



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

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JEFFERSON DAVIS COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2003**

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL SECTION

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Jefferson Davis County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jefferson Davis County, Mississippi, as of September 30, 2003, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information for the primary government of Jefferson Davis County, Mississippi, as of September 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Jefferson Davis County, Mississippi, implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

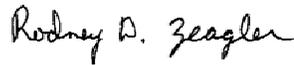
In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2004, on our consideration of Jefferson Davis County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 14 and the Budgetary Comparison Schedule and corresponding notes on pages 36 through 38 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of 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 primary government financial statements that collectively comprise Jefferson Davis, Mississippi's basic financial statements. The accompanying Reconciliation of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

September 20, 2004

JEFFERSON DAVIS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2003

INTRODUCTION

The discussion and analysis of Jefferson Davis County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2003. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

Jefferson Davis County is located in south Mississippi along Highways 13 and 84. The population, according to the 2000 census, is 13,962. The local economic base is driven mainly by the oil and gas industry.

FINANCIAL HIGHLIGHTS

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

Jefferson Davis County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The County government tax rate has decreased an average of 3% over the last 5 years. This does not include School tax increases.

Total net assets decreased \$2,412, which represents a .008% decrease from the prior fiscal year. The County's ending cash balance decreased by \$90,082, which represents a 1% decrease from the prior fiscal year.

The County had \$6,870,260 in total revenues. Tax revenues account for \$2,848,050 or 41% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$3,285,242 or 48% of total revenues.

The County had \$7,130,036 in total expenses, which represents an increase of \$912,046 from the prior fiscal year. Expenses in the amount of \$1,242,668 were offset by grants, outside contributions or debt being issued. General revenues of \$5,627,592 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$4,625,518 in revenues and \$4,024,858 in expenditures. The General Fund's fund balance decreased \$163,281 under the prior year.

Capital assets, net of accumulated depreciation, increased by \$13,842,225 due to infrastructure additions.

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

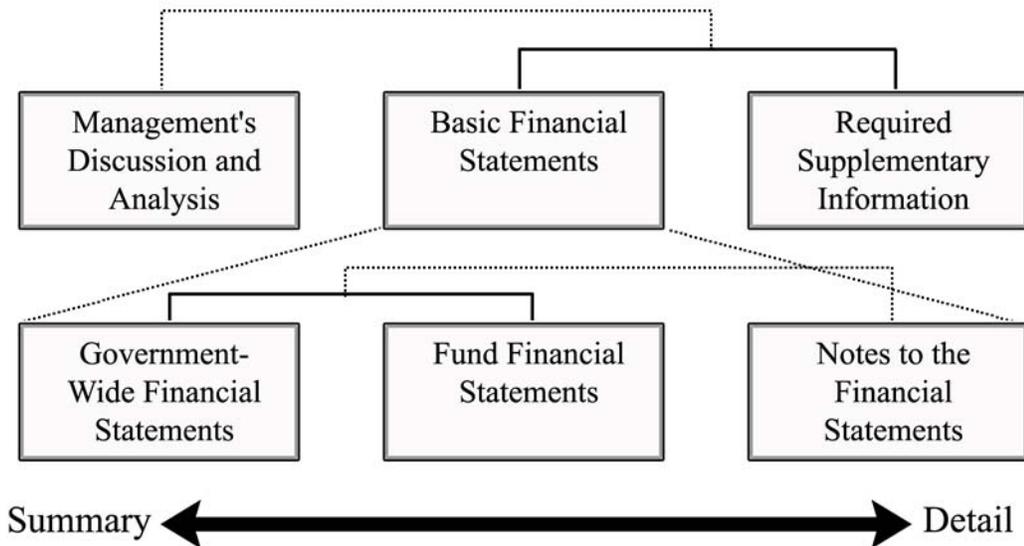


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● 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 financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both 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 finances, in a manner similar to private-sector businesses.

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources and economic development.

The Government-wide Financial Statements can be found on pages 17 - 18 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 and special revenue 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 20 and 22, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. 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 19 - 22 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 23 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 24 - 34 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund. This required supplementary information can be found on pages 36 - 38 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 Davis County, assets exceeded liabilities by \$28,508,519 as of September 30, 2003.

By far, the largest portion of the County's net assets 74% reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment and furniture & equipment). 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 disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2003.

	<u>Governmental Activities</u>
Current assets	\$ 10,861,876
Capital assets, net	<u>21,079,823</u>
Total assets	<u>31,941,699</u>
Current liabilities	<u>3,433,180</u>
Total liabilities	<u>3,433,180</u>
Net assets:	
Invested in capital assets	21,079,823
Restricted	1,218,950
Unrestricted	<u>6,209,746</u>
Total net assets	<u>\$ 28,508,519</u>

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

- Roads and Bridges were added to the County’s inventory, due to accounting changes implemented by the “Governmental Accounting Standards Board”. This resulted in an additional \$17,495,177 of capital assets being booked for the first time in the 2003 fiscal year.
- The Board of Supervisors used accumulated cash balances to avoid tax increases.
- Capital assets increased by \$711,979 from the purchase of mobile equipment for volunteer fire departments, E-911 and the road districts.

Changes in Net Assets – Jefferson Davis County’s total revenues for the fiscal year ended September 30, 2003, was \$6,870,260. The total cost for all services provided was \$6,872,672. The decrease in net assets was \$2,412. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$ 353,109
Federal grants	158,925
State grants	730,634
General revenues	
Property taxes	2,848,050
Fines and fees	163,640
Other	<u>2,615,902</u>
Total Revenues	<u>6,870,260</u>
Expenses:	
General government	2,283,236
Public safety	1,424,816
Public works	2,542,437
Health and welfare	339,292
Culture and recreation	133,057
Conservation of natural resources	64,173
Economic development	<u>85,661</u>
Total Expenses	<u>6,872,672</u>
Decrease in Net Assets	<u>\$ 2,412</u>

Governmental Activities – The following table presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Culture & Recreation.

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 Davis County's taxpayers by each of these functions.

	<u>Total</u>	<u>Net</u>
	<u>Costs</u>	<u>Costs</u>
General Government	\$ 2,283,236	\$2,073,836
Public Safety	1,424,816	1,082,838
Public Works	2,542,437	1,913,701
Health & Welfare	339,292	312,385
Culture & Recreation	133,057	133,057

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Jefferson Davis County's governmental funds reported a combined fund balance of \$7,167,649, a decrease of \$247,276. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- Expenditures in the general fund increased by \$1,258,546.
- Expenditures in the other governmental funds decreased by \$346,500.

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 \$163,281. This decrease was primarily due increased liability insurance and increased public safety expenditures.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

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

- Amendments were made to correct the estimated beginning fund balances made in the original budget to actual beginning fund balances on October 1.
- Budgeted expenditures for facilities construction was increased due primarily to change orders caused by unforeseen circumstances.

Even with these adjustments, actual disbursements were below final budget amounts by \$1,000 in the General Fund.

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

CAPITAL ASSETS

Capital Assets – As of September 30, 2003, Jefferson Davis County’s total capital assets was \$52,726,018. This includes infrastructure, land, buildings, mobile equipment and furniture and equipment. This amount represents an increase from the previous year of \$45,488,420. The majority of this increase is due to the addition of infrastructure.

Total accumulated depreciation as of September 30, 2003 was \$31,646,195, including \$454,615 of depreciation expense for the year. The balance in total net capital assets was \$21,079,823 at year-end.

Additional information on Jefferson Davis County’s capital assets can be found in Note 6 on page 31 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Jefferson Davis County is planning a major capital project in the next fiscal year and general obligation bonds in the amount of \$1,600,000 will be issued in the early part of fiscal year 2005. Next year’s budget has taken into account these additional revenues and expenses. The proceeds of these bonds will go towards the hospital renovation and the extended care facility.

Jefferson Davis County has future plans to upgrade its computer system. The timing of this upgrade at present remains uncertain.

Also, Jefferson Davis County has plans to renovate the courthouse and annex in order to make them both handicapped accessible.

Lastly, Jefferson Davis County gets a major portion of its revenues through severance taxes. There is constant monitoring of these revenues which greatly reduces the burden on the county taxpayers.

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 Chancery Clerk’s office at P.O.Box 1137, Prentiss, Mississippi 39474.

JEFFERSON DAVIS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Statement of Activities
For the Year Ended September 30, 2003

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,283,236	209,400			(2,073,836)
Public safety	1,424,816	143,709	138,203	60,066	(1,082,838)
Public works	2,542,437		565,524	63,212	(1,913,701)
Health and welfare	339,292		26,907		(312,385)
Culture and recreation	133,057				(133,057)
Conservation of natural resources	64,173				(64,173)
Economic development and assistance	85,661			35,647	(50,014)
Total Governmental Activities	\$ <u>6,872,672</u>	<u>353,109</u>	<u>730,634</u>	<u>158,925</u>	<u>(5,630,004)</u>
General revenues:					
Property taxes				\$ 2,848,050	
Road & bridge privilege taxes				163,640	
Grants and contributions not restricted to specific programs				2,395,683	
Unrestricted investment income				129,675	
Miscellaneous				90,544	
Total General Revenues				<u>5,627,592</u>	
Changes in Net Assets					<u>(2,412)</u>
Net Assets - Beginning, as restated					<u>28,510,931</u>
Net Assets - Ending					\$ <u>28,508,519</u>

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

JEFFERSON DAVIS COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2003

Exhibit 3

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 6,229,623	1,283,918	7,513,541
Property tax receivable	1,756,790	1,253,936	3,010,726
Fines receivable (net of allowance for uncollectibles of \$1,003,143)	261,047		261,047
Intergovernmental receivables	60,493		60,493
Other receivables	16,069		16,069
Due from other funds		41,440	41,440
Total Assets	<u>\$ 8,324,022</u>	<u>2,579,294</u>	<u>10,903,316</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 169,991	106,408	276,399
Intergovernmental payables	63,026		63,026
Due to other funds	46,828		46,828
Deferred revenue	2,017,837	1,253,936	3,271,773
Other payables	77,641		77,641
Total Liabilities	<u>2,375,323</u>	<u>1,360,344</u>	<u>3,735,667</u>
Fund balances:			
Reserved for:			
Unemployment compensation		17,255	17,255
Unreserved, reported in:			
General Fund	5,948,699		5,948,699
Special Revenue Funds		1,201,695	1,201,695
Total Fund Balances	<u>5,948,699</u>	<u>1,218,950</u>	<u>7,167,649</u>
Total Liabilities and Fund Balances	<u>\$ 8,324,022</u>	<u>2,579,294</u>	<u>10,903,316</u>

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

JEFFERSON DAVIS COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2003

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 7,167,649
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$31,646,195.	21,079,823
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	<u>261,047</u>
Total Net Assets - Governmental Activities	<u>\$ 28,508,519</u>

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

JEFFERSON DAVIS COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2003

	<u>Major Fund</u> General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,599,939	1,248,111	2,848,050
Road and bridge privilege taxes		163,640	163,640
Licenses, commissions and other revenue	70,485	3,894	74,379
Fines and forfeitures	138,891		138,891
Intergovernmental revenues	2,574,276	710,966	3,285,242
Charges for services	32,593	107,246	139,839
Interest income	129,675		129,675
Miscellaneous revenues	79,659	10,885	90,544
Total Revenues	<u>4,625,518</u>	<u>2,244,742</u>	<u>6,870,260</u>
EXPENDITURES			
Current:			
General government	2,058,682	206,186	2,264,868
Public safety	1,490,026	241,013	1,731,039
Public works	8,678	2,534,227	2,542,905
Health and welfare	324,702		324,702
Culture and recreation	32,222	88,105	120,327
Conservation of natural resources	64,173		64,173
Economic development and assistance	46,375	35,647	82,022
Total Expenditures	<u>4,024,858</u>	<u>3,105,178</u>	<u>7,130,036</u>
Excess of Revenues over (under) Expenditures	<u>600,660</u>	<u>(860,436)</u>	<u>(259,776)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from sale of capital assets	12,500		12,500
Transfers in	28,617	819,601	848,218
Transfers out	(805,058)	(43,160)	(848,218)
Total Other Financing Sources and Uses	<u>(763,941)</u>	<u>776,441</u>	<u>12,500</u>
Net Changes in Fund Balances	(163,281)	(83,995)	(247,276)
Fund Balance - Beginning, as restated	<u>6,111,980</u>	<u>1,302,945</u>	<u>7,414,925</u>
Fund Balance - Ending	<u>\$ 5,948,699</u>	<u>1,218,950</u>	<u>7,167,649</u>

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

JEFFERSON DAVIS COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2003

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (247,276)
<p>Amounts reported for governmental activities in the Statement of Activities are different because:</p>	
<p>Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$711,979 exceeded depreciation of \$454,615 in the current period.</p>	257,364
<p>In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decreases financial resources. Thus, the change in net assets differs from the change in fund balances by the proceeds from the sale of \$12,500 in the current period.</p>	(12,500)
Change in Net Assets of Governmental Activities	\$ (2,412)

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

JEFFERSON DAVIS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2003

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 37,319
Due from other funds	<u>5,388</u>
Total Assets	<u><u>\$ 42,707</u></u>
LIABILITIES	
Amounts held in custody for others	\$ 31,517
Intergovernmental payables	<u>11,190</u>
Total Liabilities	<u><u>\$ 42,707</u></u>

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

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2003

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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 judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

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

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

H. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

	<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

I. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.

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."

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved.

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.

J. Property Tax Revenues.

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

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

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

K. Intergovernmental Revenues in Governmental Funds.

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

(2) Changes in Accounting Principles and Restatement of Fund Balance.

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total on the fund financial statements as other Governmental Funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

	Sept. 30, 2002 As Previously Reported	Fund and Account Group Reclassifications	Prior Period Adjustments	Sept. 30, 2002 As Restated
Governmental Funds and Governmental Activities				
Major Funds:				
General Fund	\$ 6,111,980			6,111,980
Other Governmental Funds:				
Special Revenue	<u>1,285,690</u>	<u>17,255</u>		<u>1,302,945</u>
Total Governmental Funds	7,397,670	17,255	0	7,414,925
Governmental Activities:				
Capital assets, net		7,237,598	13,597,361	20,834,959
Fines receivable			<u>261,047</u>	<u>261,047</u>
Total Governmental Funds and Governmental Activities	<u>\$ 7,397,670</u>	<u>7,254,853</u>	<u>13,858,408</u>	<u>28,510,931</u>
Fiduciary Funds				
Expendable Trust	<u>\$ 17,255</u>	<u>(17,255)</u>	<u>0</u>	<u>0</u>
Account Group				
General Fixed Assets	<u>\$ 7,237,598</u>	<u>(7,237,598)</u>	<u>0</u>	<u>0</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$7,550,860, and the bank balance was \$8,002,089. 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.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2003:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 41,440
Agency Funds	General	<u>5,388</u>
Total		<u>\$ 46,828</u>

The receivables represent the tax revenue collected but not settled until October 2003. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 28,617
Other Governmental Funds	General Fund	805,058
Other Governmental Funds	Other Governmental Funds	<u>14,543</u>
Total		<u>\$ 848,218</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2003, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ <u>60,493</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2003:

	<u>Balance</u> <u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2003</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 335,561	0	12,500	(2,999)	320,062
<u>Depreciable capital assets:</u>					
Infrastructure				45,877,456	45,877,456
Buildings	3,020,925			(109,008)	2,911,917
Improvements other than buildings	173,162			(49,286)	123,876
Mobile equipment	3,269,267	711,979		(589,134)	3,392,112
Furniture and equipment	438,683			(338,088)	100,595
Total depreciable capital assets	<u>6,902,037</u>	<u>711,979</u>	<u>0</u>	<u>44,791,940</u>	<u>52,405,956</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure		152,520		28,382,279	28,534,799
Buildings		50,967		1,158,188	1,209,155
Improvements other than buildings		4,955		34,685	39,640
Mobile equipment		235,086		1,531,426	1,766,512
Furniture and equipment		11,087		85,002	96,089
Total accumulated depreciation	<u>0</u>	<u>454,615</u>	<u>0</u>	<u>31,191,580</u>	<u>31,646,195</u>
Total depreciable capital assets, net	<u>6,902,037</u>	<u>257,364</u>	<u>0</u>	<u>13,600,360</u>	<u>20,759,761</u>
Governmental activities capital assets, net	<u>\$ 7,237,598</u>	<u>257,364</u>	<u>12,500</u>	<u>13,597,361</u>	<u>21,079,823</u>

Adjustments are the effect of implementing GASB 34.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<u>Governmental Activities:</u>	
General government	\$ 18,368
Public safety	73,894
Public works	331,394
Health and welfare	14,590
Culture and recreation	12,730
Economic Development	3,639
Total governmental activities depreciation expense	<u>\$ 454,615</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(7) 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 \$500,000 for law enforcement personnel and \$350,000 for all other employees 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, 2003, to January 1, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(8) Operating Lease.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$24,000 for the year ended September 30, 2003. The lease is automatically renewed from year to year unless notice of termination is given in writing by either party at least 30 days prior to the last day of the lease term.

(9) Contingencies.

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

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

(10) Related Organization.

The Jefferson Davis County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Prentiss/Jefferson Davis County Airport, but the county's accountability for this organization does not extend beyond making the appointment. The county appropriated \$5,000 for the airport's support in fiscal year 2003.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(11) Joint Venture.

The county participates in the following joint venture:

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

(12) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Pearl River Valley Opportunity, Inc. operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Jefferson Davis County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each county provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of directors. The county appropriated \$31,860 for the district's support in fiscal year 2003.

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Jefferson Davis County Board of Supervisors appoints two of the 16 members of the college board of trustees. The county appropriated \$190,987 for maintenance and support of the college in fiscal year 2003.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the 27 members of the board of directors. The county appropriated \$4,168 for support of the district in fiscal year 2003.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$31,000 for support of the agency in fiscal year 2003.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Jefferson Davis County Board of Supervisors appoints one of the seven members of the board of directors. The county appropriated \$13,979 for support of the district in fiscal year 2003.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2003

(13) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2003, 2002 and 2001 were \$186,602, \$172,510 and \$160,901, respectively, equal to the required contributions for each year.

(14) Other Information.

As a result of revenue shortfalls, the State Tax Commission had to withhold 7.9% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Jefferson Davis County during the 2002-2003 fiscal year was \$13,908.

(15) Subsequent Event.

Subsequent to September 30, 2003, Jefferson Davis County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
05-17-04	3.09	\$ 79,799	Lease purchase	District 5 road funds

JEFFERSON DAVIS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON DAVIS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,718,000	1,599,251	1,599,251	
Licenses, commissions and other revenue	35,700	71,501	71,501	
Fines and forfeitures		138,891	138,891	
Intergovernmental revenues	421,300	2,989,356	2,989,356	
Charges for services	18,000	32,593	32,593	
Interest income		129,871	129,871	
Miscellaneous revenues	99,185	106,390	105,578	(812)
Total Revenues	<u>2,292,185</u>	<u>5,067,853</u>	<u>5,067,041</u>	<u>(812)</u>
EXPENDITURES				
Current:				
General government	6,139,206	2,043,150	2,043,150	
Public safety	875,948	1,522,946	1,521,946	1,000
Public works	12,000	8,678	8,678	
Health and welfare	343,271	324,282	324,282	
Culture and recreation	28,700	32,211	32,211	
Education	95,000	311,455	311,455	
Conservation of natural resources	70,576	64,556	64,556	
Economic development and assistance	42,700	45,850	45,850	
Total Expenditures	<u>7,607,401</u>	<u>4,353,128</u>	<u>4,352,128</u>	<u>1,000</u>
Excess of Revenues over (under) Expenditures	<u>(5,315,216)</u>	<u>714,725</u>	<u>714,913</u>	<u>188</u>
OTHER FINANCING SOURCES (USES)				
Other financing uses	126,913	(772,353)	(772,541)	(188)
Total Other Financing Sources and Uses	<u>126,913</u>	<u>(772,353)</u>	<u>(772,541)</u>	<u>(188)</u>
Net Change in Fund Balance	(5,188,303)	(57,628)	(57,628)	0
Fund Balances - Beginning	<u>7,734,314</u>	<u>6,133,047</u>	<u>6,133,047</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,546,011</u>	<u>6,075,419</u>	<u>6,075,419</u>	<u>0</u>

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

JEFFERSON DAVIS COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

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.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41 - *Budgetary Comparison Schedules - Perspective Differences*, which amends GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. 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 DAVIS COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2003

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

	<u>Governmental Fund Type</u> General Fund
Budget (Cash Basis)	\$ (57,628)
Increase (Decrease)	
Net adjustments for revenue accruals	2,100,041
Net adjustments for expenditure accruals	<u>(2,205,694)</u>
GAAP Basis	<u>\$ (163,281)</u>

JEFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2003

Operating Expenditures, Cash Basis:

Salaries	\$	172,953
Expendable Commodities:		
Gasoline and petroleum products		19,516
Repair parts		7,840
Maintenance		3,899
Contractual Supplies		87,997
Supplies		<u>141,233</u>
Solid Waste Cash Basis Operating Expenditures		433,438
Full Cost Expenses:		
Indirect administrative costs		6,097
Depreciation on equipment		<u>63,017</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>502,552</u></u>

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SPECIAL REPORTS

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited the primary government financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated September 20, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

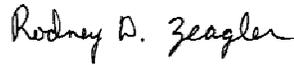
In planning and performing our audit, we considered Jefferson Davis County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jefferson Davis County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 03-1 and 03-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider 03-2 to be a material weakness.

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

September 20, 2004



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2003. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

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

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

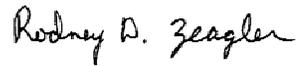
In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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



PHIL BRYANT
State Auditor



RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

September 20, 2004

JEFFERSON DAVIS COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2003

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
08-12-03	Fire truck	\$ 128,759	Empire Truck Sales	\$ 123,959	The location of the service center was more convenient.

JEFFERSON DAVIS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2003

Schedule 2

Our test results did not identify any emergency purchases.

JEFFERSON DAVIS COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2003

Schedule 3

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

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited the primary government financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of and for the year ended September 30, 2003, and have issued our report thereon dated September 20, 2004. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations.

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

Handwritten signature of Phil Bryant in cursive.

PHIL BRYANT
State Auditor

Handwritten signature of Rodney D. Zeagler in cursive.

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

September 20, 2004

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SCHEDULE OF FINDINGS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

Schedule of Findings
For the Year Ended September 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Unqualified |
| 2. | Material noncompliance relating to the primary government financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Reportable condition identified that is not considered to be a material weakness? | Yes |

Section 2: Financial Statement Findings

Tax Assessor-Collector.

03-1. Finding

As reported in the prior year's audit report, our test of funds available to settle the amounts due to various entities at September 30, 2003, was insufficient in the amount of \$8,690.

Recommendation

The Tax Assessor-Collector should ensure that there is sufficient funds available to settle all amounts due to the various entities each month.

Tax Assessor-Collector's Response

As of September 24, 2004, partial shortage is being resolved by replacement of my bond monies to cover a theft in 2002.

03-2. Finding

Cash collection and disbursement functions are not adequately separated for effective internal control. The bookkeeper prepares all deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses all funds.

Recommendation

The Tax Assessor-Collector should assign cash collections and disbursement functions to other personnel in the office.

Tax Assessor-Collector's Response

I appreciate the recommendation and will carry out the recommendation.