



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

PHIL BRYANT
State Auditor

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

J. SCOTT SPEIGHTS, MBA, CIA, CGAP
Director, County Audit Section

JEFFERSON DAVIS COUNTY, MISSISSIPPI

**Audited Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2004**

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JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL SECTION

JEFFERSON DAVIS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
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, 2004, which collectively comprise the county's primary government 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 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, 2004, 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, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005, on our consideration of Jefferson Davis County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

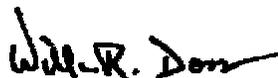
Jefferson Davis County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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

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



PHIL BRYANT
State Auditor



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

October 21, 2005

JEFFERSON DAVIS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	Primary Government
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 8,980,173
Property tax receivable	3,192,540
Fines receivable (net of allowance for uncollectibles of \$778,674)	314,978
Intergovernmental receivables	63,916
Other receivables	14,075
Capital assets, net	<u>21,080,349</u>
Total Assets	<u>33,646,031</u>
LIABILITIES	
Claims payable	367,135
Intergovernmental payables	80,907
Deferred revenue	3,192,540
Other payables	74,020
Long-term liabilities	
Due within one year:	
Capital debt	25,783
Due in more than one year:	
Capital debt	<u>54,016</u>
Total Liabilities	<u>3,794,401</u>
NET ASSETS	
Invested in capital assets, net of related debt	21,000,550
Restricted:	
Expendable:	
General government	93,521
Public safety	26,847
Public works	1,284,180
Culture and recreation	26,623
Unemployment compensation	17,255
Unrestricted	<u>7,402,654</u>
Total Net Assets	<u>\$ 29,851,630</u>

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

JEFFERSON DAVIS COUNTY
Statement of Activities
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Changes in Net Assets
					Primary Government
					Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 1,754,035	275,317			(1,478,718)
Public safety	1,769,420	149,283	184,148	50,000	(1,385,989)
Public works	2,436,252		538,334	182,258	(1,715,660)
Health and welfare	243,536		29,981		(213,555)
Culture and recreation	127,517				(127,517)
Conservation of natural resources	79,266		454		(78,812)
Economic development and assistance	406,646			356,500	(50,146)
Total Governmental Activities	\$ 6,816,672	424,600	752,917	588,758	(5,050,397)
General revenues:					
Property taxes					\$ 3,028,929
Road & bridge privilege taxes					166,993
Grants and contributions not restricted to specific programs					2,873,972
Unrestricted interest income					122,747
Miscellaneous					160,594
Total General Revenues					6,353,235
Changes in Net Assets					1,302,838
Net Assets - Beginning					28,508,519
Prior period adjustment					40,273
Net Assets - Beginning, as restated					28,548,792
Net Assets - Ending					\$ 29,851,630

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

JEFFERSON DAVIS COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2004

Exhibit 3

	<u>Major Fund</u>		
	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 7,501,329	1,478,844	8,980,173
Property tax receivable	1,711,602	1,480,938	3,192,540
Fines receivable (net of allowance for uncollectibles of \$778,674)	314,978		314,978
Intergovernmental receivables	63,916		63,916
Other receivables	14,075		14,075
Due from other funds		43,073	43,073
Total Assets	<u>\$ 9,605,900</u>	<u>3,002,855</u>	<u>12,608,755</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 293,644	73,491	367,135
Intergovernmental payables	76,791		76,791
Due to other funds	47,189		47,189
Deferred revenue	2,026,580	1,480,938	3,507,518
Other payables	74,020		74,020
Total Liabilities	<u>2,518,224</u>	<u>1,554,429</u>	<u>4,072,653</u>
Fund balances:			
Reserved for:			
Unemployment compensation		17,255	17,255
Unreserved, reported in:			
General Fund	7,087,676		7,087,676
Special Revenue Funds		1,431,171	1,431,171
Total Fund Balances	<u>7,087,676</u>	<u>1,448,426</u>	<u>8,536,102</u>
Total Liabilities and Fund Balances	<u>\$ 9,605,900</u>	<u>3,002,855</u>	<u>12,608,755</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, 2004

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 8,536,102
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 \$32,157,835.	21,080,349
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	314,978
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(79,799)</u>
Total Net Assets - Governmental Activities	<u>\$ 29,851,630</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, 2004

	<u>Major Fund</u>		
	General	Other	Total
	Fund	Governmental	Governmental
	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
REVENUES			
Property taxes	\$ 1,702,209	1,326,720	3,028,929
Road and bridge privilege taxes		166,993	166,993
Licenses, commissions and other revenue	69,796	4,713	74,509
Fines and forfeitures	150,859		150,859
Intergovernmental revenues	3,155,260	1,060,387	4,215,647
Charges for services	37,948	107,353	145,301
Interest income	122,747		122,747
Miscellaneous revenues	125,288	35,306	160,594
Total Revenues	<u>5,364,107</u>	<u>2,701,472</u>	<u>8,065,579</u>
EXPENDITURES			
Current:			
General government	1,636,968	129,156	1,766,124
Public safety	1,442,084	227,371	1,669,455
Public works	17,688	2,495,754	2,513,442
Health and welfare	228,946		228,946
Culture and recreation	31,449	88,293	119,742
Conservation of natural resources	79,266		79,266
Economic development and assistance	46,507	356,500	403,007
Total Expenditures	<u>3,482,908</u>	<u>3,297,074</u>	<u>6,779,982</u>
Excess of Revenues over (under) Expenditures	<u>1,881,199</u>	<u>(595,602)</u>	<u>1,285,597</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		79,799	79,799
Proceeds from sale of capital assets		3,057	3,057
Transfers in		763,252	763,252
Transfers out	(742,222)	(21,030)	(763,252)
Total Other Financing Sources and Uses	<u>(742,222)</u>	<u>825,078</u>	<u>82,856</u>
Net Changes in Fund Balances	1,138,977	229,476	1,368,453
Fund Balances - Beginning	<u>5,948,699</u>	<u>1,218,950</u>	<u>7,167,649</u>
Fund Balances - Ending	<u>\$ 7,087,676</u>	<u>1,448,426</u>	<u>8,536,102</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, 2004

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,368,453
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that depreciation of \$501,673 exceeded capital outlays of \$495,239 in the current period.	(6,434)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$30,256 and the proceeds from the sale of \$3,057 in the current period.	(33,313)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	53,931
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount of debt proceeds.	<u>(79,799)</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,302,838</u>

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

JEFFERSON DAVIS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 23,627
Due from other funds	<u>4,116</u>
Total Assets	<u><u>\$ 27,743</u></u>
 LIABILITIES	
Amounts held in custody for others	\$ 13,573
Intergovernmental payables	<u>14,170</u>
Total Liabilities	<u><u>\$ 27,743</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, 2004

(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, 2004

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide and Fiduciary Funds 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 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The county reports the following major Governmental Fund:

General Fund - Accounts for all activities of the general government for which a separate fund has not been established.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND 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.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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 and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial 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.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Jefferson Davis County meets this criteria but has elected to report infrastructure retroactively. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are reported in the government-wide financial statements. Also, general infrastructure assets acquired after October 1, 2002, 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
Leased property under capital leases	*	*

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

I. Long-term Liabilities.

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, 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 and regulations of other governments; or law through constitutional provisions or enabling legislation.

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

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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.

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

(2) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Capital assets	\$ <u>40,273</u>

Adjustments to capital assets required to correct capital asset balances by a net amount of \$40,273 due to errors in prior year ending balances.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$9,003,800, and the bank balance was \$9,228,770. 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, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General	\$ 43,073
Agency Funds	General	<u>4,116</u>
Total		<u>\$ 47,189</u>

The receivables represent the tax revenue collected but not settled until October, 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 742,222
Other Governmental Funds	Other Governmental Funds	<u>21,030</u>
Total		<u>\$ 763,252</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, 2004, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	<u>\$ 63,916</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments *	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 320,062	0	0	0	320,062
<u>Depreciable capital assets:</u>					
Infrastructure	45,877,456				45,877,456
Buildings	2,911,917				2,911,917
Improvements other than buildings	123,876				123,876
Mobile equipment	3,392,112	354,660	198,143	215,070	3,763,699
Furniture and equipment	100,595	60,780	24,982	24,982	161,375
Leased property under capital leases		79,799			79,799
Total depreciable capital assets	<u>52,405,956</u>	<u>495,239</u>	<u>223,125</u>	<u>240,052</u>	<u>52,918,122</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	28,534,799	152,523			28,687,322
Buildings	1,209,155	50,967		25	1,260,147
Improvements other than buildings	39,640	4,955			44,595
Mobile equipment	1,766,512	267,915	167,347	177,287	2,044,367
Furniture and equipment	96,089	17,333	22,465	22,467	113,424
Leased property under capital leases		7,980			7,980
Total accumulated depreciation	<u>31,646,195</u>	<u>501,673</u>	<u>189,812</u>	<u>199,779</u>	<u>32,157,835</u>
Total depreciable capital assets, net	<u>20,759,761</u>	<u>(6,434)</u>	<u>33,313</u>	<u>40,273</u>	<u>20,760,287</u>
Governmental activities capital assets, net	<u>\$ 21,079,823</u>	<u>(6,434)</u>	<u>33,313</u>	<u>40,273</u>	<u>21,080,349</u>

* Adjustments are to correct errors in prior year ending balances.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 18,435
Public safety	99,965
Public works	357,269
Health and welfare	14,590
Culture and recreation	7,775
Economic development	<u>3,639</u>
Total governmental activities depreciation expense	<u>\$ 501,673</u>

(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, fire fighters and road construction personnel and \$400,000 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, 2004, to January 1, 2005. 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, 2004. 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) Capital Lease.

As Lessee:

The county is obligated for the following capital asset acquired through capital lease as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 79,799
Less: Accumulated depreciation	<u>7,980</u>
Leased Property Under Capital Leases	<u>\$ 71,819</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 25,783	2,103
2006	26,591	1,295
2007	27,425	461
Total	<u>\$ 79,799</u>	<u>3,859</u>

(10) Long-term Debt.

Debt outstanding as of September 30, 2004, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Capital Leases:			
LeeBoy 685B motor grader	\$ <u>79,799</u>	3.09%	09-07

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	<u>Balance Oct. 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2004</u>	<u>Amount due within one year</u>
Capital leases	\$ <u>0</u>	<u>79,799</u>	<u>0</u>	<u>0</u>	<u>79,799</u>	<u>25,783</u>

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2004:

<u>Fund</u>	<u>Deficit Amount</u>
Emergency 911	\$ 4,406
Countywide road & bridge	201
County engineer	26,628

The above fund balance deficits were the result of the accrual of claims payable.

(12) 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.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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.

(13) 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 2004.

(14) 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.

(15) 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 \$27,935 for support of the district in fiscal year 2004.

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 \$128,580 for maintenance and support of the college in fiscal year 2004.

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 \$16,671 for support of the district in fiscal year 2004.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$31,000 for support of the entity in fiscal year 2004.

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 \$14,717 for support of the district in fiscal year 2004.

(16) 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, 2004, 2003 and 2002 were \$190,996, \$186,602 and \$172,510 respectively, equal to the required contributions for each year.

(17) Subsequent Event.

Subsequent to September 30, 2004, 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>
04-18-05	4.25%	\$ 1,600,000	General obligation bond	Tax revenues

JEFFERSON DAVIS COUNTY

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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, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,167,089	1,700,235	1,700,235	
Licenses, commissions and other revenue	34,750	69,690	69,690	
Fines and forfeitures	91,000	149,015	150,859	1,844
Intergovernmental revenues	1,143,800	3,458,183	3,456,339	(1,844)
Charges for services	20,000	37,948	37,948	
Interest income	75,000	122,743	122,743	
Miscellaneous revenues	70,594	98,351	98,351	
Total Revenues	<u>3,602,233</u>	<u>5,636,165</u>	<u>5,636,165</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	4,899,861	1,630,393	1,630,393	
Public safety	963,251	1,183,293	1,183,293	
Public works	8,000	15,771	15,771	
Health and welfare	256,244	228,957	228,957	
Culture and recreation	35,750	31,439	31,439	
Education	67,900	315,254	315,254	
Conservation of natural resources	87,195	79,166	79,166	
Economic development and assistance	44,700	46,802	46,802	
Total Expenditures	<u>6,362,901</u>	<u>3,531,075</u>	<u>3,531,075</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(2,760,668)</u>	<u>2,105,090</u>	<u>2,105,090</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		125	125	
Compensation for loss of capital assets		26,717	26,717	
Transfers in		105,697	105,697	
Transfers out	(799,180)	(977,150)	(976,678)	472
Total Other Financing Sources and Uses	<u>(799,180)</u>	<u>(844,611)</u>	<u>(844,139)</u>	<u>472</u>
Net Change in Fund Balance	(3,559,848)	1,260,479	1,260,951	472
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>\$ 4,174,466</u>	<u>7,393,526</u>	<u>7,393,998</u>	<u>472</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, 2004

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Type
	General Fund
Budget (Cash Basis)	\$ 1,260,951
Increase (Decrease)	
Net adjustments for revenue accruals	20,927
Net adjustments for expenditure accruals	(142,901)
GAAP Basis	\$ 1,138,977

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2004

Operating Expenditures, Cash Basis:

Salaries	\$	183,808
Expendable commodities:		
Gasoline and petroleum products		24,235
Repair parts		6,830
Maintenance		713
Contractual services		117,079
Supplies		<u>68,182</u>
Solid Waste Cash Basis Operating Expenditures		400,847
Full Cost Expenses:		
Indirect administrative costs		4,616
Depreciation on equipment		<u>52,986</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>458,449</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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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, 2004, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated October 21, 2005. 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.

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 opinions on the primary government financial statements and not to provide an opinion 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 initiate, 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 04-1, 04-2 and 04-3.

A material weakness is a reportable 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 caused by error or fraud 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 item 04-3 to be a material weakness.

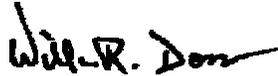
Compliance and Other Matters

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

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



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

October 21, 2005



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, 2004. 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



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

October 21, 2005

JEFFERSON DAVIS COUNTY
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2004

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>
12-08-03	Truck	\$ 22,323	Berry Chevrolet	\$ 18,650	Satisfies local preference statute Section 31-7-18.
12-08-03	Truck	22,323	Berry Chevrolet	18,650	Satisfies local preference statute Section 31-7-18.
12-15-03	Truck	22,818	Berry Chevrolet	18,650	Satisfies local preference statute Section 31-7-18.
12-15-03	Truck	20,969	Berry Chevrolet	20,223	Satisfies local preference statute Section 31-7-18.

JEFFERSON DAVIS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2004

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
01-05-04	Pilings	\$ 14,000	Pearl River Paving Company	Heavy rains damaged pilings.
06-21-04	Air conditioner units	165,000	Metro Mechanical Engineer	Units not operating at full capacity and parts for current system were not available.

JEFFERSON DAVIS COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

Schedule 3

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

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, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

Section 2: Financial Statement Findings

Board of Supervisors.

04-1. Finding

The payroll bank account was not reconciled on a monthly basis from January 1 to September 30, 2004. The payroll bank account book balance was a negative \$296 at the end of the fiscal year.

Recommendation

The Board of Supervisors should ensure all bank accounts are reconciled on a monthly basis.

Board of Supervisors' Response

Beginning January 1, 2006, the Board of Supervisors will open a new account for payroll to ensure reconciliation.

Tax Assessor-Collector.

04-2. Finding

As reported in prior years' audit reports, our test of funds available to settle the amounts due to various entities at September 30, 2004, was insufficient in the amount of \$6,505.

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

Settlement will be made pending decision of supervisors.

JEFFERSON DAVIS COUNTY

Schedule of Findings
For the Year Ended September 30, 2004

04-3. Finding

As reported in the prior year's audit report, 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

Cash collections and disbursement functions will be assigned to other office personnel.