>Balance 10/1/2008</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance 9/30/2009</b>	<b>Due Within One Year</b>
Capital Leases	343,469		194,881	148,588	72,705
Other Loans		72,498	3,339	69,159	13,664
Total	<b>\$ 343,469</b>	<b>\$ 72,498</b>	<b>\$ 198,220</b>	<b>\$ 217,747</b>	<b>\$ 86,369</b>

Additional information on Covington County's long-term debt can be found in note 8 on page 38 of this report.

## ***CURRENT AND FUTURE ITEMS OF IMPACT***

For the year 2009-2010, Covington County, MS is in the process of completing the renovation project on the Department of Human Services building. The estimated amount of this project will be \$1,000,000 of which \$734,872 has already been spent and will be funded half by the county and half by a grant from Mississippi Development Authority. At this time this is the only project that Covington County, MS is involved in. They will continue with the usual capital purchases such as police cars, road equipment, and other capital items.

The budget for the next fiscal year reflected a decrease of \$444,365 or 3.6% in revenues and an increase of \$187,341 or 1.4% in expenses. This is expected to decrease the County's net assets.

Covington County has an unemployment rate of 8.6% versus 6.2% a year ago. This compares favorably with the state average rate of 10.1%.

# ***COVINGTON COUNTY, MISSISSIPPI***

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

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Covington County Comptroller's/Chancery Clerk's office at 101 South Elm, Collins, Mississippi 39428.

COVINGTON COUNTY

FINANCIAL STATEMENTS

COVINGTON COUNTY

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COVINGTON COUNTY  
Statement of Net Assets  
September 30, 2009

Exhibit I

	Primary Government
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 15,463,435
Property tax receivable	5,699,000
Fines receivable (net of allowance for uncollectibles of \$536,378)	101,300
Intergovernmental receivables	136,541
Other receivables	38,899
Capital assets:	
Land and construction in progress	1,006,423
Other capital assets, net	44,331,630
Total Assets	<u>66,777,228</u>
<b>LIABILITIES</b>	
Claims payable	310,299
Intergovernmental payables	140,939
Deferred revenue	5,699,000
Other payables	15,904
Long-term liabilities	
Due within one year:	
Capital debt	86,369
Due in more than one year:	
Capital debt	131,378
Total Liabilities	<u>6,383,889</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	45,120,306
Restricted:	
Expendable:	
Public safety	57,431
Public works	855,830
Health and welfare	2,115,913
Culture and recreation	134,103
Economic development	1
Unemployment compensation	13,272
Capital projects	293
Unrestricted	12,096,190
Total Net Assets	<u>\$ 60,393,339</u>

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

COVINGTON COUNTY  
Statement of Activities  
For the Year Ended September 30, 2009

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,669,282	421,587	3,438		(2,244,257)
Public safety	1,884,358	221,938	185,843	121,565	(1,355,012)
Public works	4,641,195	32,027	536,357	650,220	(3,422,591)
Health and welfare	100,874		25,166	236,570	160,862
Culture and recreation	121,313				(121,313)
Conservation of natural resources	115,710				(115,710)
Economic development and assistance	192,075		130,000		(62,075)
Interest on long-term debt	14,567				(14,567)
Total Governmental Activities	\$ 9,739,374	675,552	880,804	1,008,355	(7,174,663)
General revenues:					
Property taxes					\$ 5,556,834
Road & bridge privilege taxes					256,770
Grants and contributions not restricted to specific programs					1,638,737
Unrestricted interest income					420,080
Miscellaneous					192,155
Total General Revenue					8,064,576
Changes in Net Assets					889,913
Net Assets - Beginning					59,503,426
Net Assets - Ending					\$ 60,393,339

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

COVINGTON COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2009

Exhibit 3

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>ASSETS</b>			
Cash	\$ 12,195,003	3,268,432	15,463,435
Property tax receivable	3,136,000	2,563,000	5,699,000
Fines receivable (net of allowance for uncollectibles of \$536,378)	101,300		101,300
Intergovernmental receivables	109,628	26,913	136,541
Other receivables	20,871	18,028	38,899
Due from other funds		51,175	51,175
<b>Total Assets</b>	<u>\$ 15,562,802</u>	<u>5,927,548</u>	<u>21,490,350</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Claims payable	\$ 122,594	187,705	310,299
Intergovernmental payables	134,961		134,961
Due to other funds	57,153		57,153
Deferred revenue	3,237,300	2,563,000	5,800,300
Other payables	15,904		15,904
<b>Total Liabilities</b>	<u>3,567,912</u>	<u>2,750,705</u>	<u>6,318,617</u>
<b>Fund balances:</b>			
<b>Reserved for:</b>			
Unemployment compensation		13,272	13,272
<b>Unreserved - undesignated, reported in:</b>			
General Fund	11,994,890		11,994,890
Special Revenue Funds		3,163,278	3,163,278
Capital Project Funds		293	293
<b>Total Fund Balances</b>	<u>11,994,890</u>	<u>3,176,843</u>	<u>15,171,733</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 15,562,802</u>	<u>5,927,548</u>	<u>21,490,350</u>

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

COVINGTON COUNTY  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2009

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,171,733
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$89,720,725.	45,338,053
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	101,300
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(217,747)</u>
Total Net Assets - Governmental Activities	\$ <u><u>60,393,339</u></u>

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

## COVINGTON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2009

	<u>Major Fund</u>	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
<b>REVENUES</b>			
Property taxes	\$ 3,052,952	2,503,882	5,556,834
Road and bridge privilege taxes		256,770	256,770
Licenses, commissions and other revenue	191,428	15,462	206,890
Fines and forfeitures	272,413		272,413
Intergovernmental revenues	2,066,980	1,460,916	3,527,896
Charges for services	1,772	194,224	195,996
Interest income	332,592	87,488	420,080
Miscellaneous revenues	73,741	53,269	127,010
Total Revenues	<u>5,991,878</u>	<u>4,572,011</u>	<u>10,563,889</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,525,403	190,831	2,716,234
Public safety	1,371,969	395,720	1,767,689
Public works	3,948	5,712,679	5,716,627
Health and welfare	825,253		825,253
Culture and recreation		118,345	118,345
Conservation of natural resources	111,082		111,082
Economic development and assistance	38,352	134,000	172,352
Debt service:			
Principal		198,220	198,220
Interest		14,567	14,567
Total Expenditures	<u>4,876,007</u>	<u>6,764,362</u>	<u>11,640,369</u>
Excess of Revenues over (under) Expenditures	<u>1,115,871</u>	<u>(2,192,351)</u>	<u>(1,076,480)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term capital debt issued		72,498	72,498
Proceeds from sale of capital assets	440	144,741	145,181
Compensation for loss of capital assets	58,602	6,543	65,145
Transfers in	70,000	2,066,639	2,136,639
Transfers out	(1,996,639)	(140,000)	(2,136,639)
Total Other Financing Sources and Uses	<u>(1,867,597)</u>	<u>2,150,421</u>	<u>282,824</u>
Net Changes in Fund Balances	(751,726)	(41,930)	(793,656)
Fund Balances - Beginning	<u>12,746,616</u>	<u>3,218,773</u>	<u>15,965,389</u>
Fund Balances - Ending	<u>\$ 11,994,890</u>	<u>3,176,843</u>	<u>15,171,733</u>

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

COVINGTON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2009

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (793,656)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$2,540,731 exceeded depreciation of \$830,854 in the current period.	1,709,877
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$7,102 and the proceeds from the sale of \$145,181 in the current period.	(152,283)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	253
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$198,220 exceeded debt proceeds of \$72,498.	<u>125,722</u>
Change in Net Assets of Governmental Activities	<u>\$ 889,913</u>

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

COVINGTON COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2009

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 1,988,915
Due from other funds	5,978
Other receivables	<u>3,125</u>
Total Assets	<u>\$ 1,998,018</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 193,536
Intergovernmental payables	<u>1,804,482</u>
Total Liabilities	<u>\$ 1,998,018</u>

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

## COVINGTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Southeast Covington Fire District
- Southwest Covington Fire District
- West Covington Fire District
- Mt. Pleasant Fire District
- Hot Coffee and East Covington Fire District
- Covington County Hospital
- Covington County Economic Development Authority
- Covington County Economic Development District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

## COVINGTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

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

#### Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

#### C. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

## COVINGTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

#### H. Capital Assets.

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

COVINGTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

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

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

I. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

## COVINGTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

#### Fund Financial Statements:

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

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

#### K. Property Tax Revenues.

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

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

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

#### L. Intergovernmental Revenues in Governmental Funds.

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

#### (2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$17,452,350, and the bank balance was \$18,195,838. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

COVINGTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 51,175
Agency Funds	General Fund	<u>5,978</u>
Total		<u>\$ 57,153</u>

The receivables represent the tax revenue collected but not settled until October, 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 70,000
Other Governmental Funds	General Fund	1,996,639
Other Governmental Funds	Other Governmental Funds	<u>70,000</u>
Total		<u>\$ 2,136,639</u>

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

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 77,924
Public safety grant reimbursement	29,370
Welfare reimbursement	2,334
Emergency management reimbursement	20,100
State aid road reimbursement	<u>6,813</u>
Total	<u>\$ 136,541</u>

COVINGTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 186,973	84,578			271,551
Construction in progress		734,872			734,872
Total non-depreciable capital assets	<u>186,973</u>	<u>819,450</u>	<u>0</u>	<u>0</u>	<u>1,006,423</u>
<u>Depreciable capital assets:</u>					
Infrastructure	119,344,549	506,900			119,851,449
Buildings	4,040,934				4,040,934
Mobile equipment	7,130,816	1,186,416	217,788		8,099,444
Furniture and equipment	1,747,593	27,965			1,775,558
Leased property under capital leases	497,960		212,990		284,970
Total depreciable capital assets	<u>132,761,852</u>	<u>1,721,281</u>	<u>430,778</u>	<u>0</u>	<u>134,052,355</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	81,742,925	153,466			81,896,391
Buildings	1,486,271	56,689			1,542,960
Mobile equipment	4,256,930	534,024	182,640		4,608,314
Furniture and equipment	1,535,103	61,034			1,596,137
Leased property under capital leases	147,137	25,641	95,855		76,923
Total accumulated depreciation	<u>89,168,366</u>	<u>830,854</u>	<u>278,495</u>	<u>0</u>	<u>89,720,725</u>
Total depreciable capital assets, net	<u>43,593,486</u>	<u>890,427</u>	<u>152,283</u>	<u>0</u>	<u>44,331,630</u>
Governmental activities capital assets, net	<u>\$ 43,780,459</u>	<u>1,709,877</u>	<u>152,283</u>	<u>0</u>	<u>45,338,053</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 19,626
Public safety	205,001
Public works	568,415
Health and welfare	10,493
Culture and recreation	2,968
Conservation of natural resources	4,628
Economic development and assistance	19,723
Total governmental activities depreciation expense	<u>\$ 830,854</u>

COVINGTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

Commitments with respect to unfinished capital projects at September 30, 2009, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Covington County Department of Human Services Building	\$ 296,300	February 2010

(6) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2009, to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(7) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 284,970
Less: Accumulated depreciation	<u>76,923</u>
Leased Property Under Capital Leases	<u>\$ 208,047</u>

The following is a schedule by years of the total payments due as of September 30, 2009:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 72,705	6,493
2011	<u>75,883</u>	<u>3,316</u>
Total	<u>\$ 148,588</u>	<u>9,809</u>

COVINGTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

(8) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. Capital Leases:			
District 1 2007 Mack CV713 truck	\$ 49,529	4.31%	10-2010
District 5 (2) 2007 Mack CV713 trucks	99,059	4.31%	10-2010
Total Capital Leases	\$ 148,588		
B. Other Loans:			
District 5 420E backhoe	\$ 69,159	3.37%	06-2014

Year Ending September 30	Other Loans	
	Principal	Interest
2010	\$ 13,664	2,153
2011	14,138	1,679
2012	14,626	1,192
2013	15,137	681
2014	11,594	268
Total	\$ 69,159	5,973

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, 2009, the county had no outstanding debt limited by the legal debt margin.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance	Additions	Reductions	Adjustments	Balance	Amount due
	Oct. 1, 2008				Sept. 30, 2009	within one year
Governmental Activities:						
Capital leases	\$ 343,469		194,881		148,588	72,705
Other loans		72,498	3,339		69,159	13,664
Total	\$ 343,469	72,498	198,220	0	217,747	86,369

## COVINGTON COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2009

#### (9) Contingencies.

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

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

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Covington County Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2009, is \$6,940,000.

#### (10) Joint Ventures.

The county participates in the following joint ventures:

Covington County is a participant with the Counties of Greene, Perry and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and is governed by a five-member board. Each county appoints one board member with the appointment of the fifth member rotating annually among the counties. By contractual agreement, the county's appropriation to the joint venture was \$92,850 in fiscal year 2009. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

Covington County is a participant with the Counties of Jones and Perry, and the Cities of Hattiesburg, Laurel and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste in members of the authority. The Covington County Board of Supervisors appoints one of the twelve members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

#### (11) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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 Covington County Board of Supervisors appoints one of the 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$20,000 for support of the district in fiscal year 2009.

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 Covington County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$35,500 for support of the entity in fiscal year 2009.

COVINGTON COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2009

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Covington County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$386,214 for maintenance and support of the college in fiscal year 2009.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Covington 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. Each county provides a modest amount of financial support when matching funds are required for federal grants. The county appropriated \$10,000 for support of the district in fiscal year 2009.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry, Stone and Walthall. The Covington County Board of Supervisors appoints one of the ten members of the board of directors. The county appropriated \$72,500 for support of the district in fiscal year 2009.

(12) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2009 was 12% 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, 2009, 2008 and 2007 were \$316,820, \$275,305 and \$252,467, respectively, equal to the required contributions for each year.

(13) Subsequent Events.

Subsequent to September 30, 2009, Covington County issued the following debt obligation:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
05/03/2010	3.28%	\$ 182,083	Capital lease	Ad valorem taxes

COVINGTON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

COVINGTON COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,900,000	3,055,032	3,055,032	
Licenses, commissions and other revenue	180,000	197,979	197,979	
Fines and forfeitures	250,000	287,672	287,672	
Intergovernmental revenues	3,503,500	1,776,932	1,861,253	84,321
Charges for services	4,000	1,772	1,772	
Interest income	430,000	312,041	312,706	665
Miscellaneous revenues	303,500	257,319	245,130	(12,189)
Total Revenues	<u>7,571,000</u>	<u>5,888,747</u>	<u>5,961,544</u>	<u>72,797</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,805,069	2,603,200	2,536,401	66,799
Public safety	1,360,366	1,387,934	1,348,991	38,943
Public works	50,000	47,000	4,492	42,508
Health and welfare	1,254,000	835,700	816,557	19,143
Conservation of natural resources	107,900	115,334	111,714	3,620
Economic development and assistance	80,000	39,352	38,352	1,000
Total Expenditures	<u>5,657,335</u>	<u>5,028,520</u>	<u>4,856,507</u>	<u>172,013</u>
Excess of Revenues over (under) Expenditures	<u>1,913,665</u>	<u>860,227</u>	<u>1,105,037</u>	<u>244,810</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Other financing sources	10,000	153,889	149,042	(4,847)
Other financing uses	<u>(1,960,000)</u>	<u>(2,483,848)</u>	<u>(2,016,638)</u>	<u>467,210</u>
Total Other Financing Sources and Uses	<u>(1,950,000)</u>	<u>(2,329,959)</u>	<u>(1,867,596)</u>	<u>462,363</u>
Net Change in Fund Balance	(36,335)	(1,469,732)	(762,559)	707,173
Fund Balances - Beginning	<u>10,666,409</u>	<u>12,800,288</u>	<u>12,746,616</u>	<u>(53,672)</u>
Fund Balances - Ending	<u>\$ 10,630,074</u>	<u>11,330,556</u>	<u>11,984,057</u>	<u>653,501</u>

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

COVINGTON COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2009

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Type
	General Fund
Budget (Cash Basis)	\$ (762,559)
Increase (Decrease)	
Net adjustments for revenue accruals	29,334
Net adjustments for expenditure accruals	(18,501)
GAAP Basis	\$ <u>(751,726)</u>

COVINGTON COUNTY

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COVINGTON COUNTY

SUPPLEMENTAL INFORMATION

COVINGTON COUNTY

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COVINGTON COUNTY  
 Reconciliation of Operating Costs of Solid Waste  
 For the Year Ended September 30, 2009

Operating Expenditures, Cash Basis:

Salaries	\$	279,216
Expendable Commodities:		
Gasoline and petroleum products		29,804
Repair parts		3,591
Clothing		2,009
Maintenance		155,987
Supplies		298
Equipment		<u>337,062</u>
Solid Waste Cash Basis Operating Expenditures		807,967
Full Cost Expenses:		
Indirect administrative costs		5,025
Depreciation on equipment		<u>54,314</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>867,306</u></u>

COVINGTON COUNTY

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COVINGTON COUNTY

SPECIAL REPORTS

COVINGTON COUNTY

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# State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
Covington County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Covington County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated September 17, 2010. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 09-1 and 09-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-1 and 09-2 to be material weaknesses.

#### Compliance and Other Matters

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

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

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



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

September 17, 2010



## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

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

Members of the Board of Supervisors  
Covington County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Covington County, Mississippi, as of and for the year ended September 30, 2009. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

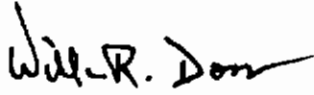
The Board of Supervisors of Covington County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Covington County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Covington 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.

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

September 17, 2010

COVINGTON COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2009

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

COVINGTON COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2009

Schedule 2

Our test results did not identify any emergency purchases.

COVINGTON COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2009

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

COVINGTON COUNTY

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## State of Mississippi

OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR

### LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Covington County, Mississippi

In planning and performing our audit of the financial statements of Covington County, Mississippi for the year ended September 30, 2009, we considered Covington 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 Covington 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 September 17, 2010, on the financial statements of Covington County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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.

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

September 17, 2010

COVINGTON COUNTY

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COVINGTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

COVINGTON COUNTY

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COVINGTON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements:                        |               |
|    | Governmental activities   | Unqualified   |
|    | General Fund  | Unqualified   |
|    | Aggregate remaining fund information  | Unqualified   |
|    | Aggregate discretely presented component units                                      | Adverse       |
| 2. | Internal control over financial reporting:  |               |
|    | Material weaknesses identified?   | Yes           |
|    | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the financial statements noted?                           | No            |

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1. Finding

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

Recommendation

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

Board of Supervisors' Response

The Board of Supervisors recognizes the failure to include financial data of the county's component units has resulted in an adverse opinion. The cost of providing this data is not feasible, and for some of the units financial data may not be available to the Board.

COVINGTON COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2009

Justice Court Clerk.

Significant Deficiency - Material Weaknesses

09-2. Finding

An effective system of internal control for collecting, recording and disbursing cash in the Justice Court Clerk's office should include maintaining the cash journal and supporting documentation. As reported in the prior two years' audit reports, the following deficiencies were noted:

- a. Bank statements were not reconciled on a timely basis.
- b. Monies were held for several days prior to receipting and depositing.
- c. The subsidiary ledger was not properly maintained and did not tie to the outstanding bond balance.
- d. Distribution of the cash form was not accurate.
- e. A cash count performed May 11, 2010, revealed a net cash overage of \$17,195.60 in the civil, criminal and clearing accounts.

Without adequate accounting records, inaccurate information may be reported resulting in an increased possibility of loss or misappropriation of public funds.

Recommendation

The Justice Court Clerk should properly maintain the cash journal and supporting documentation to ensure public funds are not misappropriated. The bank statement should be properly reconciled to the cash journal on a monthly basis. The cash overage should be researched and identified.

Justice Court Clerk's Response

- a. I am working with Delta Computer Systems and will use the computer system to reconcile bank statements as prescribed in the Delta Computer Systems Justice Court Clerk Manual.
- b. Monies that are held are kept securely in a locked safe in the office and when there is an affidavit to apply the payment to, it is applied immediately. If there is no affidavit to apply the payment to, it is returned to the affiant with an explanation as to why payment is being returned.
- c. I have converted my 'handwritten' ledger to an excel spreadsheet that will be more efficiently maintained.
- d. Distribution of Cash form will be printed on the FYE so any inaccuracies will be identified immediately.
- e. I am making every effort to identify cash overages in the clearing account. When all is identified and if there is still is an overage, the overage will be settled to the Chancery Clerks office as 'unidentified' with copies kept for my records.

I appreciate the suggestions that have been made to me by the Auditor. She has been more receptive to my questions and very forthcoming with suggestions and had suggested more efficient ways to better serve my office and the public.