



**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, 2005**

JEFFERSON DAVIS COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR'S REPORT	3
PRIMARY GOVERNMENT FINANCIAL STATEMENTS	5
Statement of Net Assets	6
Statement of Activities	7
Balance Sheet - Governmental Funds	8
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Fiduciary Assets and Liabilities	12
Notes to Financial Statements	13
REQUIRED SUPPLEMENTARY INFORMATION	25
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	26
Notes to the Required Supplementary Information	27
SUPPLEMENTAL INFORMATION	29
Schedule of Expenditures of Federal Awards	30
Reconciliation of Operating Costs of Solid Waste	31
SPECIAL REPORTS	33
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 <i>Government Auditing Standards</i>	35
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	37
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))	39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	45

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, 2005, 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, 2005, 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, 2005, 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 May 31, 2006, 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.

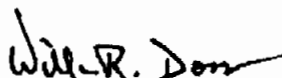
Jefferson Davis County, Mississippi, has not presented Management's Discussion and Analysis that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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

May 31, 2006

JEFFERSON DAVIS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY
Statement of Net Assets
September 30, 2005

Exhibit I

	Primary Government
	Governmental
	Activities
ASSETS	
Cash	\$ 10,790,103
Property tax receivable	3,356,458
Fines receivable (net of allowance for uncollectibles of \$880,285)	272,710
Intergovernmental receivables	686,963
Other receivables	8,264
Capital assets, net	21,319,772
Total Assets	<u>36,434,270</u>
LIABILITIES	
Claims payable	743,171
Intergovernmental payables	140,968
Unearned revenue	3,356,458
Other payables	130,879
Long-term liabilities	
Due within one year:	
Capital debt	26,591
Non-capital debt	30,552
Due in more than one year:	
Capital debt	27,425
Non-capital debt	1,547,648
Total Liabilities	<u>6,003,692</u>
NET ASSETS	
Invested in capital assets, net of related debt	21,265,756
Restricted:	
Expendable:	
General government	408,141
Debt service	87,625
Public safety	51,016
Public works	960,157
Culture and recreation	31,199
Unemployment compensation	17,255
Capital projects	1,128,240
Unrestricted	6,481,189
Total Net Assets	<u>\$ 30,430,578</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, 2005

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	\$ 2,171,054	156,446			(2,014,608)
Public safety	1,542,678	146,048	236,081	50,000	(1,110,549)
Public works	3,174,829		1,014,304	154,126	(2,006,399)
Health and welfare	733,140		36,381		(696,759)
Culture and recreation	142,739				(142,739)
Conservation of natural resources	81,834		402		(81,432)
Economic development and assistance	450,762			402,973	(47,789)
Interest on long-term debt	30,449				(30,449)
Total Governmental Activities	\$ <u>8,327,485</u>	<u>302,494</u>	<u>1,287,168</u>	<u>607,099</u>	<u>(6,130,724)</u>

General revenues:	
Property taxes	\$ 3,290,122
Road & bridge privilege taxes	169,020
Grants and contributions not restricted to specific programs	2,791,573
Unrestricted interest income	245,899
Miscellaneous	209,352
Total General Revenues	<u>6,705,966</u>
Changes in Net Assets	<u>575,242</u>
Net Assets - Beginning	29,851,630
Prior period adjustment	3,706
Net Assets - Beginning, as restated	<u>29,855,336</u>
Net Assets - Ending	\$ <u>30,430,578</u>

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

JEFFERSON DAVIS COUNTY
Balance Sheet - Governmental Funds
September 30, 2005

Exhibit 3

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
ASSETS			
Cash	\$ 8,031,158	2,758,945	10,790,103
Property tax receivable	1,875,723	1,480,735	3,356,458
Fines receivable (net of allowance for uncollectibles of \$880,285)	272,710		272,710
Intergovernmental receivables	555,654	131,309	686,963
Other receivables	8,264		8,264
Due from other funds		91,301	91,301
Total Assets	\$ 10,743,509	4,462,290	15,205,799
LIABILITIES AND FUND BALANCES			
Liabilities:			
Claims payable	\$ 530,249	212,922	743,171
Intergovernmental payables	131,597		131,597
Due to other funds	100,672		100,672
Deferred revenue	272,710		272,710
Unearned revenue	1,875,723	1,480,735	3,356,458
Other payables	45,879	85,000	130,879
Total Liabilities	2,956,830	1,778,657	4,735,487
Fund balances:			
Reserved for:			
Debt service		87,625	87,625
Unemployment compensation		17,255	17,255
Unreserved, reported in:			
General Fund	7,786,679		7,786,679
Special Revenue Funds		1,450,513	1,450,513
Capital Project Funds		1,128,240	1,128,240
Total Fund Balances	7,786,679	2,683,633	10,470,312
Total Liabilities and Fund Balances	\$ 10,743,509	4,462,290	15,205,799

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

JEFFERSON DAVIS COUNTY

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2005

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,470,312
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 \$32,531,097.	21,319,772
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	272,710
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	<u>(1,632,216)</u>
Total Net Assets - Governmental Activities	\$ <u>30,430,578</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, 2005

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 1,777,557	1,512,565	3,290,122
Road and bridge privilege taxes		169,020	169,020
Licenses, commissions and other revenue	68,546	3,915	72,461
Fines and forfeitures	130,988		130,988
Intergovernmental revenues	3,207,820	1,478,020	4,685,840
Charges for services	28,032	113,281	141,313
Interest income	245,899		245,899
Miscellaneous revenues	200,049	9,303	209,352
Total Revenues	<u>5,658,891</u>	<u>3,286,104</u>	<u>8,944,995</u>
EXPENDITURES			
Current:			
General government	2,200,097	149,368	2,349,465
Public safety	1,203,397	244,781	1,448,178
Public works	495,845	2,823,484	3,319,329
Health and welfare	242,882	475,668	718,550
Culture and recreation	100,031	88,848	188,879
Conservation of natural resources	81,834		81,834
Economic development and assistance	44,150	402,973	447,123
Debt service:			
Principal		47,583	47,583
Interest		30,449	30,449
Total Expenditures	<u>4,368,236</u>	<u>4,263,154</u>	<u>8,631,390</u>
Excess of Revenues over (under) Expenditures	<u>1,290,655</u>	<u>(977,050)</u>	<u>313,605</u>
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		1,600,000	1,600,000
Proceeds from sale of capital assets		20,605	20,605
Transfers in		615,168	615,168
Transfers out	(591,652)	(23,516)	(615,168)
Total Other Financing Sources and Uses	<u>(591,652)</u>	<u>2,212,257</u>	<u>1,620,605</u>
Net Changes in Fund Balances	699,003	1,235,207	1,934,210
Fund Balances - Beginning	<u>7,087,676</u>	<u>1,448,426</u>	<u>8,536,102</u>
Fund Balances - Ending	<u>\$ 7,786,679</u>	<u>2,683,633</u>	<u>10,470,312</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, 2005

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 1,934,210
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$809,136 exceeded depreciation of \$540,382 in the current period.	268,754
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 \$12,432 and the proceeds from the sale of \$20,605 in the current period.	(33,037)
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.	(42,268)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$1,600,000 exceeded debt repayments of \$47,583.	<u>(1,552,417)</u>
Change in Net Assets of Governmental Activities	<u>\$ 575,242</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, 2005

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 87,944
Due from other funds	<u>9,371</u>
Total Assets	<u>\$ 97,315</u>
LIABILITIES	
Other liabilities	\$ 81,608
Intergovernmental payables	<u>15,707</u>
Total Liabilities	<u>\$ 97,315</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, 2005

(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, 2005

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

H. Capital Assets.

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

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

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
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.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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."

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.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustment.

A summary of fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
Capital assets	\$ <u>3,706</u>

(4) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$10,878,047, and the bank balance was \$11,104,380. 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.

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental	General	\$ 91,301
Agency Funds	General	<u>9,371</u>
Total		\$ <u>100,672</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

The receivables represent the tax revenue collected but not settled until October, 2005. 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	\$ 591,652
Other Governmental Funds	Other Governmental Funds	23,516
Total		<u>\$ 615,168</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.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 75,374
Federal Emergency Management Agency Grant	480,280
Community Development Block Grant	131,309
Total	<u>\$ 686,963</u>

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

	<u>Balance Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments *</u>	<u>Balance Sept. 30, 2005</u>
<u>Non-depreciable capital assets:</u>					
Land	\$ 320,062	3,500		5,000	328,562
Construction in progress		130,050			130,050
Total non-depreciable capital assets	<u>320,062</u>	<u>133,550</u>	<u>0</u>	<u>5,000</u>	<u>458,612</u>
<u>Depreciable capital assets:</u>					
Infrastructure	45,877,456				45,877,456
Buildings	2,911,917	123,342		(24,331)	3,010,928
Improvements other than buildings	123,876				123,876
Mobile equipment	3,763,699	536,104	181,415	33,855	4,152,243
Furniture and equipment	161,375	16,140	29,560		147,955
Leased property under capital leases	79,799				79,799
Total depreciable capital assets	<u>52,918,122</u>	<u>675,586</u>	<u>210,975</u>	<u>9,524</u>	<u>53,392,257</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments *	Balance Sept. 30, 2005
<u>Less accumulated depreciation for:</u>					
Infrastructure	28,687,322	152,523		(4,351)	28,835,494
Buildings	1,260,147	52,947		(1,458)	1,311,636
Improvements other than buildings	44,595	4,955			49,550
Mobile equipment	2,044,367	302,816	148,673	13,620	2,212,130
Furniture and equipment	113,424	19,161	29,265	3,007	106,327
Leased property under capital leases	7,980	7,980			15,960
Total accumulated depreciation	<u>32,157,835</u>	<u>540,382</u>	<u>177,938</u>	<u>10,818</u>	<u>32,531,097</u>
Total depreciable capital assets, net	<u>20,760,287</u>	<u>135,204</u>	<u>33,037</u>	<u>(1,294)</u>	<u>20,861,160</u>
Governmental activities capital assets, net	<u>\$ 21,080,349</u>	<u>268,754</u>	<u>33,037</u>	<u>3,706</u>	<u>21,319,772</u>

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 13,189
Public safety	103,500
Public works	391,604
Health and welfare	14,590
Culture and recreation	13,860
Economic development and assistance	<u>3,639</u>
Total governmental activities depreciation expense	<u>\$ 540,382</u>

Commitments with respect to unfinished capital projects at September 30, 2005, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Chancery Clerk and Tax Assessor building	\$ 996,000	July, 2006

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

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, 2005. 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.

(10) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 79,799
Less: Accumulated depreciation	<u>15,960</u>
Leased Property Under Capital Leases	<u>\$ 63,839</u>

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 26,591	1,295
2007	<u>27,425</u>	<u>461</u>
Total	<u>\$ 54,016</u>	<u>1,756</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(11) Long-term Debt.

Debt outstanding as of September 30, 2005, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
A. General Obligation Bonds:			
Hospital bond	\$ <u>1,578,200</u>	4.25%	07-25
B. Capital Leases:			
LeeBoy 685B motor grader	\$ <u>54,016</u>	3.09%	09-07

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

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2006	\$ 30,552	39,653
2007	54,577	65,775
2008	56,896	63,456
2009	59,314	61,037
2010	61,835	58,517
2011 - 2015	350,902	250,857
2016 - 2020	432,082	169,677
2021 - 2025	<u>532,042</u>	<u>69,716</u>
Total	\$ <u>1,578,200</u>	<u>778,688</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the amount of outstanding debt was equal to less than 1% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Reductions	Adjustments	Balance Sept. 30, 2005	Amount due within one year
General obligation bonds	\$ 0	1,600,000	21,800		1,578,200	30,552
Capital leases	79,799		25,783		54,016	26,591
Total	\$ <u>79,799</u>	<u>1,600,000</u>	<u>47,583</u>	<u>0</u>	<u>1,632,216</u>	<u>57,143</u>

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(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.

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 2005.

(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 \$28,000 for support of the district in fiscal year 2005.

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 \$130,273 for maintenance and support of the college in fiscal year 2005.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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 2005.

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 2005.

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 \$15,550 for support of the district in fiscal year 2005.

(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 10.75% 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, 2005, 2004 and 2003 were \$213,668, \$190,996 and \$186,602, respectively, equal to the required contributions for each year.

JEFFERSON DAVIS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JEFFERSON DAVIS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,732,347	1,723,341	1,723,341	
Licenses, commissions and other revenue	49,600	66,173	66,173	
Fines and forfeitures	114,000	130,988	130,988	
Intergovernmental revenues	1,425,650	2,926,722	2,926,722	
Charges for services	29,000	28,032	28,032	
Interest income	90,000	245,878	245,878	
Miscellaneous revenues	82,625	216,806	219,170	2,364
Total Revenues	<u>3,523,222</u>	<u>5,337,940</u>	<u>5,340,304</u>	<u>2,364</u>
EXPENDITURES				
Current:				
General government	4,697,865	2,271,162	2,277,307	(6,145)
Public safety	1,528,558	1,325,761	1,325,761	
Public works	2,440,741	17,482	17,482	
Health and welfare	192,242	252,582	252,582	
Culture and recreation	41,000	100,052	100,052	
Education	15,000	286,683	286,683	
Conservation of natural resources	85,225	81,782	81,782	
Economic development and assistance	45,500	44,030	44,030	
Total Expenditures	<u>9,046,131</u>	<u>4,379,534</u>	<u>4,385,679</u>	<u>(6,145)</u>
Excess of Revenues over (under) Expenditures	<u>(5,522,909)</u>	<u>958,406</u>	<u>954,625</u>	<u>(3,781)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	300,000	669,544	668,711	(833)
Transfers out	<u>(1,732,575)</u>	<u>(1,264,977)</u>	<u>(1,260,363)</u>	<u>4,614</u>
Total Other Financing Sources and Uses	<u>(1,432,575)</u>	<u>(595,433)</u>	<u>(591,652)</u>	<u>3,781</u>
Net Change in Fund Balances	<u>(6,955,484)</u>	<u>362,973</u>	<u>362,973</u>	<u>0</u>
Fund Balances - Beginning	<u>6,955,484</u>	<u>7,336,370</u>	<u>7,336,370</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>7,699,343</u>	<u>7,699,343</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, 2005

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)	\$ 362,973
Increase (Decrease)	
Net adjustments for revenue accruals	311,026
Net adjustments for expenditure accruals	25,004
GAAP Basis	\$ <u>699,003</u>

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JEFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U. S. Department of Housing and Urban Development/ Passed-through Mississippi Development Authority Community development block grants/state's program	14.228	1120-03-033-PF-01	\$ <u>402,973</u>
U. S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Disaster grants - public assistance	97.036	1604-DR-MS	<u>480,280</u>
Total Expenditures of Major Federal Awards			<u>883,253</u>
OTHER FEDERAL AWARDS			
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>2,200</u>
U. S. Department of Health and Human Services/ Passed-through the Mississippi Department of Health Rural access to emergency devices grant	93.259	N/A	<u>2,955</u>
U. S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Homeland Security Cluster State domestic preparedness equipment support program	97.004	2DPG-31	24,989
State domestic preparedness equipment support program	97.004	3SSG	10,273
Passed-through the Mississippi Department of Public Safety/ Office of Homeland Security State domestic preparedness equipment support program	97.004	04HS033	56,396
State domestic preparedness equipment support program	97.004	04CC033	2,975
State domestic preparedness equipment support program	97.004	04LE033	23,887
Total U. S. Department of Homeland Security			<u>118,520</u>
Total Expenditures of Other Federal Awards			<u>123,675</u>
Total Expenditures of Federal Awards			\$ <u><u>1,006,928</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

JEFFERSON DAVIS COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2005

Operating Expenditures, Cash Basis:

Salaries	\$ 186,856
Expendable Commodities:	
Gasoline and petroleum products	35,705
Repair parts	11,035
Maintenance	3,316
Contractual services	94,832
Supplies	<u>269</u>

Solid Waste Cash Basis Operating Expenditures 332,013

Full Cost Expenses:

Indirect administrative costs	2,811
Depreciation on equipment	<u>52,986</u>

Solid Waste Full Cost Operating Expenses \$ 387,810

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, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated May 31, 2006. 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 and Questioned Costs as items 05-1, 05-2 and 05-3.

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 05-02 to be a material weakness.

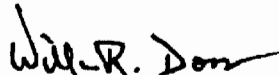
Compliance and Other Matters

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 federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

May 31, 2006



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Compliance

We have audited the compliance of Jefferson Davis County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Jefferson Davis County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jefferson Davis County, Mississippi's management. Our responsibility is to express an opinion on Jefferson Davis County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Davis County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson Davis County, Mississippi's compliance with those requirements.

In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005.

Internal Control Over Compliance

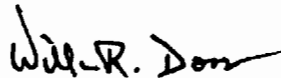
The management of Jefferson Davis County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Jefferson Davis County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



PHIL BRYANT
State Auditor



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

May 31, 2006



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, 2005. 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.

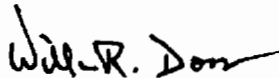
In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

May 31, 2006

JEFFERSON DAVIS COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2005

<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>
10-04-04	Repairs to voting precinct	\$ 7,175	Jack Andrews	\$ 7,174	Lowest bid had a full work schedule
10-06-04	Engine for Sheriff's car	3,857	Myers Alignment	3,717	Higher mileage warranty

JEFFERSON DAVIS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2005

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09-19-05	Telephone system	\$ 8,473	Talon Communications	Damage caused by Hurricane Katrina

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2005

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 AND QUESTIONED COSTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

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 |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be a material weakness? | No |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding reported as required by Section ____ .510(a) of Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| a. | Community development block grants/state's program, CFDA #14.228 | |
| b. | Disaster grants - public assistance, CFDA #97.036 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133? | No |

JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2005

Section 2: Financial Statement Findings

Board of Supervisors.

05-1. Finding

As reported in the prior year's audit report, the payroll bank account was not reconciled to the book balance. The payroll bank account book balance was a negative \$957 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

The payroll clerk has assured us, as a board, that she has reconciled the payroll account on our computer system instead of by the paper ledger, which is the way it has been reconciled in the past.

Tax Assessor-Collector.

05-2. Finding

As reported in prior years' audit reports, cash collections 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. Failure to have an adequate separation of duties could result in the loss of public funds due to the mishandling of 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.

05-3. Finding

We noted the following deficiencies in internal control in accounting for cash collections and settlements:

- a. The cash journal was not properly maintained.
- b. Settlements of collections were not posted to the proper accounts in the cash journal.
- c. Collections were not deposited on a daily basis.
- d. Bank statements were not reconciled to the cash journal.

These deficiencies resulted in errors in the cash journal, incomplete settlements and unidentified cash balances.

JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2005

Recommendation

The Tax Assessor-Collector should ensure that the cash journal is properly maintained, settlements are posted to the proper accounts in the cash journal, deposits are made daily and bank reconciliations are prepared on a monthly basis and agree with the cash journal.

Tax Assessor-Collector's Response

- a. Due to lack of employees, one can only do so much.
- b. As of 1997, upon implementation of the bookkeeping system with Delta Computer Systems, the Tax Collector's Office failed to be informed of correct procedure for coding.
- c. Due to lack of employees, office and check up procedures, daily deposits are a time problem.
- d. Due to lack of employees, time is of essence.

As always it will be my diligent effort to get all findings considered and certainly corrected to the best of my ability.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.