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**JASPER COUNTY, MISSISSIPPI**  
**Primary Government Financial Statements and Special Reports**  
**For the Year Ended September 30, 2005**

JASPER COUNTY, MISSISSIPPI

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

August 30, 2007

Members of the Board of Supervisors  
Jasper County, Mississippi

We have audited the accompanying primary government financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Jasper County, Mississippi, as of and for the year ended September 30, 2005, which, collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these primary government 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 opinion.

As discussed in Note 1(H) to the financial statements, management has not recorded certain general infrastructure 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 referred to above include only the primary government of Jasper County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position and cash flows of the reporting entity of Jasper County, Mississippi as of September 30, 2005, and the respective changes in its financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, 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

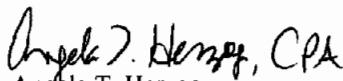
activities, each major fund and the aggregate remaining fund information for the primary government of Jasper County, Mississippi, as of September 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In 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 for the primary government of Jasper County, Mississippi, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year 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 August 30, 2007, 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. 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.

  
Angela T. Herzog  
Certified Public Accountant

JASPER COUNTY  
PRIMARY GOVERNMENT FINANCIAL STATEMENTS

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 8,275,470	\$ 64,150	\$ 8,339,620
Property tax receivable	5,119,024	-	5,119,024
Accounts receivable, (net of allowance for uncollectibles of \$299,314)	-	65,704	65,704
Fines receivable, (net of allowance for uncollectibles of \$906,259)	120,455	-	120,455
Loans Receivable	525,562	-	525,562
Capital leases receivable	1,243,775	-	1,243,775
Intergovernmental receivables	106,374	-	106,374
Other receivables, net	2,999	-	2,999
Internal balances	68,211	(68,211)	-
Capital assets, net	9,654,694	129,421	9,784,115
Total Assets	<u>25,116,564</u>	<u>191,064</u>	<u>25,307,628</u>
<b>LIABILITIES</b>			
Claims payable	825,971	20,063	846,034
Intergovernmental payables	217,945	-	217,945
Deferred revenue	5,277,098	-	5,277,098
Amounts held in custody for others	29,037	-	29,037
Long-term liabilities			
Due within one year:			
Capital related debt	2,152,882	41,119	2,194,001
Due in more than one year:			
Capital related debt	7,431,961	13,951	7,445,912
Non-capital debt	45,760	4,000	49,760
Total Liabilities	<u>15,980,654</u>	<u>79,133</u>	<u>16,059,787</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	69,851	74,351	144,202
Restricted for:			
Debt Service	298,044		298,044
Unemployment Compensation	11,590		11,590
Public Works		37,580	37,580
Unrestricted	8,756,425	-	8,756,425
Total Net Assets	<u>\$ 9,135,910</u>	<u>\$ 111,931</u>	<u>\$ 9,247,841</u>

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



Jasper County  
Statement of Activities  
For the Year Ended September 30, 2005

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	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	\$ 2,499,200	\$ 638,565	\$ -	\$ -	\$ (1,860,635)	\$ -	\$ (1,860,635)
Public safety	2,006,641	188,794	98,508	-	(1,719,339)	-	(1,719,339)
Public works	1,783,727	-	1,715,058	148,307	79,638	-	79,638
Health and welfare	296,178	-	28,384	-	(267,794)	-	(267,794)
Culture and recreation	27,684	-	-	-	(27,684)	-	(27,684)
Conservation of natural resources	42,342	-	-	-	(42,342)	-	(42,342)
Economic development and assistance	351,639	-	-	-	(351,639)	-	(351,639)
Interest on long-term debt	385,795	-	-	-	(385,795)	-	(385,795)
Total Governmental Activities	7,393,206	827,359	1,841,950	148,307	(4,575,590)	-	(4,575,590)
Business-type activities:							
Garbage and Solid Waste	453,695	275,800	146,969	-	-	(30,926)	(30,926)
Total Business-type Activities	453,695	275,800	146,969	-	-	(30,926)	(30,926)
Total Primary Government	\$ 7,846,901	\$ 1,103,159	\$ 1,988,919	\$ 148,307	\$ (4,575,590)	\$ (30,926)	\$ (4,606,516)
General revenues:							
Taxes:							
Property taxes					\$ 5,173,529	\$ -	\$ 5,173,529
Road & bridge privilege taxes					188,233	-	188,233
Grants and contributions not restricted to specific programs					1,416,983	-	1,416,983
Unrestricted investment income					184,269	-	184,269
Miscellaneous					91,234	-	91,234
Total General Revenues					7,054,248	-	7,054,248
Changes in Net Assets					2,478,658	(30,926)	2,447,732
Net Assets - Beginning					6,657,252	142,857	6,800,109
Net Assets - Ending					\$ 9,135,910	\$ 111,931	\$ 9,247,841

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

Jasper County  
Balance Sheet - Governmental Funds  
September 30, 2005

Exhibit 3

	<u>Major Funds</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 1,936,032	\$ 6,339,438	\$ 8,275,470
Property tax receivable	3,144,336	1,974,688	5,119,024
Intergovernmental receivables	106,374	-	106,374
Fines Receivable, net	120,455	-	120,455
Loans Receivable	-	525,562	525,562
Capital lease receivable	-	1,243,775	1,243,775
Other receivables	2,999	-	2,999
Due from other funds	7,454	86,580	94,034
Advances from other funds	122,423	-	122,423
Total Assets	<u>\$ 5,440,073</u>	<u>\$ 10,170,043</u>	<u>\$ 15,610,116</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Claims payable	\$ 269,828	\$ 556,143	\$ 825,971
Intergovernmental payables	217,945	-	217,945
Due to other funds	132,272	-	132,272
Advances from other funds	-	45,011	45,011
Deferred revenue	3,264,791	3,218,463	6,483,254
Total Liabilities	<u>3,884,836</u>	<u>3,819,617</u>	<u>7,704,453</u>
Fund balances:			
Unreserved, reported in:			
General fund	1,432,814	-	1,432,814
Special revenue funds	-	5,515,230	5,515,230
Reserved for:			
Debt service funds	-	298,044	298,044
Advances	122,423	-	122,423
Unemployment Compensation	-	11,590	11,590
Loans Receivable	-	525,562	525,562
Total Fund Balances	<u>1,555,237</u>	<u>6,350,426</u>	<u>7,905,663</u>
Total Liabilities and Fund Balances	<u>\$ 5,440,073</u>	<u>\$ 10,170,043</u>	<u>\$ 15,610,116</u>

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

Jasper County  
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets  
September 30, 2005

Exhibit 3-1

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 7,905,663
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$3,532,207	9,654,694
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	120,455
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	(9,630,603)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,085,701
Total net assets - governmental activities (Exhibit 1)	\$ <u>9,135,910</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2005

	Major Funds	Other Governmental Funds	Total Governmental Funds
	General Fund		
<b>REVENUES</b>			
Property taxes	\$ 2,934,343	\$ 2,239,186	\$ 5,173,529
Road and bridge privilege taxes	-	188,233	188,233
Licenses, commissions and other revenue	176,071	5,238	181,309
Fines and forfeitures	501,063	-	501,063
Intergovernmental revenues	1,441,958	1,943,939	3,385,897
Charges for services	27,286	142,903	170,189
Interest income	64,482	119,787	184,269
Miscellaneous revenues	104,305	289,334	393,639
Total Revenues	<u>5,249,508</u>	<u>4,928,620</u>	<u>10,178,128</u>
<b>EXPENDITURES</b>			
Current:			
General government	2,446,723	47,225	2,493,948
Public safety	1,577,745	369,970	1,947,715
Public works	-	4,750,827	4,750,827
Health and welfare	294,859	-	294,859
Culture and recreation	14,919	4,365	19,284
Conservation of natural resources	42,342	-	42,342
Economic development and assistance	-	351,639	351,639
Debt service:			
Principal	189,907	1,558,876	1,748,783
Interest	79,846	305,949	385,795
Bond issue Costs	-	-	-
Total Expenditures	<u>4,646,341</u>	<u>7,388,851</u>	<u>12,035,192</u>
Excess of Revenues over (under) Expenditures	<u>603,167</u>	<u>(2,460,231)</u>	<u>(1,857,064)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term Capital Debt Issued	-	1,536,525	1,536,525
Compensation for loss of capital assets	338	911,144	911,482
Transfers in	200,000	944,298	1,144,298
Transfers out	(912,250)	(342,048)	(1,254,298)
Lease principal payments	-	-	-
Total Other Financing Sources and Uses	<u>(711,912)</u>	<u>3,049,919</u>	<u>2,338,007</u>
Net Changes in Fund Balances	<u>(108,745)</u>	<u>589,688</u>	<u>480,943</u>
Fund Balance - Beginning	<u>1,663,982</u>	<u>5,760,738</u>	<u>7,424,720</u>
Fund Balances - Ending	<u>\$ 1,555,237</u>	<u>\$ 6,350,426</u>	<u>\$ 7,905,663</u>

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

Jasper County  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2005

Exhibit 4-1

	Amount
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 480,943
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 \$3,553,598 exceeded depreciation of \$716,661 in the current period.	2,836,937
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 \$237,010 and the proceeds from the sale of \$685,301 in the current period.	(922,311)
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.	630
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 \$1,748,783 exceeded debt proceeds \$1,536,525.	212,258
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 decrease in compensated absences.	9,041
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 resource. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.	(138,840)
Change in net assets of governmental activities (Exhibit 2)	\$ <u>2,478,658</u>

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

Jasper County  
Statement of Net Assets - Proprietary Fund  
September 30, 2005

Exhibit 5

		<u>Business-type Activities-Enterprise Fund</u>
		<u>Solid Waste</u>
		<u>Enterprise Fund</u>
		<u>Major</u>
		<u>Fund</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$	64,150
Accounts receivable, net		65,704
Due from other funds		16,655
Total Current Assets		<u>146,509</u>
Noncurrent assets:		
Capital assets, net		<u>129,421</u>
Total Noncurrent Assets		<u>129,421</u>
Total Assets		<u>275,930</u>
<b>LIABILITIES</b>		
Current liabilities:		
Claims payable		20,063
Due to other funds		7,454
Advances from other funds		77,412
Current portions of long-term capital-related debt:		
Capital leases payable		<u>41,119</u>
Total Current Liabilities		<u>146,048</u>
Noncurrent liabilities:		
Capital Debt:		
Capital leases payable		13,951
Non-Capital Debt:		
Compensated absences payable		<u>4,000</u>
Total Noncurrent Liabilities		<u>17,951</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt		74,351
Restricted for public works		37,580
Total Net Assets	\$	<u>111,931</u>

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

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2005

	<u>Business-type Activities-Enterprise</u>
	Solid Waste Enterprise Fund Major Fund
Operating Revenues	
Charges for services	\$ 275,800
Miscellaneous	36,969
Total Operating Revenues	<u>312,769</u>
Operating Expenses	
Personal services	209,048
Contractual services	110,563
Materials and supplies	103,078
Depreciation expense	19,737
Indirect administrative cost	7,454
Total Operating Expenses	<u>449,880</u>
Operating Income (Loss)	<u>(137,111)</u>
Nonoperating Revenues (Expenses)	
Interest expense	(3,815)
Transfer In	110,000
Net Nonoperating Revenue (Expenses)	<u>106,185</u>
Changes in Net Assets	<u>(30,926)</u>
Net Assets - Beginning	<u>142,857</u>
Net Assets Ending	<u>\$ 111,931</u>

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

Jasper County  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2005

Exhibit 7

		<u>Business-type Activities-Enterprise Fund</u>
		<u>Solid Waste Enterprise Fund Major Fund</u>
Cash Flows From Operating Activities		
Receipts from customers	\$	370,582
Payments to suppliers		(212,813)
Payments to employees		(209,048)
Other operating cash receipts		36,969
Net Cash Provided (Used) by Operating Activities		<u>(14,310)</u>
Cash Flows From Noncapital Financing Activities		
Other receipts		110,000
Net Cash Provided (Used) by Noncapital Financing Activities		<u>110,000</u>
Cash Flows From Capital and Related Financing Activities		
Principal paid on long-term debt		(41,988)
Interest paid on debt		(3,815)
Net Cash Provided (Used) by Capital and Related		<u>(45,803)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		<u>49,887</u>
Cash and Cash Equivalents at Beginning of Year		14,263
Cash and Cash Equivalents at End of Year	\$	<u><u>64,150</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$	(137,111)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		19,737
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		94,782
(Increase) decrease in Interfund receivables		(9,511)
Increase (decrease) in claims payable		10,639
Increase (decrease) in compensated absences liability		(300)
Increase (decrease) in interfund payables		904
Increase (decrease) in advances from other funds		6,550
Total Adjustments		<u>122,801</u>
Net Cash Provided (Used) by Operating Activities	\$	<u><u>(14,310)</u></u>

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



Jasper County  
Statement of Fiduciary Assets and Liabilities  
September 30, 2005

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 169,532
Due from other funds	29,037
Total Assets	<u>\$ 198,569</u>
<b>LIABILITIES</b>	
Claims payable and other accrued liabilities	\$ 1,024
Intergovernmental payables	197,545
Total Liabilities	<u>\$ 198,569</u>

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

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

(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 which are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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 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 of 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.

The county reports the following major Proprietary Fund:

JASPER COUNTY  
Notes to Financial Statements  
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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 (other than expendable trusts or for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions, and other resources restricted as to purpose.

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 and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments

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

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

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Notes to Financial Statements  
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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. 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. Also, general infrastructure assets acquired subsequent to October 1, 2002 are not reported on the government-wide financial statements.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the 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  
Notes to Financial Statements  
For the Year Ended September 30, 2005

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.

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

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

I. Long-term Liabilities

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

In the government-wide financial statements 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.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

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  
Notes to Financial Statements  
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Fund Financial Statements:

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

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

K. Property Tax Revenues

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

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

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

L. Intergovernmental Revenues in Governmental Funds

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

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.

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

(2) Changes in Accounting Standards

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

(3) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$8,509,152, and the bank balance was \$8,705,622. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Custodial Credit Risk – Deposits

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

(4) Interfund Transactions and Balances

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 7,454
Other Governmental Funds	General	86,580
Solid Waste	General	16,655
Agency Funds	General	29,037
Total		<u>\$ 139,726</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, 2005. All other receivables represent the tax revenue collected but not settled until October, 2005. All interfund balances are expected to be repaid within one year from the date of the financial statements.



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

B. Advances to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 77,412
General	Other Governmental Funds	45,011
Total		<u>\$ 122,423</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	\$ 200,000
Other Governmental Funds	General Fund	802,250
Other Governmental Funds	Other Governmental Funds	142,048
Enterprise Fund	General Fund	110,000
Total		<u>\$ 1,254,298</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.

(5) Intergovernmental Receivables

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

<u>Description</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
Legislative tag credit	\$ 98,374
Receivable from local fire department	8,000
	<u>\$ 106,374</u>

(6) Loans Receivable

Loans receivable at September 30, 2005, 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	\$ 242,180
Hol-Mac Corporation	05-00	6.00%	05-10	187,288
Timber Plus	04-05	3.85%	04-14	96,094
Total				<u>\$ 525,562</u>

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

(7) Capital Assets

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

Governmental activities

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
<u>Non-depreciable capital assets</u>				
Land	\$ 504,591	\$ -	\$ -	\$ 504,591
Total non-depreciable capital assets	504,591	-	-	504,591
<u>Depreciable Capital assets:</u>				
Infrastructure – Roads	-	1,280,126	-	1,280,126
Buildings	5,360,972	-	-	5,360,972
Improvements other than buildings	38,167	-	-	38,167
Mobile equipment	1,539,376	724,916	345,691	1,918,601
Furniture and equipment	548,403	16,445	-	564,848
Leased property under capital leases	3,119,986	1,532,111	1,132,501	3,519,596
Total depreciable capital assets	10,606,904	3,553,598	1,478,192	12,682,310

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
<u>Less accumulated depreciation for:</u>				
Buildings	\$ 1,301,787	\$ 104,695	\$ -	\$ 1,406,482
Improvements other than buildings	24,432	1,544	-	25,976
Mobile equipment	973,851	265,256	172,368	1,066,739
Furniture and equipment	388,873	37,286	-	426,159
Leased property under capital leases	682,484	307,880	383,513	606,851
Total accumulated depreciation	3,371,427	716,661	555,881	3,532,207
Total depreciable capital Assets, net	7,235,477	2,836,937	922,311	9,150,103
Governmental activities capital Assets, net	\$ 7,740,068	\$ 2,836,937	\$ 922,311	\$ 9,654,694

Business- type activities:

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
<u>Depreciable capital assets:</u>				
Mobile equipment	\$ 38,893	\$ -	\$ -	\$ 38,893
Leased property under Capital leases	203,300	-	-	203,300
Total depreciable capital assets	242,193	-	-	242,193

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

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
<u>Less accumulated depreciation for:</u>				
Mobile equipment	33,563	1,440	-	35,003
Leased property under				
Capital leases	<u>59,472</u>	<u>18,297</u>	-	<u>77,769</u>
Total accumulated depreciation	<u>93,035</u>	<u>19,737</u>	-	<u>112,772</u>
 Total depreciable capital				
Assets, nets	<u>149,158</u>	<u>(19,737)</u>	-	<u>129,421</u>
 Business-type activities				
Capital assets, net	<u>\$ 149,158</u>	<u>\$ (19,737)</u>	<u>\$ -</u>	<u>\$ 129,421</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities	
General government	\$ 61,518
Public safety	122,801
Public works	522,623
Health	1,319
Culture and recreation	<u>8,400</u>
Total governmental activities depreciation expense	<u>\$ 716,661</u>
 Business-type Activities:	
Solid waste	<u>\$ 19,737</u>

(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 \$750,000 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, 2005 to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Capital Leases

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2005:

Class of Property	Amount
Buildings	<u>\$ 1,970,026</u>

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

Capital Leases-Continued

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2005, are as follows:

	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:		
2006	\$ 109,871	\$ 28,647
2007	114,315	24,204
2008	118,936	19,582
2009	65,451	15,350
2010	24,901	13,990
2011-2015	449,921	48,574
2016-2019	<u>202,306</u>	<u>7,727</u>
Total	<u>\$ 1,085,701</u>	<u>\$ 158,074</u>

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Mobile equipment	\$ 3,461,226	\$ 203,300
Other furniture and equipment	<u>58,370</u>	<u>-</u>
Total	3,519,596	203,300
Less: Accumulated depreciation	<u>606,851</u>	<u>77,769</u>
Leased Property Under Capital Leases	<u>\$ 2,912,745</u>	<u>\$ 125,531</u>

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

	<u>Government Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year Ending September 30:				
2006	\$ 1,523,098	155,695	\$ 41,119	\$ 1,713
2007	837,281	100,289	13,951	180
2008	594,196	72,744		
2009	354,645	52,343		
2010	273,884	44,108		
2011-2015	<u>1,028,973</u>	<u>104,554</u>		
Total	<u>\$ 4,612,077</u>	<u>\$ 529,733</u>	<u>\$ 55,070</u>	<u>\$ 1,893</u>

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

(10) Long-term Debt

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Fire equipment bonds – 1997	\$ 110,000	4.80/4.90%	02/01/07
District 3 road and bridge bonds - 2002	815,000	3.40/4.375%	06/01/12
District 1 road and bridge bonds – 2004	690,000	2.80/4.00%	06/01/14
District 2 road and bridge bonds – 2004	690,000	2.80/4.00%	06/01/14
District 4 road and bridge bonds – 2004	550,000	2.80/4.00%	06/01/14
District 5 road and bridge bonds – 2004	460,000	2.80/4.00%	06/01/14
Countywide road and bridge bonds – 2004	1,215,000	2.80/4.00%	06/01/14
Total General Obligation Bonds	<u>\$ 4,530,000</u>		
B. Capital Leases:			
GMC truck & Ferrara fire apparatus	\$ 45,147	5.85	01-11-11
Oracle workgroup server	27,554	4.20	12-31-07
(6) – 2004 Crown Victorias	68,882	3.70	12-02-07
2004 Ford Expedition	13,312	3.70	12-02-07
Countywide force feed loader	92,772	3.30	05-24-09
Caterpillar Model 938G	119,849	4.38	07-15-08
Caterpillar Hydraulic Excavator and Shovel	101,454	3.95	02-25-08
District 1 – Caterpillar motor grader 140H	8,410	5.80	12-13-05
District 1 - 2004 Dodge Ram 1500 Pickup	12,610	3.30	04-28-08
District 1 – Caterpillar motor grader	137,748	3.00	06-11-07
District 1 – RB48 broom	8,316	3.805	08-17-07
District 1 – 2004 Caterpillar tractor	46,276	3.80	08-17-09
District 1 – Case Super Loader Extendahoe	82,262	4.38	07-15-10
District 1 – 2006 Mack Dump Truck	86,986	4.38	07-15-06
District 1 – 2006 Mack Dump Truck	86,986	4.38	07-15-06
District 1 – 2006 Mack Dump Truck	86,986	4.38	07-15-06
District 2 – New Holland tractor and tiger mower	14,362	4.35	10-06-06
District 2 – Caterpillar tractor model D4H	24,327	4.45	06-27-07
District 2 – 2002 Caterpillar backhoe loader	32,538	4.45	09-29-07
District 2 – 2003 Mack truck	37,744	4.20	11-09-07
District 2 – 2004 Dodge Ram 1500 pickup	13,421	3.30	03-29-08
District 2 – 2004 Caterpillar tractor	91,550	3.80	08-17-09
District 2 – 2006 Mack Dump Truck	86,986	4.38	07-15-06
District 2 – 2006 Mack Dump Truck	86,986	4.38	07-15-06
District 2 – 2006 Mack Dump Truck	86,986	4.38	07-15-06
District 2 - 2004 Caterpillar Motorgrader	167,216	3.80	03-15-08
District 3 – Caterpillar backhoe loader	13,178	5.15	07-22-06
District 3 – New Holland tractor	243	4.20	10-06-05
District 3 – 2002 Ford F750 dump truck	8,610	4.35	10-16-06
District 3 – 2002 Ford F150 truck	1,599	4.35	12-03-05
District 3 – (2) ST10 Stingray bushhogs	5,923	3.70	10-22-06
District 3 – Caterpillar motor grader	137,748	3.00	06-11-07
District 3 – 2004 GMC pickup	17,181	3.80	08-10-08
District 3 – 2006 Mack Dump Truck	86,986	4.38	07-15-06
District 3 – 2006 Mack Dump Truck	86,986	4.38	07-15-06

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Notes to Financial Statements  
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(10)

Long-term Debt – Continued

District 3 - Case Model 590 Super Loader/Extendahoe	82,262	4.38	07-15-10
District 4 – Caterpillar backhoe	43,407	4.50	06-08-06
District 4 – New Holland tractor	12,245	3.70	10-22-07
District 4 – Caterpillar motor grader	140,581	3.00	07-09-09
District 4 – 2006 Mack Dump Truck	86,986	4.38	07-15-06
District 4 – 2006 Mack Dump Truck	86,986	4.38	07-15-06
District 5 – 2004 Ford F150 pickup	12,925	3.70	01-05-08
District 5 – Case tractor	12,196	3.70	01-05-08
District 5 – Caterpillar motor grader	142,897	3.00	06-11-07
District 5 – Caterpillar backhoe loader	39,632	3.80	07-22-08
District 5 – John Deere 6403 tractor	15,854	3.70	11-14-07
District 5 - 2006 Mack Dump Truck	86,986	4.38	07-15-06
Jail construction	<u>1,823,000</u>	3.81	11-01-14
Total Capital Leases	<u>\$ 4,612,077</u>		

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
C. Other Loans:			
Loan for Hol-Mac	\$ 315,356	4.00	02-01-09
Loan for Hol-Mac	8,072	4.00	04-01-09
Beat 4 office/shop	102,838	2.50	03-15-09
Beat 5 community Building	<u>16,500</u>	5.00	09-17-06
Total Other Loans	<u>\$ 442,766</u>		

Business-type Activities:

Capital Leases:			
Garbage truck and trailer	\$ 8,411	5.25	06-11-06
Garbage truck	21,782	4.75	01-28-07
2002 Sterling truck	<u>24,877</u>	4.75	03-01-07
Total Capital Leases	<u>\$ 55,070</u>		

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

Long-Term Debt - Continued

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		Other Loans	
	Principal	Interest	Principal	Interest
2006	\$ 500,000	\$ 162,815	\$ 129,784	\$ 13,060
2007	520,000	146,488	117,510	8,822
2008	475,000	130,770	121,894	4,414
2009	505,000	115,020	73,578	420
2010	515,000	97,275	-	-
2011- 2015	<u>2,015,000</u>	<u>190,315</u>	-	-
Total	<u>\$ 4,530,000</u>	<u>\$ 842,683</u>	<u>\$ 442,766</u>	<u>\$ 26,716</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2005, the amount of outstanding debt was equal to 6.30% of the latest property assessments.

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

	Balance Oct. 1, 2004	Additions	Reductions	Balance Sept. 30, 2005	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 54,801	\$ -	\$ 9,041	\$ 45,760	\$ -
General obligation bonds	5,000,000	-	470,000	4,530,000	500,000
Capital leases	4,207,782	1,536,525	1,132,230	4,612,077	1,523,098
Other loans	<u>589,319</u>	-	<u>146,553</u>	<u>442,766</u>	<u>129,784</u>
Total	<u>\$9,851,902</u>	<u>\$ 1,536,525</u>	<u>\$ 1,757,824</u>	<u>\$ 9,630,603</u>	<u>\$ 2,152,882</u>
Business-type Activities:					
Compensated absences	\$ 4,300	\$ -	\$ 300	\$ 4,000	\$ -
Capital leases	<u>97,058</u>	-	<u>41,988</u>	<u>55,070</u>	<u>41,119</u>
Total	<u>\$ 101,358</u>	<u>\$ -</u>	<u>\$ 42,288</u>	<u>\$ 59,070</u>	<u>\$ 41,119</u>

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

(11) 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.

(12) 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.

(13) 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 2005.

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 \$211,001 for maintenance and support of the college in fiscal year 2005.

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



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

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 \$24,864 for support of the commission in fiscal year 2005.

(14) 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 7.25% of their annual covered salary and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004, and 2003, were \$286,762, \$251,299, and \$231,197, respectively, equal to the required contributions for each year.

SUPPLEMENTAL INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,034,118	\$ 2,870,691	\$ 2,870,691	\$ -
Licenses, commissions and other revenue	119,150	142,493	142,493	-
Fines and forfeitures	274,100	292,225	292,225	-
Intergovernmental revenues	792,701	1,660,192	1,645,659	(14,533)
Charges for services	50,000	27,286	27,286	-
Interest income	36,305	45,625	45,625	-
Miscellaneous revenues	145,000	83,660	83,660	-
Total Revenues	<u>4,451,374</u>	<u>5,122,172</u>	<u>5,107,639</u>	<u>(14,533)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,798,173	2,414,633	2,426,633	(12,000)
Public safety	1,609,419	1,463,451	1,463,451	-
Health and welfare	359,375	199,635	199,635	-
Culture and recreation	46,683	25,358	25,358	-
Conservation of natural resources	35,562	42,071	42,071	-
Debt service:				
Principal	-	191,302	191,302	-
Interest	-	78,450	78,450	-
Total Expenditures	<u>4,849,212</u>	<u>4,414,900</u>	<u>4,426,900</u>	<u>(12,000)</u>
Excess of Revenues over (under) Expenditures	<u>(397,838)</u>	<u>707,272</u>	<u>680,739</u>	<u>(26,533)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	-	-	-	-
Transfers in	-	201,899	201,899	-
Transfers out	(751,471)	(1,018,460)	(1,018,460)	-
Other financing sources	-	338	338	-
Total Other Financing Sources and Uses	<u>(751,471)</u>	<u>(816,223)</u>	<u>(816,223)</u>	<u>-</u>
Net Change in Fund Balance	(1,149,309)	(108,951)	(135,484)	(26,533)
Fund Balances - Beginning	1,228,028	1,594,087	1,594,087	-
Fund Balances - Ending	<u>\$ 78,719</u>	<u>\$ 1,485,136</u>	<u>\$ 1,458,603</u>	<u>\$ (26,533)</u>

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

JASPER COUNTY  
Notes to Required Supplementary Information  
For the Year Ended September 30, 2005

A. Budgetary Information

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

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

B. Basis of Presentation

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

For the year ended September 30, 2005, the county implemented GASB Statement No. 41 - Budgetary Comparison Schedules-Perspective Differences, which amends Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule-Budget and Actual (Non-GAAP Basis) is a part of the 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>
	General Fund
Budget (Cash Basis)	\$ (135,484)
Increase (Decrease)	
Net adjustments for revenue accruals	(141,868)
Net adjustments for expenditure accruals	<u>168,607</u>
GAAP Basis	<u>\$ (108,745)</u>

JASPER COUNTY  
Notes to Required Supplementary Information  
For the Year Ended September 30, 2005

D. Excess of Actual Expenditures over Budget in Individual Funds.

The following fund had an excess of actual expenditures over budget for the year ended September 30, 2005:

<u>Fund</u>	<u>Amount</u>
General	\$12,000

The fund listed above is in violation of Section 9-11-17, Miss Code Ann. (1972). However, the county has no liability associated with this violation.

JASPER COUNTY  
SPECIAL REPORTS

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INDEPENDENT AUDITOR'S REPORT ON AND 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*

August 30, 2007

Members of the Board of Supervisors  
Jasper County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, the major fund, and the aggregate remaining fund information of Jasper County, Mississippi, as of and for the year ended September 30, 2005, which collectively comprise the county's basic primary government financial statements and have issued our report thereon dated August 30, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units, and the report is qualified on the governmental activities because the county did not record certain general infrastructure 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

In planning and performing our audit, we considered Jasper County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jasper County, Mississippi's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as item 05-1, 05-2, and 05-3.

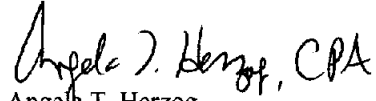
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe reportable condition 05-1 described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jasper County, Mississippi's primary government financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that

are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 05-1, 05-2, and 05-3. We also noted certain instances of noncompliance which we have 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, dated August 30, 2007, included within this document.

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



Angela T. Herzog  
Certified Public Accountant



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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))

August 30, 2007

Members of the Board of Supervisors  
Jasper County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Jasper County, Mississippi, as of and for the year ended September 30, 2005. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Jasper County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of 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 infrastructure in capital assets.

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

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response 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.

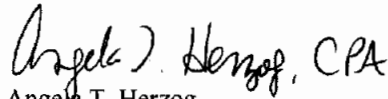
Inventory Control Clerk's Response

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.

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

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



Angela T. Herzog  
Certified Public Accountant

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

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reasons for Accepting Other Than the Lowest Bid</u>
3/11/05	Mack Dump Truck	\$86,986	Tri-State Mack	\$82,770	The lowest bid did not contain a buy-back provision.

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

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, 2005

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
8/15/05	Computer Voice Stress Analyzer	\$9,995	National Institute for Truth Verification

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

August 30, 2007

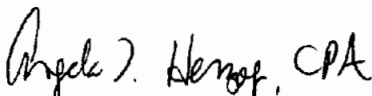
Members of the Board of Supervisors  
Jasper County, Mississippi

In planning and performing our audit of the financial statements of Jasper County, Mississippi for the year ended September 30, 2005, 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 August 30, 2007, 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.

  
Angela T. Herzog  
Certified Public Accountant

JASPER COUNTY  
SCHEDULE OF FINDINGS

JASPER COUNTY  
Schedule of Findings  
For the Year Ended September 30, 2005

Section 1: Summary of Auditor's Results

***Financial Statements:***

1. Type of auditor's report issued on the primary government financial statements:

Governmental Activities	Qualified
Business-type activities	Unqualified
General Fund	Unqualified
Aggregate remaining fund information	Unqualified
2. Internal control over financial reporting:
  - a. Material weakness identified? Yes
  - b. Reportable condition identified that is not considered to be a material weakness? Yes
3. Noncompliance material to the primary government financial statements? Yes

Section 2: Financial Statement Findings

Inventory Control Clerk.

05-1. Finding

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.

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.

Sheriff

05-2. Finding

We noted a deficiency in the policies and procedures of the internal control of petty cash. The only individual with access to petty cash is the Sheriff's secretary.

Recommendation

We recommend that Sheriff or another Sheriff's department employee have access to the petty cash funds and review on a monthly basis.

Sheriff's Response

Sheriff Cross now has access to petty cash and drug funds.



JASPER COUNTY  
Schedule of Findings  
For the Year Ended September 30, 2005

Board of Supervisors

05-3. Finding

The Board of Supervisors does not have a fraud prevention policy in place for employees.

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./