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

Fortenberry & Ballard, PC
Certified Public Accountant

Jefferson County Location in Mississippi



Jefferson County was formed in 1799, named for Thomas Jefferson (first called “Pickering”). Jefferson County is about 527.2 square miles with a population of 9,740. Shelled by the gunboat “rattler” when Federal sailors were captured by Confederate cavalry while attending Sunday services, September 13, 1863.

Jefferson County, Mississippi
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FINANCIAL SECTION

FORTENBERRY & BALLARD, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON THE BASIC
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Members of the Board of Supervisors
Jefferson County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements 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 did not audit the financial statements of the Jefferson County Hospital, component unit, which represent 88%, 100%, and 79% of the assets, net assets and revenues of the governmental component units column. We did not audit the financial statements of the Jefferson County Nursing Home, component unit, which represent 12%, 0%, and 21% of the assets, net assets and revenues of the governmental component units column. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors.

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 and the reports of other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Jefferson County, Mississippi, as of September 30, 2009, and the respective changes in financial position, and, where applicable, cash flows 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 July 31, 2010 on our consideration of Jefferson County, Mississippi's internal control over financial reporting and 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 when assessing the results of our audit.

The Management's Discussion and Analysis and Budgetary Comparison Schedules 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 and the other auditors have applied certain limited procedures, which consisted principally of inquires 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 County, Mississippi's basic financial statements. The accompanying combining statements for the component units are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
July 31, 2010

Certified Public Accountants

**Jefferson County, Mississippi
Management's Discussion & Analysis
For the Year Ended September 30, 2009**

INTRODUCTION

The discussion and analysis of Jefferson 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. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets decreased \$477,212, which represents a 13% decrease from the prior fiscal year. The County's ending cash balance decreased by \$989,762 which represents a 39% decrease from the prior fiscal year.
- The County had \$8,817,289 in total revenues. Tax revenues account for \$2,966,243 or 34% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$375,580 or 4% of total revenues.
- The County had \$9,294,501 in total expenses. Expenses in the amount of \$4,807,617 were offset by charges for services, grants, or outside contributions. General revenues of \$4,009,672 were not adequate to provide for the remainder of the expenses.
- Among major funds, the General Fund had \$3,226,879 in revenues and \$4,024,176 in expenditures. The General Fund's fund balance decreased \$797,297 over the prior year. A main reason for this decrease is the recording of a tax anticipation note (short term debt) in the amount of \$480,000. Last year's revenues were \$2,910,557, and expenditures were \$2,501,023.
- The Garbage and Solid Waste Fund had \$329,844 in revenues and \$557,046 in expenditures. The Garbage and Solid Waste Fund's fund balance decreased \$227,202 from the prior year.
- Another major fund, the County Wide Road Maintenance Fund, had \$1,401,943 in revenues, \$1,431,567 in expenditures and \$95,500 in other financing sources. The County Wide Road Maintenance Fund's fund balance increased \$65,876 from the prior

year mainly due to the proceeds received from the sale of capital assets.

- Capital assets, net of accumulated depreciation, increased by \$4,987,944 primarily due to the recording of a prior period adjustment to include infrastructure assets in the County's records.
- Long-term debt decreased by \$436,020. The main reason for this decrease was the principal retirement of debt .

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.

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

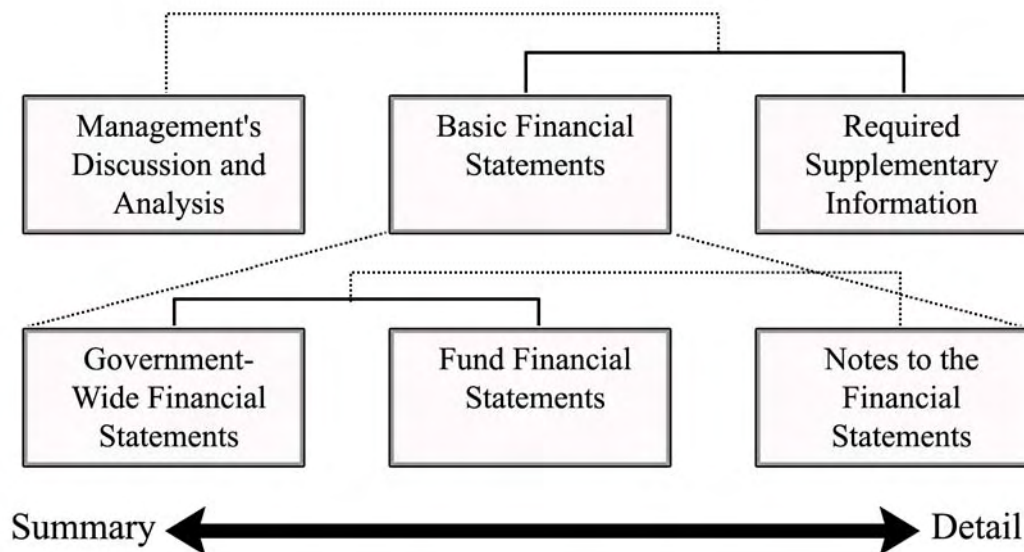


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the 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.

Figure 2 - Major Features of the County's Government-Wide and Fund Financial Statements

	Government-Wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	The County is the trustee or agent for someone else's resources
Required Financial Statements	* Statement of Net Assets * Statement of Operating Activities	* Balance Sheet * Statement of Revenues, Expenditures and Changes in Fund Balances	* Statement of Fiduciary Net Assets * Statement of Changes in Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, 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, liabilities, both short and long term
Type of inflow/outflow information	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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's 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.

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.

The Government-wide Financial Statements can be found on pages 19 and 20 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 project 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 24 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 22 and 26 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County's 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 Fiduciary Net Assets, which can be found on page 32 of this report.

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 33-54 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 and each additional special revenue major fund. This required supplementary information can be found on pages 55-60 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Jefferson County, assets exceeded liabilities by \$8,617,066 as of September 30, 2009.

A portion of the County's net assets (87%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, mobile equipment, furniture & equipment, leased property under capital leases) 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.

The following table presents a summary of the County's net assets at September 30, 2009 and September 30, 2008.

Governmental Activities:

	<u>09/30/09</u>	<u>09/30/08</u>
Assets:		
Current assets	\$5,119,293	\$5,008,682
Capital assets, net	8,067,846	3,079,903
Total Assets	<u>13,187,139</u>	<u>8,088,585</u>
Liabilities:		
Current liabilities	5,152,501	4,302,652
Long-term debt outstanding	1,226,007	1,662,027
Total Liabilities	<u>6,378,508</u>	<u>5,964,679</u>

Net Assets:		
Invested in capital assets, net of related debt	6,900,350	1,480,296
Restricted assets	1,077,666	912,932
Unrestricted	(1,169,385)	(269,322)
Total Net Assets	<u>\$6,808,631</u>	<u>\$2,123,906</u>

Business-Type Activities:

	<u>09/30/09</u>	<u>09/30/08</u>
Assets:		
Current assets	\$1,407,830	\$1,404,849
Capital assets, net	3,106,942	3,187,173
Total Assets	<u>4,514,772</u>	<u>4,592,022</u>
Liabilities:		
Current liabilities	80,276	91,550
Long-term debt outstanding	2,626,061	2,927,656
Total Liabilities	<u>2,706,337</u>	<u>3,019,206</u>
Net Assets:		
Invested in capital assets, net of related debt	556,942	342,173
Restricted	1,251,493	1,230,643
Total Net Assets	<u>\$1,808,435</u>	<u>\$1,572,816</u>

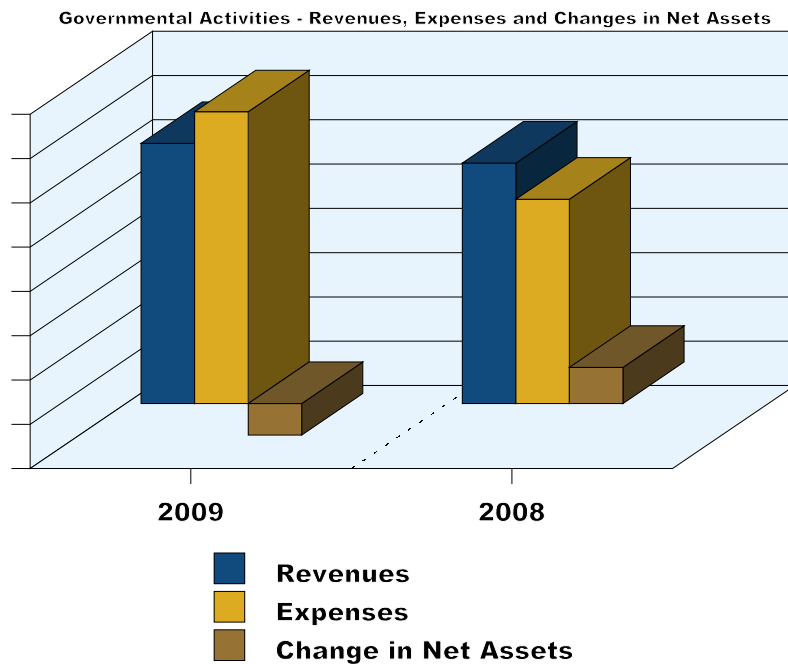
The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- \$727,111 of long-term debt principal was retired. This figure includes the governmental and business-type activities of the County.
- A prior period adjustment was made in the amount of \$5,397,556 to include the infrastructure in the governmental activities of the County's books.
- The County increased its short-term debt to reflect the outstanding and due in one year tax anticipation note in the amount of \$750,000.

Changes in Net Assets - Jefferson County's total revenues for the fiscal year ended September 30, 2009 were \$8,817,289. The total cost for all services provided was \$9,294,501 and the decrease in net assets was \$477,212. 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 end September 30, 2008.

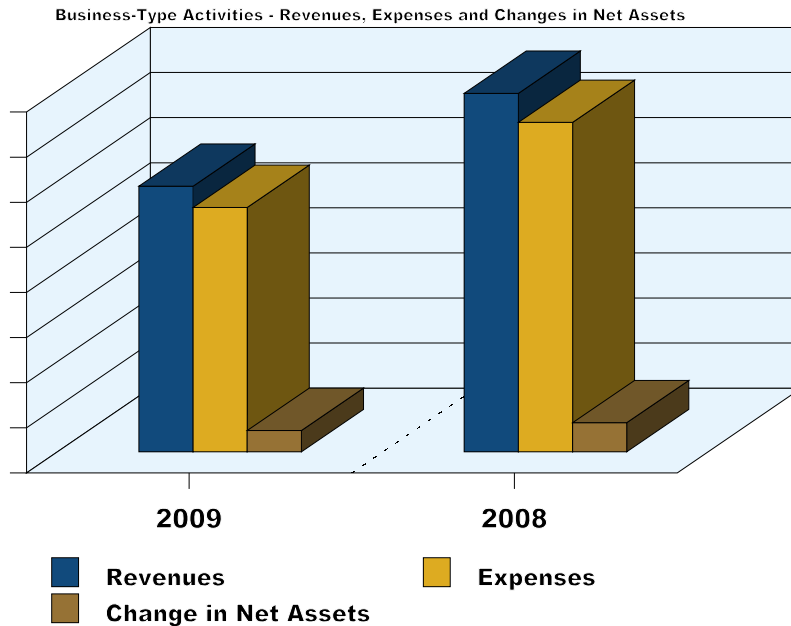
Governmental Activities:

	For the year ended 09/30/09	For the year ended 09/30/08
Revenues:		
Program revenues:		
Charges for services	\$ 1,065,489	\$ 742,482
Operating grants and contributions	700,613	659,118
Capital grants and contributions	98,268	181,624
General revenues:		
Taxes	2,966,243	3,201,342
Grants and contributions	375,580	261,016
Unrestricted interest income	30,070	56,185
Other	637,779	326,837
Total Revenues	\$ 5,874,042	\$ 5,428,604
Expenses:		
General government	2,910,536	1,612,165
Public safety	1,473,277	1,067,010
Public works	1,978,416	1,659,354
Health and welfare	83,039	132,023
Culture and recreation	10,434	7,556
Conservation of natural resources	37,646	36,382
Economic development and assistance	21,344	12,268
Interest on long term debt	72,181	85,928
Total expenses	6,586,873	4,612,686
Increase/ (Decrease) in Net Assets	\$ (712,831)	\$ 815,918



Business-Type Activities:

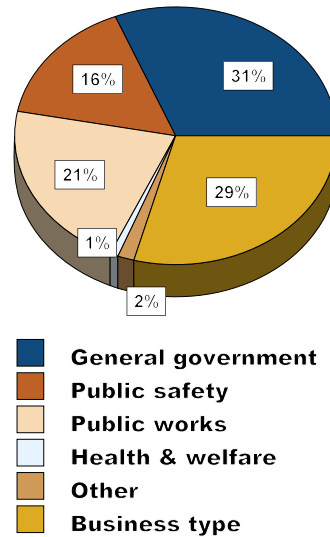
	For the year ended 09/30/09	For the year ended 09/30/08
Revenues:		
Program revenues:		
Charges for services	\$ 2,819,619	\$ 2,583,487
Operating grants and contributions	123,628	1,388,328
Total Revenues	<u>\$ 2,943,247</u>	<u>\$ 3,971,815</u>
Expenses:		
Business-type expenses	<u>2,707,628</u>	<u>3,651,099</u>
Total expenses	2,707,628	3,651,099
Increase/ (Decrease) in Net Assets	<u>\$ 235,619</u>	<u>\$ 320,716</u>



Expenses - The following table presents the cost of the various functional activities of the County. These include: General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation, Conservation of Natural Resources, Economic Development and Assistance, and Interest on Long-Term Debt and Business-Type Activities. 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 Jefferson County's taxpayers by each of these functions.

	2009 Total Cost	2009 Net Cost	2008 Total Cost	2008 Net Cost
Governmental Activities:				
General government	\$ 2,910,536	\$ (2,207,428)	\$ 1,612,165	\$ (1,245,772)
Public safety	1,473,277	(1,331,514)	1,067,010	(894,353)
Public works	1,978,416	(986,882)	1,659,354	(683,828)
Health & welfare	83,039	(55,074)	132,023	(80,454)
Culture & recreation	10,434	(10,434)	7,556	9,523
Conservation natural	37,646	(37,646)	36,382	(36,382)
Economic development	21,344	(21,344)	12,268	(12,268)
Interest on long-term	72,181	(72,181)	85,928	(85,928)
Business-type activities	2,707,628	235,619	3,651,099	320,716
Total	\$ 9,294,501	(4,486,884)	8,263,785	(2,708,746)

Expenses per Statement of Activities



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Jefferson County’s governmental funds reported a combined fund balance of (\$241,498) , a decrease of \$967,248 from the prior year. The decrease is due primarily to the increase in expenditures incurred during the fiscal year.

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 was \$797,297. The fund balance of the Garbage & Solid Waste

Fund decreased \$227,202 mainly due to the reclassification of a deficit cash balance in the fund. The County Wide Road Maintenance Fund's fund balance increased \$65,876 mainly due to the proceeds received from the sale of capital assets. The Other Governmental Funds showed a decrease of \$8,625.

Proprietary fund - The Jefferson-Franklin Correctional Facility is classified as a business-type activity. The net income in this fund was \$235,619.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Jefferson County revised its annual operating budget on several occasions. Budgeted revenues were changed as better estimates became available.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Governmental Activities:

Capital Assets – As of September 30, 2009 Jefferson County’s total capital assets were \$11,533,899. This includes land, buildings, infrastructure, mobile equipment, furniture and equipment, and leased property under capital lease. This amount represents a increase from the previous year of \$5,726,829. Total accumulated depreciation as of September 30, 2009 was \$3,466,053, and depreciation expense was \$436,883 for the year. The balance in total net capital assets was \$8,067,846 at year-end.

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Land	\$ 50,453	50,453	0.00%
Buildings	2,649,889	2,649,889	0.00%
Infrastructure	5,896,199		
Mobile equipment	1,945,637	1,883,348	3.31%
Furniture and equipment	115,028	111,022	3.61%
Leased property under capital leases	876,693	1,112,358	-21.19%
Accumulated depreciation	(3,466,053)	(2,727,167)	27.09%
Total Capital Assets, net	\$ <u>8,067,846</u>	<u>3,079,903</u>	161.95%

Debt Administration – At September 30, 2009 Jefferson County had \$1,226,007 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, obligations under capital leases and compensated absences. Of this debt, \$230,777 is due within one year.

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
General obligation bonds	\$ 531,000	662,000	-20%
Limited obligation bonds	235,000	305,000	-23%
Capital leases payable	401,496	632,607	-37%
Compensated absences	58,511	62,420	-6%
Total Long-Term Debt	\$ <u>1,226,007</u>	<u>1,662,027</u>	-26%

Business Type Activities:

Capital Assets - As of September 30, 2009 Jefferson County's total capital assets were \$4,194,049. This includes land, buildings, mobile equipment, furniture and equipment, and leased property under capital lease. Total accumulated depreciation as of September 30, 2009 was \$1,087,807, and depreciation expense was \$80,231 for the year. The balance in total net capital assets was \$3,106,942 at year-end.

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Land	\$ 235,000	235,000	0.00%
Buildings	3,862,120	3,862,120	0.00%
Mobile equipment	34,930	34,930	0.00%
Furniture and equipment	30,619	30,619	0.00%
Leased property under capital leases	31,380	31,380	0.00%
Accumulated depreciation	(1,087,107)	(1,006,876)	7.97%
Total Capital Assets, net	\$ <u>3,106,942</u>	<u>3,187,173</u>	-2.52%

Debt Administration - At September 30, 2009 Jefferson County had \$2,626,061 in long-term debt outstanding. This includes limited obligation bonds and compensated absences. Of this debt, \$365,000 is due within one year.

	<u>2009</u>	<u>2008</u>	<u>% Change</u>
Limited obligation bonds	\$ 2,550,000	2,845,000	-10%
Compensated absences	76,061	82,656	-8%
Total Long-Term Debt	\$ <u>2,626,061</u>	<u>2,927,656</u>	-10%

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 Jefferson County, Chancery Clerk's office at the following phone number: (601) 786-3021 or by mail at 307 Main Street, Fayette, Mississippi 38069.

FINANCIAL STATEMENTS

JEFFERSON COUNTY
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Assets:				
<i>Cash and Investments</i>	\$ 1,512,038	\$ 21,936	\$ 1,533,974	\$ 7,917,931
<i>Investments</i>	--	1,137,454	1,137,454	--
<i>Property tax receivable</i>	3,175,830	--	3,175,830	--
<i>Accounts receivable</i>	79,830	--	79,830	1,589,203
<i>Fines receivable, net</i>	140,734	--	140,734	--
<i>Loans receivable, net</i>	41,000	--	41,000	--
<i>Intergovernmental receivables</i>	57,284	--	57,284	--
<i>Other receivables</i>	112,577	248,440	361,017	--
<i>Prepaid items</i>	--	--	--	58,249
<i>Inventories</i>	--	--	--	174,541
<i>Other assets</i>	--	--	--	46,439
<i>Land and Construction in progress</i>	50,453	235,000	285,453	75,228
<i>Other capital assets, net</i>	8,017,393	2,871,942	10,889,335	887,002
Total Assets	13,187,139	4,514,772	17,701,911	10,748,593
LIABILITIES AND FUND EQUITY				
Liabilities:				
<i>Claims payable</i>	195,718	53,845	249,563	945,117
<i>Amounts held in custody for others</i>	159,812	--	159,812	--
<i>Intergovernmental payables</i>	83,295	--	83,295	--
<i>Accrued interest payable</i>	12,274	26,431	38,705	2,530
<i>Deferred revenue</i>	3,175,830	--	3,175,830	--
<i>Other payables</i>	1,525,572	--	1,525,572	157,216
<i>Long term liabilities:</i>				
<i>Due within one year:</i>				
<i>Capital related debt</i>	320,777	365,000	685,777	79,551
<i>Due beyond one year:</i>				
<i>Capital related debt</i>	846,719	2,185,000	3,031,719	975,901
<i>Non-capital related debt</i>	58,511	76,061	134,572	--
Total Liabilities	6,378,508	2,706,337	9,084,845	2,160,315
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,900,350	556,942	7,457,292	(97,222)
Restricted For:				
Public Works	224,812	--	224,812	--
Public Safety	323,828	1,251,493	1,575,321	--
Debt Service	13,260	--	13,260	147,423
Culture & Recreation	133,815	--	133,815	--
Economic Development	120,830	--	120,830	--
Capital Projects	47,100	--	47,100	--
Other Purposes	--	--	--	191,436
General Government	214,021	--	214,021	--
Unrestricted	(1,169,385)	--	(1,169,385)	8,346,641
Total Net Assets	\$ 6,808,631	\$ 1,808,435	\$ 8,617,066	\$ 8,588,278

The accompanying notes are an integral part of this statement.

JEFFERSON 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	Governmental Activities	Business-type Activities	Component Units
Primary Government:							
Governmental Activities:							
General government	\$ 2,910,536	\$ 703,108	\$ --	\$ --	\$ (2,207,428)	\$	(2,207,428)
Public safety	1,473,277	117,602	24,161	--	(1,331,514)		(1,331,514)
Public works	1,978,416	244,779	648,487	98,268	(986,882)		(986,882)
Health & welfare	83,039	--	27,965	--	(55,074)		(55,074)
Culture and recreation	10,434	--	--	--	(10,434)		(10,434)
Conservation of natural resources	37,646	--	--	--	(37,646)		(37,646)
Economic development & assistance	21,344	--	--	--	(21,344)		(21,344)
Debt service:							
Interest and fiscal charges	72,181	--	--	--	(72,181)		(72,181)
Total Governmental Activities	<u>6,586,873</u>	<u>1,065,489</u>	<u>700,613</u>	<u>98,268</u>	<u>(4,722,503)</u>		<u>(4,722,503)</u>
Business-type Activities:							
Jeff/Frank Co. Corr. Facility	2,707,628	2,819,619	123,628	--	--	\$ 235,619	235,619
Total Primary Government	<u>\$ 9,294,501</u>	<u>\$ 3,885,108</u>	<u>\$ 824,241</u>	<u>\$ 98,268</u>	<u>(4,722,503)</u>	<u>235,619</u>	<u>(4,486,884)</u>
COMPONENT UNITS:							
Hospital	\$ 9,628,329	\$ 13,799,460	\$ 8,282	\$ --			\$ 4,179,413
Nursing Home	3,686,616	3,574,649	--	--			(111,967)
Total Component Units	<u>\$ 13,314,945</u>	<u>\$ 17,374,109</u>	<u>\$ 8,282</u>	<u>\$ --</u>			<u>4,067,446</u>
General Revenues:							
Property Taxes					2,882,521	--	2,882,521
Road and Bridge Privilege Taxes					83,722	--	83,722
Grants and Contributions Not Restricted to Specific Purposes					375,580	--	375,580
Unrestricted Investment earnings					30,070	--	30,070
Miscellaneous					637,779	--	637,779
Total General Revenues					<u>4,009,672</u>	--	<u>4,009,672</u>
Change in Net Assets					(712,831)	235,619	(477,212)
Net Assets - Beginning					2,123,906	1,572,816	3,696,722
Prior Period Adjustment					5,397,556	--	5,397,556
Net Assets - Restated					<u>7,521,462</u>	<u>1,572,816</u>	<u>9,094,278</u>
Net Assets - Ending					<u>\$ 6,808,631</u>	<u>\$ 1,808,435</u>	<u>\$ 8,617,066</u>

The accompanying notes are an integral part of this statement.

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JEFFERSON COUNTY

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2009

	General Fund	Garbage & Solid Waste
ASSETS		
Assets:		
<i>Cash and investments</i>	\$ 614,259	\$ --
<i>Property tax receivable</i>	2,329,041	141,738
<i>Accounts receivable</i>	--	79,830
<i>Fines receivable</i>	140,734	--
<i>Loans receivable</i>	--	--
<i>Intergovernmental receivables</i>	26,107	--
<i>Other receivables</i>	78,553	14,392
<i>Due from other funds</i>	--	918
<i>Advances to other funds</i>	20,500	3,800
Total Assets	\$ 3,209,194	\$ 240,678
LIABILITIES AND FUND EQUITY		
Liabilities:		
<i>Claims payable</i>	\$ 118,657	\$ 30,063
<i>Amounts held in custody for others</i>	159,812	--
<i>Intergovernmental payables</i>	83,295	--
<i>Due to other funds</i>	17,344	--
<i>Advances from other funds</i>	442,282	38,600
<i>Deferred revenue</i>	2,469,775	221,568
<i>Other payables</i>	480,000	591,202
Total Liabilities	3,771,165	881,433
Fund Balances:		
Reserved for:		
<i>Advances</i>	20,500	3,800
<i>Loans receivable</i>	--	--
Unreserved, undesignated, reported in:		
<i>General Fund</i>	(582,471)	--
<i>Special Revenue Funds</i>	--	(644,555)
<i>Debt Service Funds</i>	--	--
Total fund equity	(561,971)	(640,755)
Total Liabilities and Fund Equity	\$ 3,209,194	\$ 240,678

The accompanying notes are an integral part of this statement.

County Wide Road Maint.	Other Governmental Funds	Total Governmental Funds
\$ 181,408	\$ 716,371	\$ 1,512,038
403,512	301,539	3,175,830
--	--	79,830
--	--	140,734
--	41,000	41,000
31,177	--	57,284
--	19,632	112,577
12,563	3,863	17,344
62,800	600,571	687,671
<u>\$ 691,460</u>	<u>\$ 1,682,976</u>	<u>\$ 5,824,308</u>

\$ 23,719	\$ 23,279	\$ 195,718
--	--	159,812
--	--	83,295
--	--	17,344
66,830	139,959	687,671
403,512	301,539	3,396,394
270,000	184,370	1,525,572
<u>764,061</u>	<u>649,147</u>	<u>6,065,806</u>

62,800	600,571	687,671
--	41,000	41,000
--	--	(582,471)
(135,401)	479,839	(300,117)
--	(87,581)	(87,581)
<u>(72,601)</u>	<u>1,033,829</u>	<u>(241,498)</u>
<u>\$ 691,460</u>	<u>\$ 1,682,976</u>	<u>\$ 5,824,308</u>

JEFFERSON COUNTY

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009*

Total fund balances - governmental funds balance sheet	\$ (241,498)
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the funds.	8,067,846
Liabilities due in one year are not recognized in the funds.	(320,777)
Payables for bond principal which are not due in the current period are not reported in the funds.	(556,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(290,719)
Payables for bond interest which are not due in the current period are not reported in the funds.	(12,274)
Payables for compensated absences not due in the current period are not reported in the funds.	(58,511)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	140,734
Solid waste receivables unavailable to pay for current expenditures are deferred in the funds.	<u>79,830</u>
Net assets of governmental activities - statement of net assets	<u>\$ 6,808,631</u>

The accompanying notes are an integral part of this statement.

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JEFFERSON COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Garbage & Solid Waste
Revenue:		
<i>Property taxes</i>	\$ 2,130,626	\$ 67,588
<i>Licenses, commissions and other revenues</i>	184,623	--
<i>Fines and forfeitures</i>	322,925	--
<i>Intergovernmental revenues</i>	221,549	17,477
<i>Charges for services</i>	5,194	244,779
<i>Interest</i>	28,222	--
<i>Miscellaneous revenues</i>	333,740	--
Total revenues	<u>3,226,879</u>	<u>329,844</u>
Expenditures:		
Current:		
<i>General government</i>	2,875,202	--
<i>Public safety</i>	926,755	--
<i>Public works</i>	--	557,046
<i>Sanitation</i>		
<i>Health and welfare</i>	64,807	--
<i>Culture and recreation</i>	--	--
<i>Conservation of natural resources</i>	37,646	--
Debt service:		
<i>Principal retirement</i>	87,081	--
<i>Interest and fiscal charges</i>	32,685	--
Total expenditures	<u>4,024,176</u>	<u>557,046</u>
Excess of revenues over (under) expenditures	(797,297)	(227,202)
Other Financing Sources (Uses):		
<i>Proceeds from sale of capital assets</i>	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Excess of revenues and other sources over (under) expenditures and other uses	(797,297)	(227,202)
Fund balances		
Beginning of year, as previously reported	235,326	(413,553)
End of year	<u>\$ (561,971)</u>	<u>\$ (640,755)</u>

The accompanying notes are an integral part of this statement.

County Wide Road Maint.	Other Governmental Funds	Total Governmental Funds
\$ 414,916	\$ 264,451	\$ 2,877,581
83,722	4,547	272,892
--	--	322,925
894,635	40,800	1,174,461
--	87,797	337,770
389	1,459	30,070
8,281	295,758	637,779
<u>1,401,943</u>	<u>694,812</u>	<u>5,653,478</u>
--	49,614	2,924,816
--	464,492	1,391,247
1,210,272	22,188	1,789,506
--	838	65,645
--	3,074	3,074
--	--	37,646
214,030	131,000	432,111
7,265	32,231	72,181
<u>1,431,567</u>	<u>703,437</u>	<u>6,716,226</u>
(29,624)	(8,625)	(1,062,748)
95,500	--	95,500
<u>95,500</u>	<u>--</u>	<u>95,500</u>
65,876	(8,625)	(967,248)
(138,477)	1,042,454	725,750
<u>\$ (72,601)</u>	<u>\$ 1,033,829</u>	<u>\$ (241,498)</u>

JEFFERSON COUNTY

*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*

Net change in fund balances - total governmental funds	\$ (967,248)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	144,050
The depreciation of capital assets used in governmental activities is not reported in the funds.	(436,883)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(6,236)
The gain or loss on the sale of capital assets is not reported in the funds.	(15,044)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(95,500)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	111,031
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	201,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	231,111
(Increase) decrease in accrued interest from beginning of period to end of period.	7,446
Compensated absences are reported as amount earned in SOA but as amount paid in the funds.	3,909
Certain fine revenues are deferred in the funds. This is the change in these amounts this year.	108,779
Certain solid waste receivables are deferred in the funds. This is the change in these amounts this year.	<u>754</u>
Change in net assets of governmental activities - statement of activities	<u>\$ (712,831)</u>

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Enterprise Fund
	Jeff/Frank Co. Corr. Facility
ASSETS	
Assets:	
Cash	\$ 21,936
Investments	1,137,454
Other receivables	248,440
Capital Assets, net	3,106,942
Total Assets	\$ 4,514,772
LIABILITIES AND FUND EQUITY	
Liabilities:	
Claims payable	\$ 53,845
Accrued interest payable	26,431
Current:	
Capital related debt	365,000
Total Current Liabilities	445,276
Non current:	
Capital related debt	2,185,000
Non-capital related debt	76,061
Total Non Current Liabilities	2,261,061
Total Liabilities	2,706,337
Net Assets:	
Invested in capital assets, net of related debt	556,942
Restricted for public safety	1,251,493
Total net assets	1,808,435
Total Liabilities and Net Assets	\$ 4,514,772

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Fund
	Jeff/Frank Co. Corr. Facility
OPERATING REVENUES:	
<i>Charges for services</i>	\$ 2,819,619
Total Operating Revenues	<u>2,819,619</u>
OPERATING EXPENSES:	
<i>Personal services</i>	1,614,686
<i>Contractual services</i>	462,828
<i>Consumable supplies and materials</i>	426,255
<i>Depreciation expense</i>	80,231
Total Operating Expenses	<u>2,584,000</u>
Operating Income (Loss)	<u>235,619</u>
NON-OPERATING REVENUES (EXPENSES):	
<i>Other receipts</i>	123,628
<i>Other expenses</i>	<u>(123,628)</u>
Total Non-operating Revenues (Expenses)	-
Net Income (Loss) before Operating Transfers	<u>235,619</u>
Net income	<u>235,619</u>
Net Assets - Beginning	1,572,816
Net Assets - Ending	<u>\$ 1,808,435</u>

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Enterprise Funds
	Jefferson County
	Correctional Facility
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,556,178
Cash Payments to Employees for Services	(1,619,274)
Cash Payments for contractual services and supplies	(887,363)
Net Cash Provided (Used) by Operating Activities	<u>49,541</u>
Cash Flows from Non-capital Financing Activities:	
Operating Grants Received	1,137,454
Other receipts	(1,013,826)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>123,628</u>
Cash Flows from Capital and Related Financing Activities:	
Principal paid on long-term debt	(295,000)
Interest paid on debt	(123,628)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(418,628)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(245,459)
Cash and Cash Equivalents at Beginning of Year	1,404,849
Cash and Cash Equivalents at End of Year	<u>\$ 1,159,390</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 235,619
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	80,231
Change in Assets and Liabilities:	
Decrease (Increase) in Other Receivables	(248,440)
Increase (Decrease) in Claims Payable	(5,642)
Increase (Decrease) in Compensated Absences Liability	(6,595)
Increase (Decrease) in Accrued Interest Liability	(5,632)
Total Adjustments	<u>(186,078)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 49,541</u>

The accompanying notes are an integral part of this statement.

JEFFERSON COUNTY

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

SEPTEMBER 30, 2009

	Agency Funds
ASSETS	
Assets:	
Cash	\$ 42,015
Total Assets	\$ 42,015
LIABILITIES AND FUND EQUITY	
Liabilities:	
<i>Amounts held in custody for others</i>	\$ 17,504
<i>Intergovernmental payables</i>	5,397
<i>Other liabilities</i>	19,114
Total Liabilities	\$ 42,015

The accompanying notes are an integral part of this statement.

Jefferson County, Mississippi

Notes to the Financial Statements
for the year ended September 30, 2009

Jefferson County, Mississippi

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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. Individual Component Unit Disclosures.

Discretely Presented Component Units

The component unit columns in the financial statements include the financial data of the following component units of the county. They are reported in a separate column to emphasize that they are legally separate from the county. A majority of the governing bodies of these component units are appointed by the county Board of Supervisors.

Both Jefferson County Hospital and the Jefferson County Nursing Home were formed under Section 41-13-15, Miss. Code Ann (1972), as legally separate entities from the primary government. Both the Hospital and the Nursing Home are independent enterprises consisting of the same seven-member Board of Trustees although each entities' operations are separate from each other and apart from the assets and activities of the primary government of Jefferson County. Each Trustee is appointed in staggered five-year terms by the Jefferson County Board of Supervisors.

Jefferson County, Mississippi

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

C. 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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements:

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

Jefferson County, Mississippi

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

D. Measurement Focus and Basis of Accounting.

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

The county's Proprietary Fund applies all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of the Proprietary Fund is classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connections with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within sixty 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 judgements, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Funds:

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

Garbage and Solid Waste Fund - This fund is used to account for activities

Jefferson County, Mississippi

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

pertaining to the pickup and disposal of garbage and solid waste in the county.

County Wide Road Maintenance- This fund is used to account for the upkeep of the county's roadways.

The county reports the following major proprietary fund:

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

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 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.

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.

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

E. 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.

Jefferson County, Mississippi

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

F. 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.

G. Receivables.

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

H. Interfund Transactions and Balances.

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

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. However, the capital assets amount reported on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate records documenting the county's infrastructure. 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

Jefferson County, Mississippi

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

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 retroactively report major general infrastructure assets retroactively. Jefferson County, Mississippi meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. Also, general infrastructure assets acquired subsequent to October 1, 2002 are not reported on the government wide financial statements.

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

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

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

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

Jefferson County, Mississippi

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

J. Long-term Liabilities.

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

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

K. 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, constructions or improvements 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 or regulation 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.

L. Property Tax Revenues.

Numerous statutes exist under which the Board of Supervisors may levy property

Jefferson County, Mississippi

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

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.

M. 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.

N. Compensated Absences

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

Jefferson County, Mississippi

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

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
1. To appropriately record, and present infrastructure capital assets.	\$ 5,397,556
Total Prior Period Adjustment	\$ <u>5,397,556</u>

(3) Deposits and Investments

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$1,533,974 reported in the Governmental and Proprietary Funds and \$42,015 reported in the Fiduciary Funds. The bank balance was \$1,621,763. 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 Depository Insurance Corporation.

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

Investments:

Investment balance at September 30, 2009 is as follows:

Jefferson County, Mississippi

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

<u>Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities			
Money Market Mutual Fund	less than one year	\$ <u>1,137,454</u>	A

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Section 19-9-29, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that address credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk.

(4) **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>
Garbage & Solid Waste	General Fund	\$ 918
County Wide Road Maintenance	General Fund	12,563
Other Governmental Funds	General Fund	3,863
Total		\$ <u>17,344</u>

The purpose of a portion of these interfund loans was to disperse the advalorem property taxes to the proper funds. The majority of these interfund loans is the result of an auditor correction to reclass ad valorem monthly collections not settled to the proper funds. These collections were settled entirely to the General Fund instead of to the proper fund in which the collections were made. All interfund balances are expected to be repaid within one year from the date of the financial statements.

Jefferson County, Mississippi

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

B. Advances To/From Other Funds:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 442,282
Garbage & Solid Waste Fund	General Fund	20,500
Garbage & Solid Waste Fund	Nonmajor Governmental Funds	18,100
Countywide Road Maintenance	Nonmajor Governmental Funds	66,830
Nonmajor Governmental Funds	Garbage & Solid Waste Fund	3,800
Nonmajor Governmental Funds	Countywide Road Maintenance	62,800
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>73,359</u>
Total		<u>\$ 687,671</u>

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

(5) Intergovernmental Receivables.

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

Governmental and Business-type Activities:

<u>Description</u>	<u>Amount</u>
FEMA reimbursement	\$ 6,684
City of Fayette (E-911 dispatch reimb.)	19,423
FEMA reimbursement	<u>31,177</u>
Total Governmental Activities	<u>\$ 57,284</u>

No business-type activity intergovernmental receivables present as of September 30, 2009.

(6) Loans Receivable.

Loan receivable balance at September 30, 2009, is as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Low income housing loan	12/2000	1%	12/2050	\$ 410,000
Allowance for doubtful accounts				<u>(369,000)</u>
Total				<u>\$ 41,000</u>

Jefferson County, Mississippi

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

(7) 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	\$ 50,453				50,453
Total non-depreciable capital assets	<u>50,453</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,453</u>
<u>Depreciable capital assets:</u>					
Buildings	2,649,889				2,649,889
Infrastructure				5,896,199	5,896,199
Mobile equipment	1,883,348	122,937	60,648		1,945,637
Furniture and equipment	111,022	21,113	17,107		115,028
Leased property under capital leases	1,112,358		235,665		876,693
Total depreciable capital assets	<u>5,756,617</u>	<u>144,050</u>	<u>313,420</u>	<u>5,896,199</u>	<u>11,483,446</u>
<u>Less accumulated depreciation for:</u>					
Buildings	821,730	50,670			872,400
Infrastructure	0	191,586		498,643	690,229
Mobile equipment	1,380,676	111,076	54,583		1,437,169
Furniture and equipment	103,560	5,077	16,936		91,701
Leased property under capital leases	421,201	78,474	125,121		374,554
Total accumulated depreciation	<u>2,727,167</u>	<u>436,883</u>	<u>196,640</u>	<u>498,643</u>	<u>3,466,053</u>
Total depreciable capital assets, net	<u>3,029,450</u>	<u>(292,833)</u>	<u>116,780</u>	<u>5,397,556</u>	<u>8,017,393</u>
Governmental activities capital assets, net	<u>\$ 3,079,903</u>	<u>(292,833)</u>	<u>116,780</u>	<u>5,397,556</u>	<u>8,067,846</u>

Adjustments were made to appropriately present capital assets. See Note 2.

Business-type activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 235,000				235,000
Total non-depreciable capital assets	<u>235,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>235,000</u>
<u>Depreciable capital assets:</u>					
Buildings	3,862,120				3,862,120
Mobile equipment	34,930				34,930

Jefferson County, Mississippi

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

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
Furniture and equipment	30,619				30,619
Leased property under capital leases	31,380				31,380
Total depreciable capital assets	3,959,049	0	0	0	3,959,049
<u>Less accumulated depreciation for:</u>					
Buildings	926,908	77,242			1,004,150
Mobile equipment	31,437				31,437
Furniture and equipment	17,465	2,989			20,454
Leased property under capital leases	31,066				31,066
Total accumulated depreciation	1,006,876	80,231	0	0	1,087,107
Total depreciable capital assets, net	2,952,173	(80,231)	0	0	2,871,942
Business-type activities capital assets, net	\$ 3,187,173	(80,231)	0	0	3,106,942

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 18,017
Public safety	82,030
Public works	312,082
Health and welfare	17,394
Culture and recreation	7,360
Total governmental activities depreciation expense	\$ 436,883
<u>Business-type Activities:</u>	
Jefferson/Franklin Correctional Facility	\$ 80,231

Component Units:

The Component Units information of the Jefferson County pertains to the Jefferson County Hospital and the Jefferson County Nursing Home.

	Balance September 30, 2009
<u>Non-depreciable capital assets:</u>	
Land	\$ 75,228
Total non-depreciable capital assets	75,228

Jefferson County, Mississippi

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

	Balance September 30, 2009
<u>Depreciable capital assets:</u>	
Buildings	2,217,776
Mobile equipment	961,157
Furniture and equipment	<u>1,229,530</u>
Total depreciable capital assets	<u>4,408,463</u>
<u>Less accumulated depreciation:</u>	
Total accumulated depreciation	<u>3,521,461</u>
Total depreciable capital assets, net	<u>887,002</u>
Component Units capital assets, net	<u>\$ 962,230</u>

(8) 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.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$1,000, and the aggregate policy covers all submitted claims in excess of \$117,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be

Jefferson County, Mississippi

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

reasonably estimated.

(9) 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	Business-type Activities
Mobile equipment	\$ 830,361	0
Other furniture & equipment	46,332	31,380
Total	876,693	31,380
Less: Accumulated depreciation	(374,554)	(31,066)
Leased Property Under Capital Leases	\$ 502,139	314

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

Year Ended September 30	Governmental Activities	
	Principal	Interest
2010	\$ 110,777	12,978
2011	107,752	8,468
2012	161,862	2,394
2013	21,105	29,972
Total	\$ 401,496	53,812

(10) Short-term Debt and Liquidity.

Description of Debt	Balance, Oct. 1, 2008	Additions	Reductions	Balance, Sept. 30, 2009
Tax anticipation note	\$ 0	750,000	0	750,000

During the month of June, the county issued \$750,000 of tax anticipation notes to alleviate a temporary operating cash flow deficiency that will bear interest at 3.25% and will mature April 1, 2010.

Jefferson County, Mississippi

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

(11) 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:			
Jail bonds - Series 1990	\$ 50,000	7.2%	05/2010
Road and bridge bonds - Refunding Series 2005	<u>481,000</u>	3.7-4.25%	07/2014
Total General Obligation Bonds	<u><u>\$ 531,000</u></u>		
B. Limited Obligation Bonds:			
Courthouse renovation and jail construction- construction - certificates of participation	<u><u>\$ 235,000</u></u>	7.1-7.4%	04/2012
C. Capital Leases:			
Kubota Tractor with Bushlog Cutter	\$ 10,828	3.91%	09/2010
Computer System	17,775	3.99%	08/2010
CAT Wheel Loader	58,173	3.43%	09/2011
(3) Diamond Spec. Dump Trucks	8,186	3.75%	11/2009
Caterpillar 12H Motor Grader	141,826	4.24%	11/2011
(2) Caterpillar Motor Graders	<u>164,708</u>	3.34%	02/2013
Total Capital Leases	<u><u>\$ 401,496</u></u>		

Description and Purpose	Amount Outstanding	Interest Rate	Maturity Date
Business-type Activities:			
A. Limited Obligation Bonds:			
Urban renewal bonds- correctional facility construction - refunding	<u><u>\$ 2,550,000</u></u>	4.0-4.5%	07/2016

Description and Purpose	Amount Outstanding	Interest Rate
Component Units:		
A. Revenue Bonds	<u><u>\$ 1,055,452</u></u>	5.875%

Annual debt service requirements to maturity for the following debt reported in the

Jefferson County, Mississippi

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

Statement of Net Assets are as follows:

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 140,000	23,075	70,000	14,708
2011	93,000	16,145	80,000	6,085
2012	96,000	12,425	85,000	6,290
2013	99,000	8,585		
2014	103,000	4,378		
Total	\$ <u>531,000</u>	<u>64,608</u>	<u>235,000</u>	<u>27,083</u>

Business Type Activities:

<u>Year Ending September 30</u>	<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 365,000	105,725
2011	380,000	89,300
2012	385,000	72,200
2013	395,000	56,800
2014	415,000	41,000
2015 -2016	610,000	31,800
Total	\$ <u>2,550,000</u>	<u>396,825</u>

Component Units:

<u>Year Ending September 30</u>	<u>Principal</u>
2010	\$ 79,551
2011	84,617
2012	83,549
2013	83,847
2014	88,837
Thereafter	635,051
Total	\$ <u>1,055,452</u>

Certificates of Participation (COPs) designed as “qualified tax exempt obligations” for purposes of Section 265 of the Internal Revenue Code of 1986, as amended, were issued with a face value of \$795,000 for the purpose of financing construction of a new courthouse, renovating and expanding the existing jail for a law enforcement and detention center, and renovating the existing chancery building. The COPs are not general obligations of the county and, therefore, are not secured by the full faith and credit of the county. However, the county, as lessee, is obligated, pursuant to a 20 year lease purchase agreement with the lessor. The lease obligation is not recorded because the COPs are considered, in substance, limited obligations of the county, and accordingly, are not reflected in the Statement of Net Assets. Title to the property will

Jefferson County, Mississippi

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

transfer to the county upon satisfactory performance of the lease term payments.

Urban renewal revenue bonds, designed as “qualified tax exempt obligations” for purposes of Section 265 of the Internal Revenue Code of 1986, as amended, were issued with a face value of \$5,100,000 for the purpose of financing the construction and equipping of the Jefferson/Franklin Regional Correctional Facility. The bonds are not general obligations of the county and, therefore, are not secured by the full faith and credit of the county. However, the county, as lessee is obligated, pursuant to a 20 year lease purchase agreement with the lessor, Jefferson/Franklin Regional Correctional Facility Financing Corporation, as the sole source of payment of the revenue bonds. The lease obligation is not recorded because the urban renewal revenue bonds are considered, in substance, limited obligations of the county, and accordingly, are reflected in the Statement of Net Assets. Title to the property will transfer to the county upon satisfactory performance of the lease term payments.

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 1.06% of the latest property assessments.

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	Adjustment	Balance Sept. 30, 2009	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 62,420		3,909		58,511	
General obligation bonds	662,000		131,000		531,000	140,000
Limited obligation bonds	305,000		70,000		235,000	70,000
Capital leases	632,607		231,111		401,496	110,777
Total	\$ 1,662,027	0	436,020	0	1,226,007	320,777
Business-type Activities:						
Compensated absences	\$ 82,656		6,595		76,061	
Limited obligation bonds	2,845,000		295,000		2,550,000	365,000
Total	\$ 2,927,656	0	301,595	0	2,626,061	365,000

Jefferson County, Mississippi

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

Component Units:

	Balance Sept. 30, 2009
Revenue bonds	\$ <u>1,055,452</u>
Amount due in one year	79,551

(12) Deficit Fund Balance of Individual Funds.

The following funds reported deficits in fund balances or net assets at September 30, 2009:

Fund	Deficit Amount
General Fund	\$ 561,971
Garbage & Solid Waste Fund	640,755
County Wide Road Maintenance	72,601

(13) Contingencies.

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

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

(14) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in

Jefferson County, Mississippi

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

exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2009
Nursing home revenue bonds	\$ 1,048,894

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations: Southwest Mississippi Planning and Development District operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Jefferson County Board of Supervisors appoints four of the 40 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$8,953 for support of the district in fiscal year 2009.

Southwest Mississippi Mental Health Complex operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. The Jefferson County Board of Supervisors appoints one of the ten members of the board of commissioners. The county appropriated \$18,950 for its support in fiscal year 2009.

Copiah- Lincoln Community College operates in a district composed of the Counties of Adams, Copiah, Franklin, Jefferson, Lawrence, Lincoln, and Simpson. The Jefferson County Board of Supervisors appoints two of the 27 members of the College Board of Trustees. The county appropriated \$86,388 for maintenance and support of the college in fiscal year 2009.

Southwest Mississippi Partnership operates in a district composed of the Counties of Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall and Wilkinson. The entity is governed by ten members appointed by each county's lead industrial foundation or chamber of commerce. If no industrial foundation or chamber of commerce is present, the member is appointed by the County's Board of Supervisors. The member counties provide only modest financial support for the entity.

(16) Defined Benefit Pension Plan.

Plan Description. Jefferson 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

Jefferson County, Mississippi

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

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. Prior to that date, the determined rate was 11.85%. 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 \$331,439, \$322,418, and \$290,413, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2009, the county issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
11-25-09	3.29%	\$257,061	Lease Purchase	Advalorem revenue

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON COUNTY

Budgetary Comparison Schedule

Exhibit B-1

General Fund

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property Taxes	\$ 2,417,842	2,105,098	2,105,098	(312,744)	-
Licenses, Commissions and other Revenues	92,150	150,553	150,553	58,403	-
Fines and Forfeitures	230,850	300,990	300,990	70,140	-
Intergovernmental Revenues	247,652	214,865	214,865	(32,787)	-
Charges for Services	11,000	5,194	5,194	(5,806)	-
Interest Income	29,000	28,222	28,222	(778)	-
Miscellaneous Revenues	661,971	357,745	357,745	(304,226)	-
Total Revenues	3,690,465	3,162,667	3,162,667	(527,798)	-
Expenditures:					
General Government	2,970,481	3,169,161	3,049,395	198,680	(119,766)
Public Safety	724,229	904,632	904,632	180,403	-
Health and Welfare	94,663	61,514	61,514	(33,149)	-
Conservation of Natural Resources	35,052	36,663	36,663		-
Debt Service:					
Principal Retirement			87,081		87,081
Interest and Fiscal Charges			32,685		32,685
Total Expenditures	3,824,425	4,171,970	4,171,970	347,545	-
Excess (Deficiency) of Revenues Over Expenditures					
	(133,960)	(1,009,303)	(1,009,303)	(875,343)	-
Other Financing Sources (Uses):					
Short Term Debt Issued	450,000	960,000	960,000	510,000	-
Total Other Financing Sources (Uses)	450,000	960,000	960,000	510,000	-
Net Change in Fund Balances	316,040	(49,303)	(49,303)	(365,343)	-
Fund Balances:					
October 1, 2008		414,607	414,607	414,607	-
September 30, 2009	\$ 316,040	365,304	365,304	49,264	-

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

JEFFERSON COUNTY

Budgetary Comparison Schedule

Exhibit B-2

Garbage and Solid Waste

For the Year Ended September 30, 2009

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
	Revenues:				
Property Taxes	\$ 79,783	66,670	66,670	(13,113)	-
Intergovernmental Revenues	15,811	17,477	17,477	1,666	-
Charges for Services	289,440	230,386	230,386	(59,054)	-
Total Revenues	385,034	314,533	314,533	(70,501)	-
Expenditures:					
Public Works	385,034	462,382	462,382	77,348	-
Total Expenditures	385,034	462,382	462,382	77,348	-
Excess (Deficiency) of Revenues Over Expenditures					
	-	(147,849)	(147,849)	(147,849)	-
Net Change in Fund Balances					
	-	(147,849)	(147,849)	(147,849)	-
Fund Balances:					
October 1, 2008		(443,353)	(443,353)	(443,353)	-
September 30, 2009	\$ -	(591,202)	(591,202)	(591,202)	-

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

JEFFERSON COUNTY

Budgetary Comparison Schedule
 County Wide Road Maintenance Fund
 For the Year Ended September 30, 2009

Exhibit B-3

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Property Taxes	\$ 465,395	408,601	408,601	(56,794)	-
Road and Bridge Privilege Tax	80,000	77,475	77,475	(2,525)	-
Intergovernmental Revenues	813,986	863,457	863,457	49,471	-
Interest	35	389	389	354	-
Miscellaneous Revenues	5,035	8,281	8,281	3,246	-
Total Revenues	1,364,451	1,358,203	1,358,203	(6,248)	-
Expenditures:					
Public Works	1,151,351	1,164,386	1,164,386	13,035	-
Debt Service:					
Principal Retirement	558,000	494,030	494,030	(63,970)	-
Interest and Fiscal Charges	13,600	13,552	13,552	(48)	-
Total Expenditures	1,722,951	1,671,968	1,671,968	(50,983)	-
Excess (Deficiency) of Revenues Over Expenditures	(358,500)	(313,765)	(313,765)	44,735	-
Other Financing Sources (Uses):					
Proceeds from Sale of Capital Assets	56,500			(56,500)	-
Short Term Debt Issued	302,000	635,500	635,500	333,500	-
Total Other Financing Sources (Uses)	358,500	635,500	635,500	277,000	-
Net Change in Fund Balances	-	321,735	321,735	321,735	-
Fund Balances:					
October 1, 2008		(140,327)	(140,327)	(140,327)	-
September 30, 2009	\$ -	181,408	181,408	181,408	-

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

Jefferson County, Mississippi

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 and each major Special Revenue 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).

Jefferson County, Mississippi

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

The following schedule reconciles the net change in Fund Balances for the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	Governmental Fund Types		
	General Fund	Road & Bridge Maintenance	Solid Waste
Budget (Cash Basis)	\$ (49,303)	321,735	(147,849)
Increase (Decrease)			
Net adjustments for revenue accruals	(165,003)	(17,858)	(80,584)
Net adjustments for expenditure accruals	(582,991)	(238,001)	1,231
GAAP Basis	\$ (797,297)	65,876	(227,202)

SUPPLEMENTAL INFORMATION

JEFFERSON COUNTYCOMBINING BALANCE SHEET - COMPONENT UNITS
SEPTEMBER 30, 2009

	Jefferson County Hospital Component Unit	Jefferson County Nursing Home Component Unit	Total Component Units
ASSETS			
Assets:			
<i>Cash and investments</i>	\$ 7,728,982	\$ 188,949	\$ 7,917,931
<i>Accounts receivable</i>	1,335,870	253,333	1,589,203
<i>Prepaid items</i>	--	58,249	58,249
<i>Inventories</i>	145,067	29,474	174,541
<i>Other assets</i>	46,439	--	46,439
<i>Capital assets, net</i>	164,587	797,643	962,230
Total Assets	<u>\$ 9,420,945</u>	<u>\$ 1,327,648</u>	<u>\$ 10,748,593</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
<i>Claims payable and accrued liabilities</i>	\$ 481,017	\$ 464,100	\$ 945,117
<i>Accrued interest payable</i>	--	2,530	2,530
<i>Other payables</i>	--	157,216	157,216
<i>Long term liabilities</i>	--	1,055,452	1,055,452
Total Liabilities	<u>481,017</u>	<u>1,679,298</u>	<u>2,160,315</u>
Net Assets:			
<i>Invested in capital assets, net of related debt</i>	160,587	(257,809)	(97,222)
<i>Restricted for debt service</i>	191,436	147,423	338,859
<i>Unrestricted</i>	8,587,905	(241,264)	8,346,641
Total net assets	<u>\$ 8,939,928</u>	<u>(351,650)</u>	<u>8,588,278</u>

JEFFERSON COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Jefferson County Hospital Component Unit	Jefferson County Nursing Home Component Unit	Total Component Units
Revenue:			
<i>Net resident service revenue</i>	\$ 10,246,510	\$ 3,574,649	\$ 13,821,159
<i>Other operating revenue</i>	3,552,950	--	3,552,950
Total revenues	<u>13,799,460</u>	<u>3,574,649</u>	<u>17,374,109</u>
Expenses:			
Operating	9,577,407	3,686,616	13,264,023
Total operating expenses	<u>9,577,407</u>	<u>3,686,616</u>	<u>13,264,023</u>
Gain or (Loss) from Operations	4,222,053	(111,967)	4,110,086
Non-operating revenues (expenses)			
<i>Grant revenue</i>	8,282	--	8,282
<i>Interest</i>	117,334	1,289	118,623
<i>Depreciation</i>	(50,922)	--	(50,922)
Total other financing sources (uses)	<u>74,694</u>	<u>1,289</u>	<u>75,983</u>
Change in Net Assets	4,296,747	(110,678)	4,186,069
Net Assets:			
Beginning of year, as previously reported	4,643,181	(240,972)	4,402,209
End of year	<u>\$ 8,939,928</u>	<u>\$ (351,650)</u>	<u>\$ 8,588,278</u>

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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

Members of the Board of Supervisors
Jefferson County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Jefferson 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 July 31, 2010. We did not audit the financial statements of the Jefferson County Hospital, component unit, which represent 88% of the assets and 79% of the revenues of the governmental component units column. We did not audit the financial statements of the Jefferson County Nursing Home, component unit, which represents 12% of the assets and 21% of the revenues of the governmental component units column. Those statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aforementioned component units, is based on the reports of the other auditors. 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 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 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 Findings 2009-1, 2009-2, 2009-3, 2009-4 and 2009-5 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 county's financial statements will not be prevented or detected by the county's internal control.

Our consideration of 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 internal control over financial reporting 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 believe Findings 2009-1, 2009-2, and 2009-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2009-1, 2009-2, 2009-3, 2009-4 and 2009-5. We also noted immaterial instances of noncompliance that we have reported to the management of Jefferson County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 31, 2010, included within this document.

Jefferson 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 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.

Fortenberry & Ballard, PC

Fortenberry and Ballard, PC
July 31, 2010

Certified Public Accountants

FORTENBERRY & BALLARD, PC
Certified Public Accountants

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 County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Jefferson 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 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 County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objectives 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, Jefferson 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.

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

FORTENBERRY & BALLARD, PC

Fortenberry and Ballard, PC
July 31, 2010

Certified Public Accountants

Jefferson County, Mississippi

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.

Jefferson County, Mississippi

Schedule 2

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

Our test results did not identify any emergency purchases.

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.

FORTENBERRY & BALLARD, PC
Certified Public Accountants

**LIMITED INTERNAL CONTROL
AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors
Jefferson County, Mississippi

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

In addition, for areas not considered material in Jefferson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated July 31, 2010, on the financial statements of Jefferson County, Mississippi.

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

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

Chancery Clerk

1. Finding

Section 9-1-43 (1), Miss. Code Ann. (1972), limits the compensation of the Chancery Clerk to \$90,000, after making deductions for employee salaries and related employee expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. All fees received in excess of this amount, less any allowable expenses specified by this statute, are to be deposited into the county's General Fund on or before April 15 for the preceding calendar year. The Chancery Clerk failed to pay the county treasury the full amount in excess of the compensation limit. The amount of excess compensation not settled to the General Fund was \$33,720.00.

Recommendation

The Chancery Clerk should ensure that all amounts in excess of the compensation limit are paid into the county treasury and should remit \$33,270.00 to the General Fund.

Chancery Clerk's Response:

I am in the process of complying with this.

2. Finding

As reported in the prior audit report, Section 27-105-5 (j), Miss. Code Ann. (1972), gives the responsibility to the State Treasurer for the collateralization of public deposits at all entities and allows the Treasurer to monitor the amount of funds on deposit and the amount of collateral needed at each depository. The Chancery Clerk is not reconciling the quarterly reports received from the State Treasurer's Office to their bank deposit records. The county should report any differences to the State Treasurer. Also, the Clerk does not notify the appropriate bank officials when increases in deposits exceed 25% of the average daily balances.

Recommendation

The Chancery Clerk should reconcile the quarterly reports received from the State Treasurer's Office to their bank deposit records and report any differences to the State Treasurer. Also, the Clerk should notify appropriate bank officials when increases in deposits exceed 25% of the average daily balances.

Chancery Clerk's Response:

I will comply with the recommendation.

3. Finding

Both Section 27-45-5, Miss. Code, Ann. (1972) and standards prescribed by the Office of the State Auditor allow the Chancery Clerk twenty days past month-end to settle land redemption releases to the proper parties and officers. During testwork procedures, it was noted that the Chancery Clerk settled monies owed to the county only six times during the fiscal year audited.

Recommendation

The Chancery Clerk should settle monthly land redemption collections within twenty days after month-end. The monies identified should be immediately settled to the affected parties.

Chancery Clerk's Response:

I will comply and do settlement on time.

4. Finding

Section 19-13-41, Miss. Code Ann. (1972), requires cash to be available in funds before checks are written. Checks were written from funds which resulted in the following deficit cash balances at year-end:

<u>Fund</u>	<u>Amount</u>
Garbage and Solid Waste (Major Fund)	\$ 591,202.33
Reappraisal	24,189.00
CDBG Road Grant	58,765.54
Fire Maintenance	38,561.19
Debt Service Funds	62,853.40

Recommendation

The Chancery Clerk should ensure that no checks are written on funds when cash is not available.

Chancery Clerk's Response:

I will do my best to comply.

5. Finding

Section 7-7-221(1), Miss. Code Ann. (1972), requires a synopsis of the annual audit report of the fiscal and financial affairs of the county to be published as soon as possible after the Chancery Clerk receives a copy of the report. The Chancery Clerk did not publish the 2008 audit report.

Recommendation

The Chancery Clerk should publish a synopsis of the annual audit report.

Chancery Clerk's Response:

I will make sure that the synopsis is published as soon as I received the report.

6. Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the Clerk of the Board of Supervisors to keep a complete and correct record of all board proceedings. The board minutes were not prepared up to date. As of August 6, 2010, the latest board minutes available for public inspection were from board proceedings occurring in December 2009.

Recommendation

The Chancery Clerk should keep an up to date and complete record of all board minutes.

Chancery Clerk's Response:
I will record all minutes on time.

Tax Collector

7. Finding

Section 27-29-11, Miss. Code Ann. (1972), requires the Tax Collector to settle all taxes collected for the county by the twentieth of the next month following the month of collection. The Tax Collector did not always make monthly collections to the county.

Recommendation

The Tax Collector should settle monthly all county taxes in a timely manner as prescribed by law.

Tax Collector's Response

The Tax Assessor/Collector has always made monthly settlements to the City, School and County. Due to a lack of insufficient staff, reports were not always on time. However, the Tax Assessor/Collector has been working late nights to make sure all reports are on time.

Justice Court Clerk

8. Finding

Section 27-105-371, Miss. Code Ann. (1972), requires any unidentifiable funds to be settled into the county's General Fund. During the prior year audit, the Justice Court Clerk was informed of \$91,637.04 in unknown funds in the Clearing account. The Clerk was instructed to identify the composition of the balance listed to the best of her ability and settle to the appropriate parties upon proper identification. Failure to properly identify and account for all funds could result in the loss of public funds.

Recommendation

The Justice Court Clerk should identify the proper recipients of these monies before settlement is made to the county.

Justice Court Clerk's Response

Currently there is an investigation being conducted in this office. I will properly identify and account for all funds that I'm accountable. We will direct answer to the following finding when we receive more information upon the completion of the investigation that is being conducted in this office.

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
July 31, 2010

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Jefferson County, Mississippi

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: Unqualified
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes.
 - b. Significant deficiencies identified that are not considered to be material weaknesses? Yes.
3. Noncompliance material to the financial statements noted? Yes.

Section 2: Findings Relating to the Financial Statements

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

Material Weaknesses

Board of Supervisors

2009-1 Finding

As reported in prior years' audit reports, the county has some interfund loans outstanding that are over one year old. These loans were made when the county experienced negative cash flows in various funds. However, the loans were not repaid when sufficient funds were received by the county. The Mississippi Code is silent regarding the authority of the county to make these loans. The Board of Supervisors has yet to take steps to correct the problem.

Recommendation:

Failure of the Board of Supervisors to ensure repayment of these loans is an illegal diversion of legally restricted funds. The Board of Supervisors should ensure that each of these old loans is repaid by approving and recording in the board minutes a repayment schedule and subsequent compliance with the repayment schedule.

Board of Supervisors' Response

The Board is evaluating all interfund loans and is developing a repayment plan for the past loans.

2009-2 Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. Management did not have personnel that possessed the necessary expertise to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked expertise to apply generally accepted accounting

principles in preparing its financial statements, the auditor was relied upon to perform these tasks. Without adequate controls in place over the preparation of financial statements in accordance with generally accepted accounting principles, the risk increases that inaccurate information may be reported.

Recommendation:

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements are presented and disclosed in accordance with generally accepted accounting principles.

Board of Supervisors' Response:

The Board is committed to enhancing the training of existing staff. Staff and financial personnel are taking the necessary actions to obtain additional and necessary training to correct this finding.

Tax Assessor-Collector

2009-3 Finding

As reported in the prior three year's audit reports, cash on hand at September 30, 2009 was insufficient to settle obligations at September 30, 2009. The amount of the deficiency was \$43,511.56.

Recommendation:

The Tax Assessor / Collector should make efforts to determine the source of this variance and provide appropriate remedy.

Tax Assessor-Collector's Response:

The Tax Assessor/Collector has received some of the embezzled funds from three of the four ex-employees. The Tax Assessor/Collector is working on the final ex-employee.

Significant Deficiencies

Justice Court Clerk

2009-4 Finding

As reported in prior years' audit reports, an unknown balance exists in cash reconciled by the Justice Court Clerk that cannot be accounted for when cross-referenced to existing records. As of September 30, 2009, this balance totaled \$91,637.04. Efforts need to be made by the Justice Court Clerk to find out the entities/individuals to whom this cash is owed.

Recommendation

The Justice Court Clerk should make efforts to have an effective system of internal control. Bank statements should be reconciled, and the reconciled total should match the cash journal total. To ensure this match consistently, unknown monies should be isolated and set aside for proper identification as to whom they belong.

Justice Court Clerk's Response

I am currently settling on time, and I will comply with all rules and regulations that are required.

Auditor's Note

As of July 31, 2010, the Office of the State Auditor has an active investigation being conducted in the Justice Court of Jefferson County, Mississippi.

Chancery Clerk

2009-5 Finding

The following deviations were noted for the land redemption account:

- As reported in the prior year's audit report, bank statements were not reconciled. As a result, reconciliations to cash journal balance at month-end could not be performed.
- During the July 8, 2008 cut-off testing performed in a previous audit, it was determined that a variation of \$91,944.78 existed between the auditor-reconciled bank balance and the June 2008 unsettled receipts. Of the variance listed, \$86,723.17 was determined to be monies that had yet to be settled from the months of February through May 2008. The disposition of the remaining balance of \$5,221.61 has yet to be determined.

Failure of the Chancery Clerk to comply with the prescribed accounting system could result in undetected errors in the cash journal and improper or incomplete settlements being made to the county.

Recommendation

Bank statements should be reconciled, and the reconciled total should match the cash journal total. The Chancery Clerk must make efforts to promptly settle to all proper parties twenty days after month-end. Efforts must be made to identify the remaining balance of \$5,221.61.

Chancery Clerk's Response

We are in the process of being in compliance with the recommendation.