

JEFFERSON DAVIS COUNTY, MISSISSIPPI

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

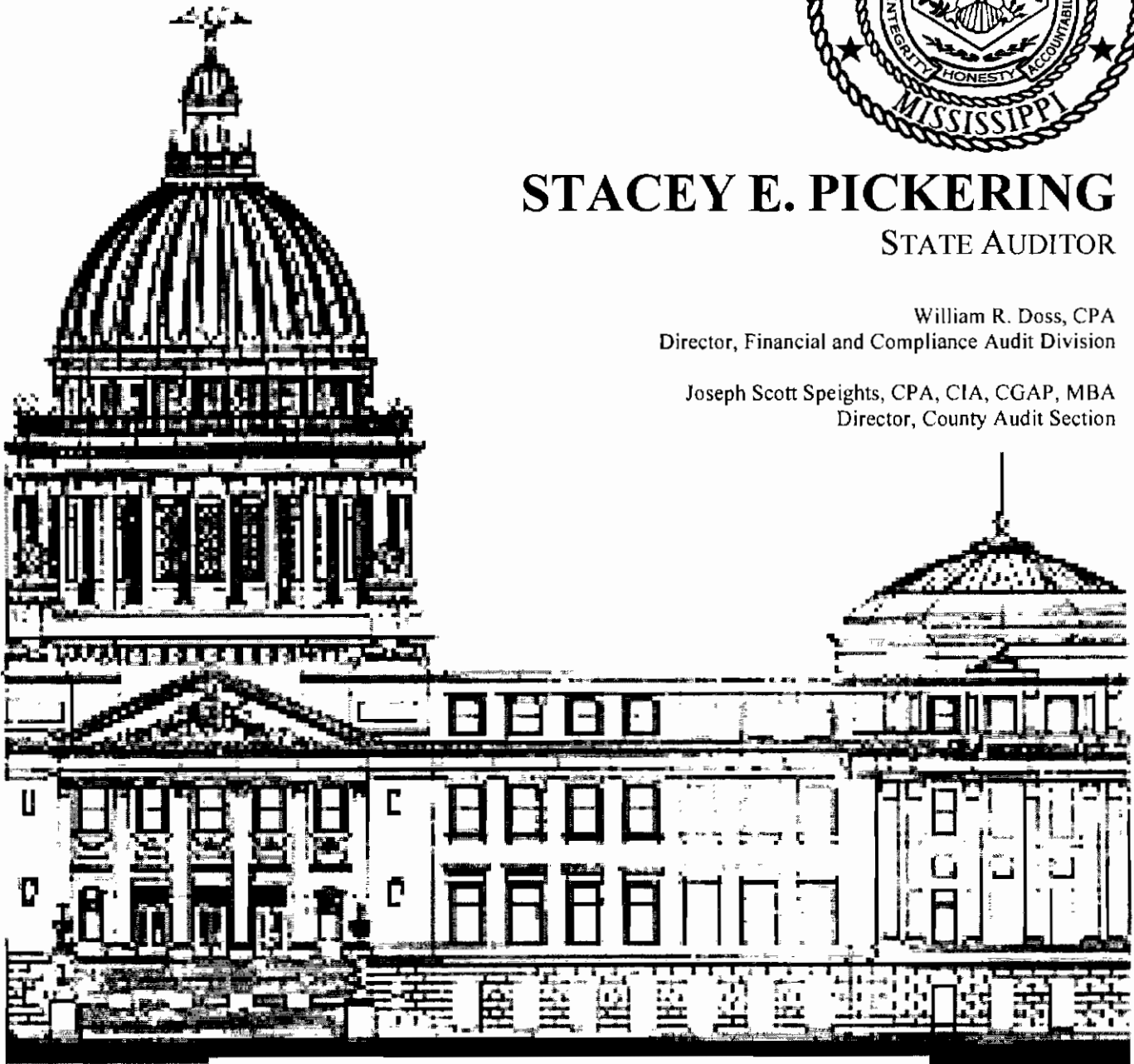


STACEY E. PICKERING

STATE AUDITOR

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

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Director, County Audit Section



A Report from the County Audit Section

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JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL SECTION

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis 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 Jefferson Davis 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 Jefferson Davis 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 June 22, 2010, on our consideration of Jefferson Davis County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

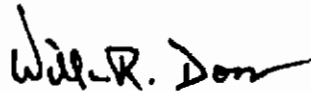
Jefferson Davis County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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 Jefferson Davis County, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. 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.



STACEY E. PICKERING
State Auditor



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

June 22, 2010

JEFFERSON DAVIS COUNTY

FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Statement of Net Assets
September 30, 2009

Exhibit 1

	<u>Primary Government</u>
	<u>Governmental</u>
	<u>Activities</u>
ASSETS	
Cash	\$ 10,327,361
Property tax receivable	3,797,020
Fines receivable (net of allowance for uncollectibles of \$1,135,660)	289,773
Intergovernmental receivables	159,008
Other receivables	10,771
Capital assets:	
Land	381,562
Other capital assets, net	22,158,945
Total Assets	<u>37,124,440</u>
LIABILITIES	
Claims payable	453,613
Intergovernmental payables	168,005
Deferred revenue	3,797,020
Other payables	54,132
Long-term liabilities	
Due within one year:	
Capital debt	58,049
Non-capital debt	63,150
Due in more than one year:	
Capital debt	142,275
Non-capital debt	1,287,367
Total Liabilities	<u>6,023,611</u>
NET ASSETS	
Invested in capital assets, net of related debt	22,340,183
Restricted:	
Expendable:	
General government	445,231
Debt service	124,457
Public safety	46,026
Public works	2,144,221
Culture and recreation	43,335
Unemployment compensation	17,255
Unrestricted	5,940,121
Total Net Assets	<u>\$ 31,100,829</u>

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

JEFFERSON DAVIS COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	<u>Major Fund</u>		Total Governmental Funds
	General Fund	Other Governmental Funds	
ASSETS			
Cash	\$ 7,328,816	2,998,545	10,327,361
Property tax receivable	2,167,600	1,629,420	3,797,020
Fines receivable (net of allowance for uncollectibles of \$1,135,660)	289,773		289,773
Intergovernmental receivables	158,889	119	159,008
Other receivables	10,771		10,771
Due from other funds		96,184	96,184
Total Assets	<u>\$ 9,955,849</u>	<u>4,724,268</u>	<u>14,680,117</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 179,290	274,323	453,613
Intergovernmental payables	157,550		157,550
Due to other funds	106,639		106,639
Deferred revenue	2,457,373	1,629,420	4,086,793
Other payables	54,132		54,132
Total Liabilities	<u>2,954,984</u>	<u>1,903,743</u>	<u>4,858,727</u>
Fund balances:			
Reserved for:			
Debt service		124,457	124,457
Unemployment compensation		17,255	17,255
Unreserved - undesignated, reported in:			
General Fund	7,000,865		7,000,865
Special Revenue Funds		2,678,813	2,678,813
Total Fund Balances	<u>7,000,865</u>	<u>2,820,525</u>	<u>9,821,390</u>
Total Liabilities and Fund Balances	<u>\$ 9,955,849</u>	<u>4,724,268</u>	<u>14,680,117</u>

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

JEFFERSON DAVIS COUNTY

Exhibit 3-1

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 9,821,390
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 \$36,705,077.	22,540,507
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	289,773
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,550,841)</u>
Total Net Assets - Governmental Activities	<u>\$ 31,100,829</u>

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

JEFFERSON DAVIS 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>		<u>Total</u>
	General Fund	Other Governmental Funds	Governmental Funds
REVENUES			
Property taxes	\$ 2,283,970	1,633,227	3,917,197
Road and bridge privilege taxes		169,664	169,664
Licenses, commissions and other revenue	71,443	3,098	74,541
Fines and forfeitures	118,265		118,265
Intergovernmental revenues	3,060,290	1,322,372	4,382,662
Charges for services	43,237	119,859	163,096
Interest income	47,232	11,714	58,946
Miscellaneous revenues	147,120	128,262	275,382
Total Revenues	<u>5,771,557</u>	<u>3,388,196</u>	<u>9,159,753</u>
EXPENDITURES			
Current:			
General government	2,636,045	147,594	2,783,639
Public safety	2,345,046	228,294	2,573,340
Public works	45,197	3,995,132	4,040,329
Health and welfare	173,931		173,931
Culture and recreation	81,764	103,018	184,782
Conservation of natural resources	97,987		97,987
Economic development and assistance	62,173		62,173
Debt service:			
Principal		114,784	114,784
Interest		66,798	66,798
Total Expenditures	<u>5,442,143</u>	<u>4,655,620</u>	<u>10,097,763</u>
Excess of Revenues over (under) Expenditures	<u>329,414</u>	<u>(1,267,424)</u>	<u>(938,010)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	600	2,891	3,491
Transfers in		1,163,481	1,163,481
Transfers out	(1,156,925)	(6,556)	(1,163,481)
Total Other Financing Sources and Uses	<u>(1,156,325)</u>	<u>1,159,816</u>	<u>3,491</u>
Net Changes in Fund Balances	(826,911)	(107,608)	(934,519)
Fund Balances - Beginning	<u>7,827,776</u>	<u>2,928,133</u>	<u>10,755,909</u>
Fund Balances - Ending	<u>\$ 7,000,865</u>	<u>2,820,525</u>	<u>9,821,390</u>

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

JEFFERSON DAVIS 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	\$ (934,519)
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 \$1,276,825 exceeded depreciation of \$831,635 in the current period.	445,190
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 \$16,833 plus the proceeds from the sale of \$3,491 in the current period.	(20,324)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	87,728
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 of debt repayment.	<u>114,784</u>
Change in Net Assets of Governmental Activities	<u>\$ (307,141)</u>

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

JEFFERSON DAVIS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 109,092
Due from other funds	<u>10,455</u>
Total Assets	<u>\$ 119,547</u>
LIABILITIES	
Amounts held in custody for others	\$ 30,218
Intergovernmental payables	<u>89,329</u>
Total Liabilities	<u>\$ 119,547</u>

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

JEFFERSON DAVIS COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

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.

JEFFERSON DAVIS COUNTY

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

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 that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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.

JEFFERSON DAVIS COUNTY

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

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.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Jefferson Davis County elected to report major 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:

JEFFERSON DAVIS COUNTY

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

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

* Leased property capitalization policy 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."

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.

JEFFERSON DAVIS COUNTY

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

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 collectibility 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 \$10,436,453, and the bank balance was \$10,666,385. 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.

JEFFERSON DAVIS 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	\$ 96,184
Agency Funds	General	<u>10,455</u>
Total		<u>\$ 106,639</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>
Other Governmental Funds	General	\$ 1,156,925
Other Governmental Funds	Other Governmental Funds	<u>6,556</u>
Total		<u>\$ 1,163,481</u>

The principal purpose of interfund transfers was to provide funds for grant matches or to provide funds to pay for road repair. 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>
Governmental Activities:	
Legislative tax credit	\$ 49,170
Hazard Mitigation Grant	109,710
Other	<u>128</u>
Total Governmental Activities	<u>\$ 159,008</u>

JEFFERSON DAVIS 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	\$ 381,562				381,562
Total non-depreciable capital assets	381,562	0	0	0	381,562
<u>Depreciable capital assets:</u>					
Infrastructure	46,096,025				46,096,025
Buildings	5,752,437				5,752,437
Improvements other than buildings	123,876				123,876
Mobile equipment	5,177,345	859,663	160,481		5,876,527
Furniture and equipment	328,135	417,162			745,297
Leased property under capital leases	269,860				269,860
Total depreciable capital assets	57,747,678	1,276,825	160,481	0	58,864,022
<u>Less accumulated depreciation for:</u>					
Infrastructure	31,197,724	156,898			31,354,622
Buildings	1,630,087	107,941			1,738,028
Improvements other than buildings	64,428	4,956			69,384
Mobile equipment	2,838,778	435,221	140,157		3,133,842
Furniture and equipment	244,338	88,375			332,713
Leased property under capital leases	38,244	38,244			76,488
Total accumulated depreciation	36,013,599	831,635	140,157	0	36,705,077
Total depreciable capital assets, net	21,734,079	445,190	20,324	0	22,158,945
Governmental activities capital assets, net	\$ 22,115,641	445,190	20,324	0	22,540,507

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 68,118
Public safety	199,199
Public works	514,433
Health and welfare	14,591
Culture and recreation	22,755
Conservation of natural resources	1,726
Economic development and assistance	10,813
Total governmental activities depreciation expense	\$ 831,635

JEFFERSON DAVIS COUNTY

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

(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) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$22,000 for the year ended September 30, 2009. The lease is automatically renewed from year to year unless notice of termination is given in writing by either party at least 30 days prior to the last day of the lease term.

(8) Capital Leases.

As Lessee:

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 269,860
Less: Accumulated depreciation	<u>76,488</u>
Leased Property Under Capital Leases	<u>\$ 193,372</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2010	\$ 58,049	5,716
2011	81,437	3,470
2012	<u>60,838</u>	<u>161</u>
Total	<u>\$ 200,324</u>	<u>9,347</u>

JEFFERSON DAVIS COUNTY

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

(9) 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. General Obligation Bonds:			
Hospital Bond	\$ 1,350,517	4.25%	07-2025
B. Capital Leases:			
420E Caterpillar backhoe	\$ 48,762	3.74%	04-2011
LeeBoy motorgrader	54,167	2.99%	05-2011
Caterpillar excavator	97,395	3.19%	09-2011
Total Capital Leases	\$ 200,324		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2010	\$ 63,150	57,203
2011	65,832	54,519
2012	68,628	51,721
2013	71,544	48,804
2014	74,586	45,763
2015 - 2019	423,264	178,485
2020 - 2024	521,250	80,562
2025 - 2026	62,263	2,453
Total	\$ 1,350,517	519,510

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 amount of outstanding debt was equal to less than 1% of the latest property assessments.

JEFFERSON DAVIS COUNTY

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

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

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept. 30, 2009	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 1,411,105		60,588		1,350,517	63,150
Capital leases	254,520		54,196		200,324	58,049
Total	<u>\$ 1,665,625</u>	<u>0</u>	<u>114,784</u>	<u>0</u>	<u>1,550,841</u>	<u>121,199</u>

(10) 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.

(11) Related Organization.

The Jefferson Davis County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Prentiss/Jefferson Davis County Airport, but the county's accountability for this organization does not extend beyond making the appointment. The county appropriated \$5,000 for the airport's support in fiscal year 2009.

(12) Joint Venture.

The county participates in the following joint venture:

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

(13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

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 Jefferson Davis County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The county appropriated \$5,000 for support of the district in fiscal year 2009.

JEFFERSON DAVIS COUNTY

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

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry, Stone and Walthall. The Jefferson Davis County Board of Supervisors appoints one of the ten members of the board of directors. The county appropriated \$36,600 for support of the district in fiscal year 2009.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Jefferson Davis County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$135,680 for maintenance and support of the college in fiscal year 2009. Payments for July 2009 through September 2009 were not made until fiscal year 2010 due to a change in staffing in the bookkeeping office.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$20,996 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 Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$31,000 for support of the entity in fiscal year 2009.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Jefferson Davis County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$16,250 for support of the district in fiscal year 2009.

(14) Defined Benefit Pension Plan.

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

Funding Policy. 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 \$324,372, \$278,658 and \$257,206, respectively, equal to the required contributions for each year.

JEFFERSON DAVIS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON DAVIS 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)
REVENUES				
Property taxes	\$ 2,204,826	2,221,115	2,221,115	
Licenses, commissions and other revenue	81,060	68,829	68,829	
Fines and forfeitures	128,900	118,265	118,265	
Intergovernmental revenues	3,333,200	3,099,299	3,099,299	
Charges for services	30,000	43,237	43,237	
Interest income	185,000	31,978	31,978	
Miscellaneous revenues	141,625	146,765	151,973	5,208
Total Revenues	<u>6,104,611</u>	<u>5,729,488</u>	<u>5,734,696</u>	<u>5,208</u>
EXPENDITURES				
Current:				
General government	3,258,437	2,554,622	2,554,622	
Public safety	1,884,532	2,306,425	2,306,425	
Public works	45,000	32,504	32,504	
Health and welfare	198,191	174,180	174,180	
Culture and recreation	64,750	83,609	83,609	
Education	216,500	208,395	208,395	
Conservation of natural resources	110,076	97,066	97,066	
Economic development and assistance	60,100	61,723	61,723	
Total Expenditures	<u>5,837,586</u>	<u>5,518,524</u>	<u>5,518,524</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>267,025</u>	<u>210,964</u>	<u>216,172</u>	<u>5,208</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	1,417,525	1,534,433	1,534,433	
Other financing uses	(7,560,550)	(2,688,671)	(2,688,671)	
Total Other Financing Sources and Uses	<u>(6,143,025)</u>	<u>(1,154,238)</u>	<u>(1,154,238)</u>	<u>0</u>
Net Change in Fund Balance	(5,876,000)	(943,274)	(938,066)	5,208
Fund Balances - Beginning	<u>5,876,000</u>	<u>7,848,439</u>	<u>7,848,439</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>6,905,165</u>	<u>6,910,373</u>	<u>5,208</u>

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

JEFFERSON DAVIS 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)	\$ (938,066)
Increase (Decrease)	
Net adjustments for revenue accruals	183,512
Net adjustments for expenditure accruals	(72,357)

GAAP Basis	\$ <u>(826,911)</u>

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY

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

Operating Expenditures, Cash Basis:

Salaries	\$	224,728
Expendable Commodities:		
Gasoline and petroleum products		41,900
Repair parts		4,101
Maintenance		3,302
Contractual services		123,486
Supplies		107
Equipment		91,667
Buildings below capitalization threshold		<u>1,095</u>
Solid Waste Cash Basis Operating Expenditures		490,386
Full Cost Expenses:		
Indirect administrative costs		3,998
Depreciation on equipment		<u>60,307</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>554,691</u></u>

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SPECIAL REPORTS

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
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
Jefferson Davis County, Mississippi

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis 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 June 22, 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 Jefferson Davis 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, 09-2, 09-3 and 09-04 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 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, 09-2 and 09-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Davis 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*.

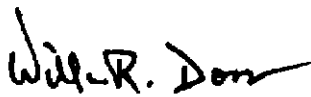
However, we noted certain matters that we reported to the management of Jefferson Davis County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated June 22, 2010, included within this document.

Jefferson Davis County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit Jefferson Davis 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.



STACEY E. PICKERING
State Auditor



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

June 22, 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
Jefferson Davis County, Mississippi

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

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

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

Purchase Clerk.

1. Finding

Section 31-7-103, Miss. Code Ann. (1972), requires a requisition, purchase order and receiving report for all purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972), and except for purchases of not more than \$100. A truck was purchased for \$18,000 without a requisition, purchase order, receiving report or invoice. Failure to ensure that all purchasing procedures are complied with prior to the transaction could result in excess costs to the county.

Recommendation

The Purchase Clerk should ensure that all purchase requirements are met prior to ordering all equipment, heavy equipment, machinery, supplies, commodities, materials and services, as required by law.

Purchase Clerk's Response

We will comply.

Inventory Control Clerk.

2. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the county to establish and maintain an inventory control system. The following deficiencies in internal control over capital asset additions were noted:

- a. The county improperly classified a piece of mobile equipment as furniture and equipment.
- b. The county did not recognize depreciation expense on an asset purchased in the current year.
- c. The values of several assets were misstated or not adequately documented.
- d. Several assets were not assigned inventory control numbers.

Failure to properly account for capital assets could result in material misstatements on the face of the financial statements and misappropriation of county assets.

Recommendation

The county should properly classify all capital assets, recognize depreciation expense in the year of acquisition, maintain adequate documentation for all capital assets and assign all assets inventory control numbers.

Inventory Control Clerk's Response

We will comply.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Jefferson Davis County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

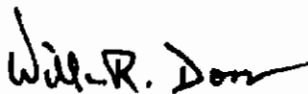
The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to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

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

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



STACEY E. PICKERING
State Auditor



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

June 22, 2010

JEFFERSON DAVIS COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2009

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
05/04/2009	1998 Mack truck	\$ 18,000	Joey Ingram	\$ 15,000	Lower mileage.
05/18/2009	Low Boy trailer	23,435	Waters International Trucks	17,500	Newer model in better condition.
07/20/2009	Siren warning system	28,343	Precision Communications	28,256	Better warranty.
08/03/2009	Tractor	35,285	Crain Ford Tractor	35,160	Lower delivery cost.

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

Schedule 2

Our test results did not identify any emergency purchases.

JEFFERSON DAVIS COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2009

Schedule 3

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

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

In planning and performing our audit of the financial statements of Jefferson Davis County, Mississippi for the year ended September 30, 2009, we considered Jefferson Davis County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jefferson Davis County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 22, 2010, on the financial statements of Jefferson Davis County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 71-5-359(2)f, Miss. Code Ann. (1972), states that after January 1, 1980, an unemployment compensation revolving fund should maintain a balance not less than 2% of the eligible salaries of the preceding year. The amount on hand in the county's unemployment compensation revolving fund fell below the 2% threshold. Failure to maintain the minimum required balance could result in the county being unable to provide adequate unemployment compensation to its employees.

Recommendation

The Board of Supervisors should deposit the additional amount needed for maintaining the law's 2% threshold, as required by law, and install a system of controls to ensure that the minimum required balance is maintained.

Board of Supervisors' Response

The Board of Supervisors will deposit the additional amount needed, then install a system of controls to ensure the minimum required balance to avoid further problems.

Chancery Clerk.

2. Finding

Section 27-105-5, Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits. However, the county is still required to perform certain duties related to the collateralization of public funds. The quarterly reports from the State Treasurer were not reconciled to the county's bank records. Without accurate and timely reconciliation of the quarterly reports, the risk increases that the county's total deposits may not be properly collateralized.

Recommendation

The Chancery Clerk should ensure the reconciliation function is prepared quarterly, the annual report is submitted by October 31st and the bank is notified when appropriate.

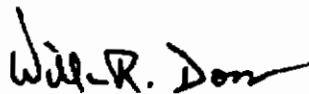
Chancery Clerk's Response

Efforts will be made to be in compliance of the audit's 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.



STACEY E. PICKERING
State Auditor



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

June 22, 2010

JEFFERSON DAVIS COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

JEFFERSON DAVIS COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| a. | Material weaknesses identified? | Yes |
| b. | Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 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 the inclusion in the county's financial statements.

Board of Supervisors' Response

The Board of Supervisors will provide financial data for component units for inclusion in county financial statements.

JEFFERSON DAVIS COUNTY

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

Significant Deficiency - Material Weakness

09-2. Finding

An effective system of internal control over the county payroll function should include proper segregation of duties, proper authorization of payroll and documentation for all withholdings, deductions, leave and hours worked. The following deficiencies in internal controls exist in the county payroll function:

- a. As reported in the prior year audit report, timesheets are not properly authorized by both the employee and their immediate supervisor. Several timesheets are not signed by the employee and others contain inconsistent employee signatures.
- b. Two employees' time sheets were incomplete.
- c. The county is not properly computing hourly rates for salaried employees. The method of calculation that the county uses overstates employees' hourly rates.

Without proper controls, unauthorized or inaccurate payroll checks could be processed. Improperly calculating hourly pay rates could result in overpayment to employees for hours worked.

Recommendation

The Board of Supervisors should install an adequate system of internal control over the county payroll function, employees' time sheets should be properly completed and the county should calculate employees' hourly pay rates by using the employee's yearly salary divided by the total hours worked in a year.

Board of Supervisors' Response

The Board of Supervisors will install an adequate system of county payroll functions, and properly calculate employees' hourly rates to avoid further problems.

Board of Supervisors.

Significant Deficiency - Material Weakness

09-3. Finding

An effective system of internal controls over fines receivable should include assurance that all fines due to the county are booked as a receivable at year-end. Our tests indicated that a significant amount of receivables were not booked by the county. An adjustment was proposed by the auditor and made by the county to the financial statements to correct these omissions. Failure to properly include all fines receivable at year-end could result in erroneous amounts being reported in the financial statements.

Recommendation

The county should ensure that all fines receivable are recorded in the financial statements.

Board of Supervisors' Response

The Board of Supervisors will ensure that all fines receivable are recorded in the financial statements to avoid further mistakes.

JEFFERSON DAVIS COUNTY

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

Tax Assessor-Collector.

Significant Deficiency

09-4. Finding

An effective system of control over the collection, recording and disbursement of cash should include maintaining a cash journal. As reported in the prior four years' audit reports, the cash journal was not properly maintained. The stated cash balance in each month's cash journal does not reconcile to the corresponding month's bank reconciliation. The failure to properly maintain a cash journal could result in inaccurate reporting, incomplete settlements and increases the possibility of the loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should properly maintain a cash journal and properly reconcile the bank statement to the cash journal.

Tax Assessor-Collector's Response

It has been my diligent attempt to alleviate Delta Computer Systems & Jefferson Davis County Tax Collector's computer/bookkeeping problem. After recent strong communication with Delta, it is my prayer this continuous finding will be clear the next year.