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JASPER COUNTY, MISSISSIPPI
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2011

JASPER COUNTY, MISSISSIPPI

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

November 1, 2012

Members of the Board of Supervisors
Jasper County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Jasper County, Mississippi, as of and for the year ended September 30, 2011, which, collectively comprise the county's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion 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.

As discussed in Note 1(H) to the financial statements, management has not recorded certain assets in the governmental activities and accordingly has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that these general infrastructure assets be capitalized and depreciated which would increase the assets and expenses of the governmental activities. The amount by which this departure would affect the assets and expenses of the governmental activities is not reasonably determinable.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Jasper County, Mississippi, as of September 30, 2011, or the changes in financial position thereof for the year then ended.

In our opinion, except for the effects of the matters discussed in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Jasper County, Mississippi, as of September 30, 2011, 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Jasper County, Mississippi, as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, 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 a report dated November 1, 2012 on our consideration of Jasper County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and 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.

Jasper 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 Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We 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.

Herzog CPA Company, PLLC
Herzog CPA Company, PLLC

**JASPER COUNTY, MISSISSIPPI
BASIC FINANCIAL STATEMENTS**

JASPER COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011
Exhibit 1

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|----------------------|
| ASSETS | | | |
| Cash | \$ 6,031,026 | \$ - | \$ 6,031,026 |
| Property tax receivable | 8,641,873 | - | 8,641,873 |
| Accounts receivable.(net of allowance for uncollectibles of \$457,443) | - | 215,267 | 215,267 |
| Fines receivable, (net of allowance for uncollectibles of \$1,275,809) | 344,397 | - | 344,397 |
| Loans Receivable | 1,022,026 | - | 1,022,026 |
| Capital leases receivable | 789,487 | - | 789,487 |
| Intergovernmental receivables | 90,328 | - | 90,328 |
| Internal balances | 133,578 | (145,641) | (12,063) |
| Capital assets, net | 18,785,759 | 1,477 | 18,787,236 |
| Total Assets | <u>35,838,474</u> | <u>71,103</u> | <u>35,909,577</u> |
| LIABILITIES | | | |
| Claims payable | 1,069,025 | 179,003 | 1,248,028 |
| Intergovernmental payables | 123,846 | - | 123,846 |
| Deferred revenue | 8,698,217 | - | 8,698,217 |
| Long-term liabilities | | | - |
| Due within one year: | | | - |
| Capital related debt | 1,656,916 | 2,397 | 1,659,313 |
| Due in more than one year: | | | - |
| Capital related debt | 6,055,904 | - | 6,055,904 |
| Non-capital debt | 74,944 | 2,269 | 77,213 |
| Total Liabilities | <u>17,678,852</u> | <u>183,669</u> | <u>17,862,521</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 11,072,939 | (920) | 11,072,019 |
| Restricted : | | | |
| Expendable: | | | |
| Debt Service | 1,078,709 | - | 1,078,709 |
| Public Works | - | (111,646) | (111,646) |
| Loans Receivable | 1,022,026 | - | 1,022,026 |
| Unrestricted | 4,985,948 | - | 4,985,948 |
| Total Net Assets | <u>\$ 18,159,622</u> | <u>\$ (112,566)</u> | <u>\$ 18,047,056</u> |

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

**JASPER COUNTY, MISSISSIPPI
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011
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 | | Total |
| | | | | | Governmental Activities | Business-type Activities | |
| Primary government: | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ (3,221,590) | \$ 446,539 | \$ - | \$ 324,236 | \$ (2,450,815) | \$ - | \$ (2,450,815) |
| Public safety | (2,588,626) | 108,853 | 83,014 | | (2,396,759) | | (2,396,759) |
| Public works | (4,874,876) | | 3,588,204 | | (1,286,672) | | (1,286,672) |
| Health and welfare | (228,361) | | 40,730 | | (187,631) | | (187,631) |
| Culture and recreation | (20,912) | | | | (20,912) | | (20,912) |
| Conservation of natural resources | (44,728) | | | | (44,728) | | (44,728) |
| Economic development and assistance | (314,500) | | | | (314,500) | | (314,500) |
| Interest on long-term debt | (328,076) | | | | (328,076) | | (328,076) |
| Total Governmental Activities | (11,621,669) | 555,392 | 3,711,948 | 324,236 | (7,030,093) | - | (7,030,093) |
| Business-type activities: | | | | | | | |
| Garbage and Solid Waste | (881,416) | 648,189 | - | - | - | (233,227) | (233,227) |
| Total Business-type Activities | (881,416) | 648,189 | - | - | - | (233,227) | (233,227) |
| Total Primary Government | \$ (12,503,085) | \$ 1,203,581 | \$ 3,711,948 | \$ 324,236 | \$ (7,030,093) | \$ (233,227) | \$ (7,263,320) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | \$ 8,959,588 | \$ - | \$ 8,959,588 |
| Road & bridge privilege taxes | | | | | 211,294 | | 211,294 |
| Grants and contributions not restricted to specific programs | | | | | 1,275,260 | | 1,275,260 |
| Unrestricted investment income | | | | | 126,350 | | 126,350 |
| Gain or loss on disposal of capital assets | | | | | (400,957) | | (400,957) |
| Miscellaneous | | | | | 37,835 | 27 | 37,862 |
| Total General Revenues | | | | | 10,209,370 | 27 | 10,209,397 |
| Changes in Net Assets | | | | | 3,179,277 | (233,200) | 2,946,077 |
| Net Assets - Beginning, as originally reported | | | | | 15,077,867 | 120,634 | 15,198,501 |
| Prior Period Adjustment | | | | | (97,522) | - | (97,522) |
| Net Assets, Beginning as Restated | | | | | 14,980,345 | 120,634 | 15,100,979 |
| Net Assets - Ending | | | | | \$ 18,159,622 | \$ (112,566) | \$ 18,047,056 |

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

JASPER COUNTY, MISSISSIPPI
BALANCE SHEET- GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011
Exhibit 3

| | Major Funds | | | |
|--------------------------------------|---------------------|-------------------------|--------------------------------|--------------------------------|
| | General Fund | Countywide Road Fund | Other Governmental Funds | Total Governmental Funds |
| ASSETS | | | | |
| Cash | \$ 1,460,312 | \$ 1,478,032 | \$ 3,092,682 | \$ 6,031,026 |
| Property tax receivable | 5,713,605 | 2,360,491 | 567,777 | 8,641,873 |
| Intergovernmental receivables | 90,328 | - | - | 90,328 |
| Fines Receivable, net | 344,397 | - | - | 344,397 |
| Loans Receivable | - | - | 1,022,026 | 1,022,026 |
| Capital lease receivable | - | - | 789,487 | 789,487 |
| Due from other funds | 16,949 | 26,556 | 6,817 | 50,322 |
| Advances to other funds | 173,703 | - | - | 173,703 |
| Total Assets | <u>\$ 7,799,294</u> | <u>\$ 3,865,079</u> | <u>\$ 5,478,789</u> | <u>\$ 17,143,162</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Claims payable | \$ 160,021 | \$ 724,883 | \$ 184,121 | \$ 1,069,025 |
| Intergovernmental payables | 123,846 | - | - | 123,846 |
| Due to other funds | 45,436 | - | - | 45,436 |
| Advances from other funds | - | 45,011 | - | 45,011 |
| Deferred revenue | 6,058,002 | 2,360,491 | 1,357,264 | 9,775,757 |
| Total Liabilities | <u>6,387,305</u> | <u>3,130,385</u> | <u>1,541,385</u> | <u>11,059,075</u> |
| Fund balances: | | | | |
| Restricted for: | | | | |
| Debt Service | - | - | 518,709 | 518,709 |
| Nonspendable: | | | | |
| Advances | 173,703 | - | - | 173,703 |
| Loans Receivable | - | - | 1,022,026 | 1,022,026 |
| Assigned to: | | | | |
| General Government | - | - | 2,396,669 | 2,396,669 |
| Public Works | - | 734,694 | - | 734,694 |
| Unassigned | 1,238,286 | - | - | 1,238,286 |
| Total Fund Balances | <u>1,411,989</u> | <u>734,694</u> | <u>3,937,404</u> | <u>6,084,087</u> |
| Total Liabilities and Fund Balances | <u>\$ 7,799,294</u> | <u>\$ 3,865,079</u> | <u>\$ 5,478,789</u> | <u>\$ 17,143,162</u> |

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

JASPER COUNTY, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011
Exhibit 3-1

| | Amount |
|--|---------------|
| Total fund balance - Governmental Funds (Exhibit 3) | \$ 6,084,087 |
| Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because: | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$ 9,551,745. | 18,785,759 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | 344,397 |
| Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds. | (7,787,764) |
| Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 733,143 |
| Total net assets - Governmental Activities (Exhibit 1) | \$ 18,159,622 |

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

JASPER COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Exhibit 4

| | Major Funds | | | |
|---|---------------------|-------------------------|--------------------------------|--------------------------------|
| | General Fund | Countywide Road Fund | Other Governmental Funds | Total Governmental Funds |
| REVENUES | | | | |
| Property taxes | \$ 5,712,345 | \$ 434,800 | \$ 2,812,443 | \$ 8,959,588 |
| Road and bridge privilege taxes | - | - | 211,294 | 211,294 |
| Licenses, commissions and other revenue | 137,899 | - | - | 137,899 |
| Fines and forfeitures | 227,809 | - | 80,831 | 308,640 |
| Intergovernmental revenues | 1,146,870 | 627,380 | 3,419,717 | 5,193,967 |
| Charges for services | 9,160 | - | 280,538 | 289,698 |
| Interest income | 19,040 | 11,200 | 96,110 | 126,350 |
| Miscellaneous revenues | 34,210 | - | 3,625 | 37,835 |
| Total Revenues | <u>7,287,333</u> | <u>1,073,380</u> | <u>6,904,558</u> | <u>15,265,271</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,227,661 | - | 38,613 | 3,266,274 |
| Public safety | 2,046,853 | - | 366,965 | 2,413,818 |
| Public works | - | 1,927,724 | 4,637,756 | 6,565,480 |
| Health and welfare | 227,042 | - | - | 227,042 |
| Culture and recreation | 14,053 | - | 311 | 14,364 |
| Conservation of natural resources | 44,027 | - | - | 44,027 |
| Economic development and assistance | - | - | 444,767 | 444,767 |
| Debt service: | | | | |
| Principal | 285,780 | 131,425 | 1,874,201 | 2,291,406 |
| Interest | 38,606 | 3,553 | 285,917 | 328,076 |
| Total Expenditures | <u>5,884,022</u> | <u>2,062,702</u> | <u>7,648,530</u> | <u>15,595,254</u> |
| Excess of Revenues over (under) Expenditures | <u>1,403,311</u> | <u>(989,322)</u> | <u>(743,972)</u> | <u>(329,983)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from Sale of Assets | - | - | 311,817 | 311,817 |
| Compensation for Loss of Capital Assets | 12,436 | 708,000 | 31,399 | 751,835 |
| Long-term Capital Debt Issued | - | 615,436 | - | 615,436 |
| Transfers in | 583,156 | 75,000 | 1,366,885 | 2,025,041 |
| Transfers out | (1,641,885) | (125,000) | (458,156) | (2,225,041) |
| Total Other Financing Sources and Uses | <u>(1,046,293)</u> | <u>1,273,436</u> | <u>1,251,945</u> | <u>1,479,088</u> |
| Net Changes in Fund Balances | <u>357,018</u> | <u>284,114</u> | <u>507,973</u> | <u>1,149,105</u> |
| Fund Balance - Beginning | <u>1,054,971</u> | <u>450,580</u> | <u>3,429,431</u> | <u>4,934,982</u> |
| Fund Balances - Ending | <u>\$ 1,411,989</u> | <u>\$ 734,694</u> | <u>\$ 3,937,404</u> | <u>\$ 6,084,087</u> |

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

**JASPER COUNTY, MISSISSIPPI
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, 2011**

| | <u>Exhibit 4-1</u> <u>Amount</u> |
|--|-------------------------------------|
| Net changes in fund balances- Governmental Funds (Exhibit 4) | \$ 1,149,105 |
| 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 \$3,389,080 exceeded depreciation of \$1,704,603 in the current period. | 1,684,477 |
| 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 \$1,108,954 and the proceeds from the sale of \$355,652 in the current period. | (1,464,606) |
| 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. | 180,845 |
| Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of 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 repayments of \$2,291,406 exceeded debt proceeds of \$615,436. | 1,675,970 |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by the increase in compensated absences. | (2,297) |
| In the statement of activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from the change in fund balances by the principal collections on the capital leases. | <u>(44,217)</u> |
| Change in net assets of Governmental Activities (Exhibit 2) | <u>\$ 3,179,277</u> |

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

JASPER COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS- PROPRIETARY FUND
SEPTEMBER 30, 2011
Exhibit 5

| | <u>Business-type Activities- Enterprise Fund</u> |
|---|--|
| | <u>Solid Waste</u> |
| | <u>Enterprise Fund</u> |
| | <u>Major Fund</u> |
| ASSETS | |
| Current assets: | |
| Accounts receivable, net | \$ 215,267 |
| Total Current Assets | 215,267 |
| Noncurrent assets: | |
| Capital assets, net | 1,477 |
| Total Noncurrent Assets | 1,477 |
| Total Assets | 216,744 |
| LIABILITIES | |
| Current liabilities: | |
| Claims payable | 179,003 |
| Due to other funds | 16,949 |
| Advances from other funds | 128,692 |
| Current portions of long-term capital-related debt: | |
| Loans Payable | 2,397 |
| Total Current Liabilities | 327,041 |
| Noncurrent liabilities: | |
| Capital Debt: | |
| Loans Payable | - |
| Non-Capital Debt: | |
| Compensated absences payable | 2,269 |
| Total Noncurrent Liabilities | 2,269 |
| Total Liabilities | 329,310 |
| NET ASSETS | |
| Invested in capital assets, net of related debt | (920) |
| Restricted for public works | (111,646) |
| Total Net Assets | \$ (112,566) |

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

JASPER COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS- PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Exhibit 6

| | Business-type Enterprise Funds |
|---|--|
| | Solid Waste Enterprise Fund Major Fund |
| Operating Revenues | |
| Charges for services | \$ 648,189 |
| Miscellaneous | 27 |
| Total Operating Revenues | 648,216 |
| Operating Expenses | |
| Personal services | 108,310 |
| Contractual services | 944,037 |
| Materials and supplies | 9,312 |
| Depreciation expense | 2,655 |
| Indirect administrative cost | 16,949 |
| Total Operating Expenses | 1,081,263 |
| Operating Income (Loss) | (433,047) |
| Nonoperating Revenues (Expenses) | |
| Interest expense | (153) |
| Transfer In | 200,000 |
| Transfer Out | - |
| Net Nonoperating Revenue (Expenses) | 199,847 |
| Changes in Net Assets | (233,200) |
| Net Assets - Beginning | 120,634 |
| Net Assets Ending | \$ (112,566) |

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

JASPER COUNTY, MISSISSIPPI
STATEMENT OF CASH FLOWS- PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011
Exhibit 7

| | Business-type Activities- Enterprise Fund |
|---|--|
| | <u>Solid Waste Fund</u> |
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 606,119 |
| Payments to suppliers | (842,881) |
| Payments to employees | (108,103) |
| Other operating cash receipts | 27 |
| Net Cash Provided (Used) by Operating Activities | <u>(344,838)</u> |
| Cash Flows from Noncapital Financing Activities | |
| Other receipts | 200,000 |
| Net Cash Provided by Noncapital Financing Activities | <u>200,000</u> |
| Cash Flows from Capital and Related Financing Activities | |
| Principal paid on long-term debt | (3,095) |
| Interest paid on debt | (153) |
| Net Cash (Used) by Capital and Related Financing Activities | <u>(3,248)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (148,086) |
| Cash and Cash Equivalents at Beginning of Year | 148,086 |
| Cash and Cash Equivalents at End of Year | <u>\$ -</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Operating Income (Loss) | <u>(433,047)</u> |
| Adjustments to reconcile operating income to net cash (used) by Operating Activities: | |
| Depreciation Expense | 2,655 |
| Change in Assets and Liabilities: | |
| (Increase) Decrease in accounts receivable | (42,070) |
| Increase (Decrease) in claims payable | 110,467 |
| Increase (Decrease) in compensated absences liability | 207 |
| Increase (Decrease) in interfund payables | 5,021 |
| Increase (Decrease) in advances from other funds | 11,929 |
| Total Adjustments | <u>88,209</u> |
| Net Cash (Used) by Operating Activities | <u>\$ (344,838)</u> |

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

JASPER COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITES
SEPTEMBER 30, 2011
Exhibit 8

| | <u>Agency Funds</u> |
|-------------------------------|---------------------|
| ASSETS | |
| Cash | \$ 288,915 |
| Intergovernmental Receivables | 1,415,898 |
| Due from other funds | 12,063 |
| Total Assets | <u>\$ 1,716,876</u> |
| | |
| LIABILITIES | |
| Intergovernmental payables | <u>\$ 1,716,876</u> |
| Total Liabilites | <u>\$ 1,716,876</u> |

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

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(1) Significant Accounting Policies

A. Financial Reporting Entity

Jasper 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 Jasper 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.

- Stringer Fire Protection District
- Jasper General Hospital
- Jasper 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 and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(1) Significant Accounting Policies - continued

Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting

The Government-wide, Proprietary Funds 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.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 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 Funds:

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

Countywide Road Fund – This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(1) Significant Accounting Policies - continued

The county reports the following major Proprietary Fund:

Solid Waste Fund -- This fund is used to account for the county's activities of disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPES

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.

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(1) Significant Accounting Policies - continued

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." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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 applicable governmental or business-type activities column in the government-wide financial statements. However, the capital assets amount reported on the accompanying Statement of Net Assets, is not fairly presented because the county did not maintain adequate subsidiary records documenting the existence, completeness, and valuation of capital assets and records documenting the county's infrastructure. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets 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 cost 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. Jasper County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements.

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

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(1) Significant Accounting Policies - continued

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

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

* Leased property capitalization policy 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 might also include liabilities on lease-purchase agreements and other commitments.

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

J. Equity Classifications

Government-wide Financial Statements:

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

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or 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.”

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(1) Significant Accounting Policies - continued

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Assigned fund balance includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balances are created by the Board of Supervisors pursuant to authorization established by the policy adopted by the county.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the county's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the county's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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.

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(1) Significant Accounting Policies - continued

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.

M. Compensated Absences

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

(2) Changes in Accounting Standards

For the fiscal year ended September 30, 2011, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

(3) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2011, was \$ 6,319,941 and the bank balance was \$ 6,373,429. The collateral for public entities' deposit in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – Deposits

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

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2011:

A. Due From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|--------------------------|---------------------|------------------|
| General | Solid Waste | \$ 16,949 |
| Countywide Road Fund | General | 26,556 |
| Other Governmental Funds | General | 6,817 |
| Agency Funds | General | <u>12,063</u> |
| | Total | <u>\$ 62,385</u> |

The General Fund receivable is the amount of indirect costs due from the Solid Waste Fund. The Solid Waste receivable represents the amount of user fees collected but not settled until October, 2011. All other receivables represent the tax revenue collected but not settled until October, 2011. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances to/from Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|----------------------|-------------------|
| General | Solid Waste | \$ 128,692 |
| General | Countywide Road Fund | <u>45,011</u> |
| | Total | <u>\$ 173,703</u> |

The General Fund receivable from the Solid Waste Fund represents the indirect costs due from solid waste. Other advances were made to resolve cash flow problems.

C. Transfers In/Out

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------------|--------------------------|---------------------|
| General | Other Governmental Funds | \$ 458,156 |
| General | Countywide Road Fund | 125,000 |
| Other Governmental Funds | General Fund | 1,366,885 |
| Countywide Road Fund | General Fund | 75,000 |
| Solid Waste Fund | General Fund | <u>200,000</u> |
| | Total | <u>\$ 2,225,041</u> |

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

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(5) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2011, consisted of the following:

| <u>Description</u> | <u>Amount</u> |
|---------------------------------|------------------|
| <u>Governmental Activities:</u> | |
| Legislative tax credit | \$ <u>90,328</u> |

(6) Loans Receivable

Loans receivable at September 30, 2011, consist of the following:

| <u>Description</u> | <u>Date of Loan</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance Payable</u> |
|------------------------------|-------------------------|--------------------------|--------------------------|----------------------------|
| McNeil Cabinet Company, Inc. | 06-03 | 3.85% | 06-13 | \$ 58,140 |
| Hol-Mac Corporation | 01-10 | 3.00% | 01-25 | 545,856 |
| Timber Plus | 04-05 | 3.85% | 04-14 | 31,229 |
| Carleton, Inc. | 12-06 | 5.00% | 12-16 | 49,073 |
| Hol-Mac Corporation | 05-11 | 3.50% | 05-21 | <u>337,728</u> |
| Total | | | | <u>\$ 1,022,026</u> |

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2011:

Governmental activities

| | Balance Oct. 1, 2010 | Additions | Deletions | Adjustments | Balance Sept. 30, 2011 |
|--|-------------------------|---------------------|-----------------------|--------------------|---------------------------|
| Non-depreciable capital assets | | | | | |
| Land | \$ 490,679 | \$ - | \$ - | \$ - | \$ 490,679 |
| Total non-depreciable Capital assets | 490,679 | - | - | - | 490,679 |
| Depreciable Capital assets: | | | | | |
| Infrastructure-Bridges | 5,536,373 | - | - | - | 5,536,373 |
| Infrastructure-Roads | 6,909,304 | 1,078,642 | (1,176,742) | - | 6,811,204 |
| Buildings | 5,489,922 | - | - | - | 5,489,922 |
| Improvements other than buildings | 38,167 | - | - | - | 38,167 |
| Mobile equipment | 4,159,704 | 1,841,717 | (573,271) | 118,598 | 5,546,748 |
| Furniture and equipment | 652,579 | 77,192 | (120,926) | 10,000 | 618,845 |
| Leased property under capital leases | 5,080,736 | 391,529 | (1,666,699) | - | 3,805,566 |
| Total depreciable capital assets | 27,866,785 | 3,389,080 | (3,537,638) | 128,598 | 27,846,825 |
| | Balance | | | | Balance |
| Less accumulated depreciation for: | Oct. 1, 2010 | Additions | Deletions | Adjustments | Sept. 30, 2011 |
| Infrastructure-Bridges | \$ 563,968 | \$ 110,743 | \$ - | \$ - | \$ 674,711 |
| Infrastructure-Roads | 797,251 | 238,592 | (274,576) | 41,188 | 802,455 |
| Buildings | 1,942,107 | 107,125 | - | - | 2,049,232 |
| Improvements other than buildings | 30,534 | - | - | - | 30,534 |
| Mobile equipment | 3,154,554 | 525,933 | (383,776) | 15,546 | 3,312,257 |
| Furniture and equipment | 400,010 | 56,509 | (97,268) | 14,734 | 373,985 |
| Leased property under capital leases | 2,805,630 | 665,701 | (1,317,412) | 154,652 | 2,308,571 |
| Total accumulated depreciation | 9,694,054 | 1,704,603 | (2,073,032) | 226,120 | 9,551,745 |
| Total depreciable capital Assets, net | 18,172,731 | 1,684,477 | (1,464,606) | (97,522) | 18,295,080 |
| Governmental activities capital Assets, net | <u>\$18,663,410</u> | <u>\$ 1,684,477</u> | <u>\$ (1,464,606)</u> | <u>\$ (97,522)</u> | <u>\$18,785,759</u> |

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(7) Capital Assets- continued

Business- type activities:

| | Balance Oct. 1, 2010 | Additions | Deletions | Adjustments | Balance Sept. 30, 2011 |
|---|-------------------------|------------|-----------|-------------|---------------------------|
| Depreciable capital assets: | | | | | |
| Mobile equipment | \$ 14,768 | \$ - | \$ - | \$ - | \$ 14,768 |
| Total depreciable capital assets | 14,768 | - | - | - | 14,768 |
| Less accumulated depreciation for: | | | | | |
| Mobile equipment | 10,636 | 2,655 | - | - | 13,291 |
| Total accumulated depreciation | 10,636 | 2,655 | - | - | 13,291 |
| Total depreciable capital Assets, net | 4,132 | (2,655) | - | - | 1,477 |
| Business-type activities Capital assets, net | \$ 4,132 | \$ (2,655) | \$ - | \$ - | \$ 1,477 |

The adjustment represents changes to the prior year fixed assets and accumulated depreciation.

Depreciation expense was charged to the following functions:

| | Amount |
|--|--------------|
| Governmental Activities | |
| General government | \$ 74,716 |
| Public safety | 174,808 |
| Public works | 1,446,511 |
| Health | 1,319 |
| Culture and recreation | 6,548 |
| Economic Development | 701 |
| Total governmental activities depreciation expense | \$ 1,704,603 |
| Business-type Activities | |
| Solid Waste | \$ 2,655 |

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(8) Claims and Judgments

Risk Financing.

The county finances its exposure to risk of loss related to worker's compensation for injuries to its employees through the Mississippi Public Entity Worker's Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its worker's compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers all statutory limits set by the Worker's 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, 2011 to January 1, 2012. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2011:

| Class of Property | Amount |
|-------------------|--------------|
| Buildings | \$ 1,970,226 |

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2011, are as follows:

| | Principal | Interest |
|---------------------------|------------|-----------|
| Year Ending September 30: | | |
| 2012 | \$ 46,171 | \$ 16,902 |
| 2013 | 48,211 | 14,861 |
| 2014 | 330,343 | 10,538 |
| 2015 | 82,571 | 6,744 |
| 2016 | 84,879 | 4,407 |
| 2017-2020 | 140,968 | 2,892 |
| Total | \$ 733,143 | \$ 56,344 |

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(9) Capital Leases - continued

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2011:

| Class of Property | Governmental Activities |
|--|----------------------------|
| Mobile equipment | \$ 3,689,646 |
| Other furniture and equipment | 115,920 |
| Total | 3,805,566 |
| Less: Accumulated Depreciation | (2,308,571) |
| Leased Property Under Capital Leases | <u>\$ 1,496,995</u> |

The following is a schedule by years of the total payments due as of September 30, 2011:

| Year Ending Spetember 30: | Governmental Activities | |
|---------------------------|-------------------------|-----------------------|
| | Principal | Interest |
| 2012 | \$ 913,023 | \$ 70,735 |
| 2013 | 861,988 | 42,543 |
| 2014 | 391,056 | 20,340 |
| 2015 | 344,828 | 7,659 |
| 2016 | 43,848 | 368 |
| Total | <u>\$ 2,554,743</u> | <u>\$ 141,645</u> |

(10) Long-Term Debt

Debt outstanding as of September 30, 2011, consisted of the following:

| Description and Purpose | Amount Outstanding | Interest Rates | Final Maturity Date |
|--|-----------------------|-------------------|------------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| District 3 road and bridge bonds- 2008 | \$ 565,000 | 3.70% | 06-01-18 |
| District 1 road and bridge bonds- 2008 | 785,000 | 3.70 | 06-01-18 |
| District 2 road and bridge bonds- 2008 | 1,000,000 | 3.70 | 06-01-18 |
| District 4 road and bridge bonds- 2004 | 205,000 | 2.80/4.00 | 06-01-14 |
| District 5 road and bridge bonds- 2008 | 745,000 | 3.875 | 09-30-20 |
| Countywide road and bridge bonds- 2004 | 450,000 | 2.80/4.00 | 06-01-14 |
| Fire Department bonds- 2005 | 865,000 | 2.92 | 09-30-17 |
| Total General Obligation Bonds | <u>\$ 4,615,000</u> | | |

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(10) Long-Term Debt – continued

B. Capital Leases:

| | | | |
|--|-----------|------|----------|
| Mekel Film Scanner | \$ 15,886 | 3.15 | 10-15-14 |
| Scanning System | 2,121 | 3.80 | 10-12-11 |
| Book Scanning | 5,925 | 3.80 | 10-12-11 |
| District 1 - Caterpillar Tractor | 44,014 | 4.25 | 01-17-13 |
| District 1 - Rock Spreader | 16,989 | 3.00 | 01-03-13 |
| District 1 - 2 Alamo Batwing Mowers | 5,870 | 4.50 | 08-21-12 |
| District 1 - Alamo Boom Mower | 8,312 | 4.50 | 08-21-12 |
| District 1 - John Deere Tractor | 11,176 | 4.00 | 08-06-12 |
| District 1 - 4000 Gallon DuraTank | 7,900 | 4.50 | 08-27-12 |
| District 1 - 2011 Mack Truck | 91,802 | 2.40 | 08-12-13 |
| District 1 - 2011 Ford F-150 | 9,500 | 3.25 | 05-06-13 |
| Backhoe 1 Loader | 67,728 | 3.65 | 12-03-13 |
| Backhoe | 30,578 | 3.25 | 07-10-13 |
| District 1 - 2011 Mack Truck | 91,802 | 2.40 | 08-12-13 |
| District 1 - 2 GMC Trucks Dump Body | 22,569 | 3.80 | 06-15-12 |
| District 1 - Kubota Tractor | 9,525 | 3.80 | 08-01-12 |
| District 2 - Caterpillar Tractor | 44,014 | 4.25 | 01-17-13 |
| District 2 - 140 M Motograder | 63,985 | 4.25 | 02-10-13 |
| District 2 - Rosco Power Bram | 8,594 | 3.90 | 03-15-10 |
| District 2 - 2005 Mack Truck/Tractor | 10,609 | 3.40 | 03-17-12 |
| District 2 - 2011 Mack Truck | 91,803 | 2.40 | 08-12-13 |
| District 2 - 2011 Mack Truck | 91,803 | 2.40 | 08-12-13 |
| District 2 - 2007 Mack Truck with 16' Ox Dump Body | 19,595 | 3.65 | 06-23-12 |
| District 2 - 2007 Mack Truck with 16' Ox Dump Body | 19,595 | 3.65 | 06-23-12 |
| District 2 - Caterpillar Backhoe Loader | 77,384 | 3.20 | 12-03-15 |
| District 2 - Case Tractor | 54,255 | 3.00 | 05-15-14 |
| District 2 - 2000 International Dump Truck | 8,906 | 3.00 | 08-21-12 |
| District 2 - 2011 Mack Truck | 91,802 | 2.40 | 08-12-13 |
| District 3 - Caterpillar Motor Grader | 66,909 | 3.65 | 03-25-13 |
| District 3 - Caterpillar Vibratory Compactor | 4,742 | 3.85 | 05-06-12 |
| District 3 - 2007 Mack Truck with 16' Ox Dump Body | 19,595 | 3.65 | 06-23-12 |
| District 3 - 2007 Mack Truck with 16' Ox Dump Body | 19,595 | 3.65 | 06-23-12 |
| District 3 - Broom Machine | 5,474 | 3.80 | 06-15-12 |
| District 4 - Caterpillar Backhoe Loader | 77,384 | 3.20 | 12-17-15 |
| District 4 - 1999 Lowboy Trailer | 19,187 | 3.00 | 01-03-13 |
| District 4 - GMC Truck with Dump Body | 22,568 | 3.80 | 06-15-12 |
| District 4 - Caterpillar Backhoe Loader | 22,610 | 4.25 | 11-30-12 |
| District 4 - Caterpillar Track Type Tractor | 24,183 | 3.65 | 12-10-12 |
| District 5 - 2007 Caterpillar D3G | 48,777 | 3.34 | 12-15-13 |
| District 5 - Caterpillar Backhoe Loader | 78,824 | 3.20 | 01-15-16 |
| District 5 - Motorgrader | 158,014 | 2.95 | 05-20-16 |
| District 5 - New Holland Tractor w/ Tiger Boom Mower | 63,003 | 3.20 | 12-03-15 |

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(10) Long-Term Debt - continued

| | | | | | |
|------------------------------|----|--------------|------|--|----------|
| District 5 - Tractor | \$ | 37,438 | 2.95 | | 05-20-16 |
| District 5 - 2011 Ford F-650 | | 20,398 | 3.75 | | 08-25-13 |
| Jail Construction | | 842,000 | 3.81 | | 11-01-14 |
| Total Capital Leases | | \$ 2,554,743 | | | |

| | | | | | |
|-----------------|----|---------|------|--|----------|
| C. Other Loans | | | | | |
| Holmac Building | \$ | 543,077 | 3.00 | | 02-01-25 |

| Description and Purpose | Amount Outstanding | Interest Rates | Final Maturity Date |
|-------------------------|-----------------------|-------------------|------------------------|
|-------------------------|-----------------------|-------------------|------------------------|

Business-type Activities:

| | | | | |
|----------------|----|-------|------|----------|
| C. Other Loans | | | | |
| 2007 F-150 | \$ | 2,396 | 3.80 | 06-15-12 |

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

Governmental Activities:

| Year Ending September 30 | General Obligation Bonds | |
|--------------------------|--------------------------|------------|
| | Principal | Interest |
| 2012 | \$ 710,000 | \$ 172,810 |
| 2013 | 735,000 | 146,459 |
| 2014 | 760,000 | 118,828 |
| 2015 | 555,000 | 90,033 |
| 2016 | 585,000 | 69,458 |
| 2017-2020 | 1,270,000 | 84,410 |
| Total | \$ 4,615,000 | \$ 681,998 |

| Year Ending September 30 | Other Loans | |
|--------------------------|-------------|------------|
| | Principal | Interest |
| 2012 | \$ 33,893 | \$ 15,829 |
| 2013 | 34,924 | 14,798 |
| 2014 | 35,986 | 13,736 |
| 2015 | 37,081 | 12,641 |
| 2016 | 38,209 | 11,513 |
| 2017-2021 | 209,199 | 39,411 |
| 2022-2025 | 153,785 | 7,811 |
| Total | \$ 543,077 | \$ 115,739 |

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(10) Long-Term Debt - continued

Business-Type Activities:

| Year Ending September 30 | Other Loans | |
|--------------------------|-----------------|--------------|
| | Principal | Interest |
| 2012 | \$ 2,396 | \$ 40 |
| Total | <u>\$ 2,396</u> | <u>\$ 40</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, 2011, the amount of outstanding debt was equal to 3.24% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2011:

| | Balance Oct. 1, 2010 | Additions | Reductions | Adjustments | Balance Sept. 30, 2011 | Amount due within one year |
|----------------------------------|-------------------------|-------------------|-----------------------|-------------|---------------------------|-------------------------------|
| Governmental Activities: | | | | | | |
| Compensated absences | \$ 72,646 | \$ 2,298 | \$ - | \$ - | \$ 74,944 | \$ - |
| General obligation bonds | 5,300,000 | - | (685,000) | - | 4,615,000 | 710,000 |
| Capital leases | 3,512,821 | 615,436 | (1,573,514) | - | 2,554,743 | 913,023 |
| Other Loans | 575,969 | - | (32,892) | - | 543,077 | 33,893 |
| Total | <u>\$ 9,461,436</u> | <u>\$ 617,734</u> | <u>\$ (2,291,406)</u> | <u>\$ -</u> | <u>\$ 7,787,764</u> | <u>\$ 1,656,916</u> |
| Business-type Activities: | | | | | | |
| Compensated absences | \$ 2,062 | \$ 207 | \$ - | \$ - | \$ 2,269 | \$ - |
| Other loans | 5,492 | - | (3,096) | - | 2,396 | 2,396 |
| Total | <u>\$ 7,554</u> | <u>\$ 207</u> | <u>\$ (3,096)</u> | <u>\$ -</u> | <u>\$ 4,665</u> | <u>\$ 2,396</u> |

(11) Deficit Fund Balances of Individual Funds

The following fund reported a deficit in net assets at September 30, 2011:

| Fund | Deficit Amount |
|-------------|---------------------|
| Solid Waste | <u>\$ (112,566)</u> |

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(12) Commitments and 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) Joint Ventures

The county participates in the following joint venture:

Jasper County is a participant with Clarke County in a joint venture authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the East Mississippi Regional Library System (Regional Library). The joint venture was created to provide free public library service to citizens of the respective counties, and is governed by a five-member board. The two counties rotate board appointments so that each county has a majority of board members in alternate years. Each county is obligated by contract to levy not less than one-half mill tax as provided by Section 39-3-35, Miss. Code Ann. (1972), for the ongoing financial support of the joint venture. Complete financial statements for the Regional Library can be obtained from the East Mississippi Regional Library, Quitman, Mississippi.

(14) Jointly Governed Organizations

The county participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the Counties of Clarke, Jasper, Lauderdale, Newton, Scott, and Smith. The district was organized to foster, encourage, and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six member counties. The county appropriated a modest amount for support of the district.

East Central Mississippi Planning and Development District operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott, and Smith. The Jasper County Board of Supervisors appoints one of the 15 members of the board of directors. The county appropriated \$14,434 for the support of the district in fiscal year 2011.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith, and Wayne. The Jasper County Board of Supervisors appoints two of the 20 members of the college board of trustees. The county appropriated \$298,200 for maintenance and support of the college in fiscal year 2011.

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(14) Jointly Governed Organizations - continued

Multi-County Community Service Agency operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Newton, and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies, and related programs authorized by federal law. The Jasper County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. The county pays a modest amount of the agency's monthly bills.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott, and Smith. The Jasper County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$30,405 for support of the commission in fiscal year 2011.

(15) Defined Benefit Pension Plan

Plan Description. Jasper 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 9.00% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 12.00% 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, 2011, 2010, and 2009, were \$ 425,729, \$ 416,210, and \$414,403, respectively, equal to the required contributions for each year.

(16) Prior Period Adjustment

A summary of the significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities:

| <u>Explanation</u> | <u>Amount</u> |
|--|-------------------|
| Correction of unrecorded capital assets and depreciation | <u>\$(97,522)</u> |

(17) Subsequent Events

Events that occur after the Statement of Net Assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Activities date require disclosure in the accompanying notes. Management of Jasper County evaluated the activity of the county through November 1, 2012, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

JASPER COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2011

(17) Subsequent Events - continued

| <u>Issue Date</u> | <u>Interest Rate</u> | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u> |
|-------------------|----------------------|---------------------|--------------------------|----------------------------|
| 10/17/2011 | 2.00% | \$ 294,094 | Lease | Bank |
| 11/17/2012 | 1.96% | 24,537 | Lease | Bank |
| 2/21/2012 | 1.75% | 17,582 | Lease | Bank |
| 2/21/2012 | 1.75% | 22,006 | Lease | Bank |
| 3/7/2012 | 1.75% | 34,004 | Lease | Bank |

Subsequent to audit fieldwork, an investigation by the state auditor's office was initiated due to alleged misappropriated funds from the land redemption account in the Chancery Clerk's office. The Chancery Clerk's internal control procedures indicated that there was a problem. Therefore, the investigation division of the State Auditor's office was notified. The case is ongoing as of the report date.

REQUIRED SUPPLEMENTARY INFORMATION

**JASPER COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE-
BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|---------------------|--------------------------------|--|
| REVENUES | | | | |
| Property taxes | \$ 5,704,780 | \$ 5,706,163 | \$ 5,706,163 | \$ - |
| Licenses, commissions and other revenue | 124,000 | 135,975 | 135,975 | - |
| Fines and forfeitures | 165,301 | 227,759 | 227,759 | - |
| Intergovernmental revenues | 1,278,661 | 1,077,731 | 1,077,731 | - |
| Charges for services | 20,000 | 9,160 | 9,160 | - |
| Interest income | 21,500 | 5,749 | 5,749 | - |
| Miscellaneous revenues | 69,800 | 122,783 | 122,783 | - |
| Total Revenues | <u>7,384,042</u> | <u>7,285,320</u> | <u>7,285,320</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 3,694,343 | 2,842,000 | 2,842,000 | - |
| Public safety | 2,441,342 | 2,168,719 | 2,168,719 | - |
| Health and welfare | 600,643 | 230,062 | 230,062 | - |
| Culture and recreation | 41,683 | 14,053 | 14,053 | - |
| Conservation of natural resources | 58,530 | 44,859 | 44,859 | - |
| Debt service: | | | | |
| Principal | - | 285,960 | 285,960 | - |
| Interest | - | 38,425 | 38,425 | - |
| Total Expenditures | <u>6,836,541</u> | <u>5,624,078</u> | <u>5,624,078</u> | <u>-</u> |
| Excess of Revenues over (under) Expenditures | <u>547,501</u> | <u>1,661,242</u> | <u>1,661,242</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 2,598,077 | 2,598,077 | - |
| Transfers out | (1,000,000) | (3,910,126) | (3,910,126) | - |
| Other financing sources (uses) | 20,000 | 12,434 | 12,434 | - |
| Total Other Financing Sources and Uses | <u>(980,000)</u> | <u>(1,299,615)</u> | <u>(1,299,615)</u> | <u>-</u> |
| Net Change in Fund Balance | (432,499) | 361,627 | 361,627 | - |
| Fund Balances - Beginning | 944,847 | 944,847 | 944,847 | - |
| Fund Balances - Ending | <u>\$ 512,348</u> | <u>\$ 1,306,474</u> | <u>\$ 1,306,474</u> | <u>\$ -</u> |

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

**JASPER COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE-
BUDGET AND ACTUAL (NON-GAAP BASIS)
COUNTYWIDE ROAD FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|---------------------|--------------------------------|--|
| REVENUES | | | | |
| Property taxes | \$ 428,281 | \$ 434,780 | \$ 434,780 | \$ - |
| Intergovernmental revenues | 100,000 | 149,813 | 149,813 | - |
| Interest income | - | 11,200 | 11,200 | - |
| Miscellaneous revenues | 9,600 | 1,185,567 | 1,185,567 | - |
| Total Revenues | <u>537,881</u> | <u>1,781,360</u> | <u>1,781,360</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 443,493 | 600,824 | 600,824 | - |
| Debt service: | | | | |
| Principal | - | 130,978 | 130,978 | - |
| Interest | - | 4,001 | 4,001 | - |
| Total Expenditures | <u>443,493</u> | <u>735,803</u> | <u>735,803</u> | <u>-</u> |
| Excess of Revenues over (under) Expenditures | <u>94,388</u> | <u>1,045,557</u> | <u>1,045,557</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 75,000 | 75,000 | - |
| Transfers out | (300,000) | (125,000) | (125,000) | - |
| Total Other Financing Sources and Uses | <u>(300,000)</u> | <u>(50,000)</u> | <u>(50,000)</u> | <u>-</u> |
| Net Change in Fund Balance | (205,612) | 995,557 | 995,557 | - |
| Fund Balances - Beginning | <u>450,580</u> | <u>450,580</u> | <u>450,580</u> | <u>-</u> |
| Fund Balances - Ending | <u>\$ 244,968</u> | <u>\$ 1,446,137</u> | <u>\$ 1,446,137</u> | <u>\$ -</u> |

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

JASPER COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
For the Year Ended September 30, 2011

A. Budgetary Information

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

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

B. Basis of Presentation

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

C. Budget/GAAP Reconciliation

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

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

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

| | <u>Governmental Fund Types</u> | |
|--|--------------------------------|---------------------------------|
| | <u>General Fund</u> | <u>Countywide Road Fund</u> |
| Budget (Cash Basis) | \$ 361,627 | \$ 995,557 |
| Increase (Decrease) | | |
| Net adjustments for revenue accruals | 1,604 | 615,438 |
| Net adjustments for expenditure accruals | (6,213) | (1,326,901) |
| GAAP Basis | <u>\$ 357,018</u> | <u>\$ 284,094</u> |

**JASPER COUNTY
SPECIAL REPORTS**

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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*

November 1, 2012

Members of the Board of Supervisors
Jasper County, Mississippi

We have audited the financial statements of the governmental activities, each major fund, the business-type activities, and the aggregate remaining fund information of Jasper County, Mississippi, as of and for the year ended September 30, 2011, which collectively comprise the county's basic financial statements and have issued our report thereon dated November 1, 2012. The report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the county did not record certain assets and related depreciation in the government wide financial statements as required by accounting principles generally accepted in the United States of America. 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

Management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Jasper County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jasper County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as 11-01, 11-02, 11-03, 11-04, and 11-05, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jasper County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted a certain matter that we reported to the management of Jasper County, Mississippi in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules.

Jasper County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit Jasper County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, federal award 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.

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**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))**

November 1, 2012

Members of the Board of Supervisors
Jasper County, Mississippi

We have examined Jasper County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2011. The Board of Supervisors of Jasper County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jasper 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

Because of inherent limitation in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current 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 procedures may deteriorate.

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

Inventory Control Clerk.

Finding

As reported in the prior year's audit report, Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. Infrastructure constructed during the current fiscal year was not added to the capital asset inventory. The listing for leased property under capital leases is not complete.

Recommendation

The Inventory Control Clerk should maintain accurate inventory records documenting the existence, completeness and valuation of capital assets including current infrastructure and leased property under capital leases. Documentation of the infrastructure assets should be obtained from the County Engineer.

Inventory Control Clerk's Response

Infrastructure information will be collected and entered on the inventory and capital leases will be entered correctly.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Jasper County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory, and bid requirements for the year ended September 30, 2011.

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 examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Jasper County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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

Herzog CPA Company, PLLC
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JASPER COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2011

Schedule 1

Our test results did not identify any purchases not made from the lowest bidder.

JASPER COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2011

Schedule 2

Our test results did not identify any emergency purchases.

JASPER COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2011

Schedule 3

Our tests did not identify any purchase made noncompetitively from a sole source.

HERZOG CPA COMPANY, PLLC

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

November 1, 2012

Members of the Board of Supervisors
Jasper County, Mississippi

In planning and performing our audit of the financial statements of Jasper County, Mississippi for the year ended September 30, 2011, we considered Jasper County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jasper County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report date November 1, 2012, on the financial statement of Jasper County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests on transactions for this or other fiscal years to ensure compliance with legal requirements.

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 party. However, this report is a matter of public record and its distribution is not limited.

Herzog CPA Company, PLLC
Herzog CPA Company, PLLC

JASPER COUNTY
SCHEDULE OF FINDINGS AND RESPONSES

JASPER COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2011

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | Type of auditor's report issued on the primary government financial statements: | |
| | Governmental Activities | Qualified |
| | Business-type activities | Unqualified |
| | General Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| | Aggregate Discretely Presented Component Units | Adverse |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | Yes |
| | b. A significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the primary government financial statements? | No |

Section 2: Financial Statement Findings

11-1. Inventory Control Clerk
Finding

Significant Deficiency-Material Weakness

As reported in the prior year's audit report, we noted deficiencies in the policies and procedures of the internal control structure of capital assets. Infrastructure constructed during the current fiscal year was not added to the capital asset inventory. The listing for leased property under capital leases is not complete.

Effect

Failure to have adequate inventory controls in place could result in a loss or misappropriation of assets.

Recommendation

The Inventory Control Clerk should maintain accurate inventory records documenting the existence, completeness and valuation of capital assets including current infrastructure and leased property under capital leases. Documentation of the infrastructure assets should be obtained from the County Engineer.

Inventory Control Clerk's Response

Infrastructure information will be collected and entered on the inventory and capital leases will be entered correctly.

11-2. Board of Supervisors
Finding

Significant Deficiency - Material Weakness

As reported in the prior year's audit report, The Board of Supervisors does not have a fraud prevention policy in place for employees.

Effect

Failure to have an adequate fraud prevention policy could result in the occurrence of fraud.

JASPER COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2011

Recommendation

We recommend that the Board of Supervisors develop a written fraud prevention policy and incorporate this into its employee handbook.

Response

The Board of Supervisors has discussed the need for a Fraud Prevention Policy and has determined that there is a need. We will attempt to revise our Personnel Policy and Drug Policy and add a Fraud Prevention Policy.

11-3. Finding

Significant Deficiency-Material Weakness

As reported in the prior year's audit report, a critical aspect of effective financial management is the maintenance of accurate accounting records. Management does not have personnel that possess the necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Due to the fact that county personnel lacked the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions and preparing its financial statements, the auditor performed these tasks. Without adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

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

Response

The Board of Supervisors chose not to respond.

11-4. Finding

Significant Deficiency-Material Weakness

As reported in the prior year's audit report, generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Response

The Board of Supervisors chose not to respond.

JASPER COUNTY
Schedule of Findings and Responses
For the Year Ended September 30, 2011

Solid Waste Department

11-5. Finding

The Solid Waste fund had a negative cash and net asset balance at September 30, 2011.

Effect

The Solid Waste Fund does not have sufficient cash to operate with a negative cash and net asset balance.

Recommendation

A transfer should be made from another fund to the solid waste fund.

Response

A transfer should have been made before year end. It was made subsequent to year end. In the future, we will make the transfer before the end of the year. •