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**JONES COUNTY, MISSISSIPPI
Audited Financial Statements and
Special Reports
For the Year Ended September 30, 2008**

JONES COUNTY
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JONES COUNTY

FINANCIAL SECTION

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

Members of the Board of Supervisors
Jones County, Mississippi

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of and for the year ended September 30, 2008, 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. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of September 30, 2008, and the respective changes in financial position and, where applicable, cash flows 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*, I have also issued a report dated November 17, 2009, on my consideration of Jones County, Mississippi's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I 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, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jones County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Marcus J. Martin

MARCUS J. MARTIN
Certified Public Accountant
November 17, 2009

JONES COUNTY

FINANCIAL STATEMENTS

Jones County
Statement of Net Assets
September 30, 2008

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 6,667,955	207,756	6,875,711
Property tax receivable	12,200,200		12,200,200
Accounts receivable (net of allowance for uncollectibles of \$497,000)		179,904	179,904
Fines receivable (net of allowance for uncollectibles of \$2,116,209)	2,513,070		2,513,070
Loans receivable	2,727,099		2,727,099
Capital leases receivable	17,089,200		17,089,200
Intergovernmental receivables	6,859,243		6,859,243
Other receivables	22,278		22,278
Internal balances	58,527	(58,527)	
Capital assets:			
Land and construction in progress	1,019,172		1,019,172
Other capital assets, net	69,288,041	566,761	69,854,802
Total Assets	118,444,785	895,894	119,340,679
LIABILITIES			
Claims payable	3,235,931	174,967	3,410,898
Intergovernmental payables	728,842		728,842
Deferred revenue	12,219,400		12,219,400
Unearned revenue		42,154	42,154
Long-term liabilities			
Due within one year:			
Capital debt	5,662,230	140,063	5,802,293
Due in more than one year:			
Capital debt	37,111,979	451,835	37,563,814
Non-capital debt	339,455	15,226	354,681
Total Liabilities	59,297,837	824,245	60,122,082
NET ASSETS			
Invested in capital assets, net of related debt	47,330,103	(25,137)	47,304,966
Restricted:			
Expendable:			
Debt service	486,581		486,581
Public safety	314,632		314,632
Public works	7,489,411	96,786	7,586,197
Economic development	2,727,099		2,727,099
Unemployment compensation	45,006		45,006
Capital projects	24,421		24,421
Other purposes	94,746		94,746
Unrestricted	634,949		634,949
Total Net Assets	\$ 59,146,948	71,649	59,218,597

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

Jones County
Statement of Activities
For the Year Ended September 30, 2008

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 9,488,525	1,356,957	204,166		(7,927,402)		(7,927,402)
Public safety	5,803,932	1,209,277	948,225		(3,646,430)		(3,646,430)
Public works	11,402,355		2,429,562	1,182,811	(7,789,982)		(7,789,982)
Health and welfare	1,004,420		276,325		(728,095)		(728,095)
Culture and recreation	929,406			232,541	(696,865)		(696,865)
Education	133,590		133,590		-		-
Conservation of natural resources	116,167				(116,167)		(116,167)
Economic development and assistance	384,015				(384,015)		(384,015)
Interest on long-term debt	798,112				(798,112)		(798,112)
Total Governmental Activities	30,060,522	2,566,234	3,991,868	1,415,352	(22,087,068)	-	(22,087,068)
Business-type activities:							
Garbage collection	1,991,480	1,503,883	956			(486,641)	(486,641)
Total Business-type Activities	1,991,480	1,503,883	956	-		(486,641)	(486,641)
Total Primary Government	\$ 32,052,002	4,070,117	3,992,824	1,415,352	(22,087,068)	(486,641)	(22,573,709)
General revenues:							
Property taxes		\$ 16,681,178					16,681,178
Road & bridge privilege taxes		847,523					847,523
Grants and contributions not restricted to specific programs		3,018,529					3,018,529
Unrestricted interest income		352,607				9,114	361,721
Miscellaneous		1,342,466				7,176	1,349,642
Total General Revenues		22,242,303				16,290	22,258,593
Changes in Net Assets		155,235				(470,351)	(315,116)
Net Assets - Beginning		58,991,713				542,000	59,533,713
Net Assets - Ending		\$ 59,146,948				71,649	59,218,597

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

Jones County
Balance Sheet - Governmental Funds
September 30, 2008

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Howard Industries Fund	Countywide Bond Fund		
ASSETS					
Cash	\$ 2,145,496		397,996	4,124,463	6,667,955
Property tax receivable	8,056,531		2,062,703	2,080,966	12,200,200
Fines receivable (net of allowance for uncollectibles of \$2,116,209)	2,513,070				2,513,070
Loans receivable		2,500,000		227,099	2,727,099
Capital lease receivable		17,089,200			17,089,200
Intergovernmental receivables	645,716		20,831	6,192,696	6,859,243
Other receivables	22,278				22,278
Due from other funds			67,754	138,773	206,527
Advances to other funds	58,527			142,500	201,027
Total Assets	\$ 13,441,618	19,589,200	2,549,284	12,906,497	48,486,599
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 662,268			2,573,663	3,235,931
Intergovernmental payables	728,842				728,842
Due to other funds	190,347			16,180	206,527
Advances from other funds	142,500				142,500
Deferred revenue	10,569,601	17,089,200	2,062,703	2,080,966	31,802,470
Total Liabilities	12,293,558	17,089,200	2,062,703	4,670,809	36,116,270
Fund balances:					
Reserved for:					
Debt service			486,581		486,581
Loans receivable		2,500,000		227,099	2,727,099
Advances	58,527			142,500	201,027
Unemployment compensation				45,006	45,006
Unreserved - undesignated, reported in:					
General Fund	1,089,533				1,089,533
Special Revenue Funds				7,796,662	7,796,662
Capital Project Funds				24,421	24,421
Total Fund Balances	1,148,060	2,500,000	486,581	8,235,688	12,370,329
Total Liabilities and Fund Balances	\$ 13,441,618	19,589,200	2,549,284	12,906,497	48,486,599

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

Jones County
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2008

Exhibit 3-1

Total Fund Balance - Governmental Funds	\$	12,370,329
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Amounts reported for governmental services in the Statement of Net Assets are different because:

Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$112,964,621		70,307,213
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,513,070
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Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.		(43,113,664)
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Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.		17,070,000
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Total Net Assets - Governmental Activities	\$	<u>59,146,948</u>
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The notes to the financial statements are an integral part of this statement.

Jones County
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2008

Exhibit 4

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Howard Industries Fund	Countywide Bond Fund		
REVENUES					
Property taxes	\$ 10,512,514		3,342,207	2,826,457	16,681,178
Road and bridge privilege taxes				847,523	847,523
Licenses, commissions and other revenue	580,983			53,418	634,401
Fines and forfeitures	588,790				588,790
Intergovernmental revenues	1,876,098		65,661	6,483,990	8,425,749
Charges for services	379,337			756,220	1,135,557
Interest income	182,020	37,800		132,787	352,607
Miscellaneous revenues	1,060,993			316,160	1,377,153
Total Revenues	<u>15,180,735</u>	<u>37,800</u>	<u>3,407,868</u>	<u>11,416,555</u>	<u>30,042,958</u>
EXPENDITURES					
Current:					
General government	8,873,593			532,655	9,406,248
Public safety	3,847,733			1,803,121	5,650,854
Public works	232,119			11,204,948	11,437,067
Health and welfare	924,494				924,494
Culture and recreation	821,164			349,142	1,170,306
Education	133,590				133,590
Conservation of natural resources	116,241				116,241
Economic development and assistance	384,015				384,015
Debt service:					
Principal	215,987	1,560,000	2,640,000	1,477,650	5,893,637
Interest	41,512	37,800	522,291	196,509	798,112
Total Expenditures	<u>15,590,448</u>	<u>1,597,800</u>	<u>3,162,291</u>	<u>15,564,025</u>	<u>35,914,564</u>
Excess of Revenues over (under) Expenditures	<u>(409,713)</u>	<u>(1,560,000)</u>	<u>245,577</u>	<u>(4,147,470)</u>	<u>(5,871,606)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	138,384			6,420,231	6,558,615
Proceeds from sale of capital assets	7,880			255,185	263,065
Transfers in				420,000	420,000
Transfers out	(20,000)			(400,000)	(420,000)
Lease principal payments		1,210,000			1,210,000
Total Other Financing Sources and Uses	<u>126,264</u>	<u>1,210,000</u>	<u>-</u>	<u>6,695,416</u>	<u>8,031,680</u>
Net Changes in Fund Balances	<u>(283,449)</u>	<u>(350,000)</u>	<u>245,577</u>	<u>2,547,946</u>	<u>2,160,074</u>
Fund Balances - Beginning	<u>1,431,509</u>	<u>2,850,000</u>	<u>241,004</u>	<u>5,687,742</u>	<u>10,210,255</u>
Fund Balances - Ending	<u>\$ 1,148,060</u>	<u>2,500,000</u>	<u>486,581</u>	<u>8,235,688</u>	<u>12,370,329</u>

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

Jones 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, 2008

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds	\$	2,160,074
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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 difference between capital outlays of \$2,476,709 and depreciation of \$2,519,980 in the current period.		(43,271)
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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 \$34,687 and the proceeds from the sale of \$263,065 in the current period.		(297,752)
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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.		207,486
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Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$6,558,615 exceeded debt repayments of \$5,893,637.		(664,978)
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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. Thus, the change in net assets differs from the change in fund balances by the following:

Compensated absences		3,676
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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 change in fund balances by the principal collections on the capital leases.		(1,210,000)
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Change in Net Assets of Governmental Activities	\$	155,235
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The notes to the financial statements are an integral part of this statement.

Jones County
Statement of Net Assets - Proprietary Fund
September 30, 2008

Exhibit 5

	Business-type Activities Enterprise Fund Garbage Fund
ASSETS	
Current assets:	
Cash	\$ 207,756
Accounts receivable (net of allowance for uncollectibles of \$497,000)	179,904
Total Current Assets	<u>387,660</u>
Noncurrent assets:	
Capital assets, net	566,761
Total Noncurrent Assets	<u>566,761</u>
Total Assets	<u>954,421</u>
 LIABILITIES	
Current liabilities:	
Claims payable	174,967
Advances from other funds	58,527
Unearned revenue	42,154
Capital debt:	
Capital leases payable	140,063
Total Current Liabilities	<u>415,711</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	451,835
Non-capital debt:	
Compensated absences payable	15,226
Total Noncurrent Liabilities	<u>467,061</u>
 NET ASSETS	
Invested in capital assets, net of related debt	(25,137)
Restricted for public works	96,786
Total Net Assets	<u>\$ 71,649</u>

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

Jones County
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2008

Exhibit 6

	Business-type Activities Enterprise Fund Garbage Fund
Operating Revenues	
Charges for services	\$ 1,503,883
Miscellaneous	7,176
Total Operating Revenues	<u>1,511,059</u>
Operating Expenses	
Personal services	897,764
Contractual services	638,382
Materials and supplies	261,939
Depreciation expense	154,317
Indirect administrative costs	31,484
Total Operating Expenses	<u>1,983,886</u>
Operating Income (Loss)	<u>(472,827)</u>
Nonoperating Revenues (Expenses)	
Interest income	9,114
Operating grants	956
Interest expense	(7,550)
Other income (expenses)	(44)
Net Nonoperating Revenue (Expenses)	<u>2,476</u>
Changes in Net Assets	<u>(470,351)</u>
Net Assets - Beginning	<u>542,000</u>
Net Assets - Ending	<u>\$ 71,649</u>

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

Jones County
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2008

Exhibit 7

	Business-type Activities Enterprise Fund Garbage Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,741,306
Payments to suppliers	(829,350)
Payments to employees	(900,086)
Payments to General Fund for indirect costs	(13,359)
Other operating cash receipts	7,176
Net Cash Provided (Used) by Operating Activities	<u>5,687</u>
Cash Flows From Noncapital Financing Activities	
Other receipts (payments)	10,026
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,026</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	480,630
Acquisition and construction of capital assets	(480,630)
Principal paid on long-term debt	(94,995)
Interest paid on debt	(7,550)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(102,545)</u>
 Net Increase (Decrease) in Cash and Cash Equivalents	 (86,832)
 Cash and Cash Equivalents at Beginning of Year	 294,588
 Cash and Cash Equivalents at End of Year	 <u>\$ 207,756</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (472,827)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	154,317
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	228,130
Increase (decrease) in claims payable	70,971
Increase (decrease) in compensated absences liability	(2,322)
Increase (decrease) in unearned revenue	9,293
Increase (decrease) in interfund payable	18,125
Total Adjustments	<u>478,514</u>
 Net Cash Provided (Used) by Operating Activities	 <u>\$ 5,687</u>

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

Jones County
Statement of Fiduciary Assets and Liabilities
September 30, 2008

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 577,360
Intergovernmental receivables	60,359
Total Assets	<u>\$ 637,719</u>
LIABILITIES	
Amounts held in custody for others	\$ 1,327
Intergovernmental payables	636,392
Total Liabilities	<u>\$ 637,719</u>

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

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity.

Jones 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 Jones County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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 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 the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

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 Fund and Fiduciary Funds (excluding agency 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. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Fund applies 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 Bond Fund – This fund is used to account for resources accumulated and used for the payment of long-term debt principal, interest and costs of borrowing relating to bonds.

Howard Industries Fund – This fund is used to account for loan and lease payments received from Howard Industries, Inc., which are used for the payment of related bond principal and interest.

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

The county reports the following major Proprietary Fund:

Garbage Fund – This fund is used to account for the county's activities of collection and 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 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.

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

PROPRIETARY FUND TYPES

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 certificates of deposits or governmental securities during the fiscal year.

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

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 fund 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. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Current year general infrastructure assets and those acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements 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
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets not meeting the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

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.

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

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 liabilities in the government-wide financial statements and the Proprietary Fund financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2008, was \$7,453,071, and the bank balance was \$8,095,219. 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 the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

(3) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Bond Fund	General Fund	\$ 67,754
Other Governmental Funds	General Fund	122,593
Other Governmental Funds	Other Governmental Funds	16,180
Total		<u>\$ 206,527</u>

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

The receivables represent the tax revenue collected but not settled until October 2008 and an interfund loan for replacing volunteer fire department equipment. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Garbage Fund	\$ 58,527
Other Governmental Funds	General Fund	142,500
Total		<u>\$ 201,027</u>

The advances represent interfund loans relating to the purchase of a building totaling \$142,500 and indirect costs associated with garbage collection totaling \$58,527. Currently, none of the above balance has been repaid, but the county plans to repay at least a portion of these loans in fiscal year 2010.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 20,000
Other Governmental Funds	Other Governmental Funds	400,000
Total		<u>\$ 420,000</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer and were made to allocate additional operating funds.

(4) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2008 consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative Tag Credit	\$ 354,650
Public Assistance Grants	6,481,290
Other Tax Revenue	20,831
Other Grants	2,472
Total Governmental Activities	<u>\$ 6,859,243</u>

Currently, \$6,433,887 of Public Assistance Grants has been received.

(5) Loans Receivable

Loans receivable balances at September 30, 2008, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Debar Construction CDBG Loan	05-01-95	5.25	07-01-06	\$ 27,003
Debar Construction CDBG Loan	09-30-98	5.50	09-30-09	200,096
Howard Industries MBIA Loan	02-01-98	-	02-01-13	1,000,000
Howard Industries MBIA Loan	12-01-98	-	12-01-18	1,500,000
Total				<u>\$ 2,727,099</u>

The loans receivable from Debar Construction, Inc. are impaired and may not be fully collectible due to the bankruptcy of the company in December 2004. As listed in Note (10), the county has obtained two loans on behalf of this company from Mississippi Development Authority. As of September 30, 2008, the combined balance of these loans was \$227,099. As a result of the bankruptcy proceedings, a judgment was received entitling the county to the remaining amount of the loans, and the county expects to recover at least a

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

portion of the funds. Although efforts are ongoing to collect this debt, a reasonable estimate of an amount to be recovered cannot currently be made.

(6) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 622,616				\$ 622,616
Construction in progress	60,391	336,165			396,556
Total non-depreciable capital assets	683,007	336,165	-	-	1,019,172
<u>Depreciable capital assets:</u>					
Infrastructure	146,548,471				146,548,471
Buildings	18,044,960				18,044,960
Mobile equipment	7,562,994	512,261	(645,442)	216,782	7,646,595
Furniture and equipment	1,010,490	69,469	(35,325)	995,000	2,039,634
Leased property under capital leases	7,858,784	1,558,814	(232,814)	(1,211,782)	7,973,002
Total depreciable capital assets	181,025,699	2,140,544	(913,581)	-	182,252,662
<u>Less accumulated depreciation for:</u>					
Infrastructure	(96,048,821)	(490,978)			(96,539,799)
Buildings	(5,186,370)	(348,580)			(5,534,950)
Mobile equipment	(5,937,534)	(409,714)	390,296	55,621	(5,901,131)
Furniture and equipment	(822,429)	(147,732)	31,793	(596,262)	(1,534,630)
Leased property under capital leases	(3,065,316)	(1,122,976)	193,740	540,441	(3,454,111)
Total accumulated depreciation	(111,060,470)	(2,519,980)	615,829	-	(112,964,621)
Total depreciable capital assets, net	69,965,229	(379,436)	(297,752)	-	69,288,041
Governmental activities capital assets, net	\$ 70,648,236	\$ (43,271)	\$ (297,752)	\$ -	\$ 70,307,213
	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
Business-type Activities:					
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 552,333			\$ 162,163	\$ 714,496
Furniture and equipment	14,724				14,724
Leased property under capital leases	376,681	480,630		(162,163)	695,148
Total depreciable capital assets	943,738	480,630	-	-	1,424,368
<u>Less accumulated depreciation for:</u>					
Mobile equipment	(495,514)	(29,190)		(116,759)	(641,463)
Furniture and equipment	(13,790)				(13,790)
Leased property under capital leases	(193,986)	(125,127)		116,759	(202,354)
Total accumulated depreciation	(703,290)	(154,317)	-	-	(857,607)
Total depreciable capital assets, net	240,448	326,313	-	-	566,761
Business-type activities capital assets, net	\$ 240,448	\$ 326,313	\$ -	\$ -	\$ 566,761

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

Depreciation expense was charged to the following functions:

Governmental Activities:	
General Government	\$ 151,149
Public Safety	603,774
Public Works	1,583,777
Health and Welfare	79,999
Culture and Recreation	<u>101,281</u>
Total	<u>\$ 2,519,980</u>
Business-type Activities:	
Garbage Collection	<u>\$ 154,317</u>

The adjustments to capital assets above include lease purchases which were paid off during the year and transferred to other appropriate categories.

Construction in progress at September 30, 2008, included the renovation of the Reliable Building, concession stands at Merchant Park, and lunch stands at the fairgrounds. All construction in progress projects have currently been completed at an additional cost of \$144,031.

Included in the Governmental Activities balance at September 30, 2008, are capital assets which were declared surplus but not sold as of September 30, 2008, with a value of \$8,414, net of accumulated depreciation of \$75,724.

(7) Claims and Judgments

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2008, to January 1, 2009. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Until August 31, 2002, the county financed its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. Although a commercial insurance company began providing coverage at that time, the county retained its vision coverage with the pool. The pool is a claims-servicing organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county purchases commercial insurance to cover all claims in excess of premium contributions. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

The county had no year end liability because cash on deposit in the risk pool exceeded the pool's accrued unpaid claims in the amount of \$21,472, reported on the balance sheet.

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(8) Capital Leases

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2008:

<u>Class of Property</u>	<u>Amount</u>
Industrial Facilities for Howard Industries	\$ 4,000,000
Industrial Facilities for Howard Industries	14,000,000
Industrial Facilities for Howard Industries	6,000,000
	<u>\$ 24,000,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,270,000	\$ 19,200
2010	1,000,000	
2011	1,000,000	
2012	1,000,000	
2013	1,000,000	
2014-2018	5,000,000	
2019-2023	5,150,000	
2024-2028	1,650,000	
	<u>\$ 17,070,000</u>	<u>\$ 19,200</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 7,246,817	\$ 695,148
Other furniture and equipment	726,185	
Total	7,973,002	695,148
Less: Accumulated depreciation	<u>3,454,111</u>	<u>202,354</u>
Leased Property Under Capital Leases	<u>\$ 4,518,891</u>	<u>\$ 492,794</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 1,734,271	\$ 174,730	\$ 140,063	\$ 18,118
2010	1,372,432	114,116	451,835	14,299
2011	1,091,749	61,313		
2012	576,302	24,149		
2013	78,061	4,868		
2014-2018	56,899	5,307		
	<u>\$ 4,909,714</u>	<u>\$ 384,483</u>	<u>\$ 591,898</u>	<u>\$ 32,417</u>

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(9) Short-term Debt and Liquidity

The following is a summary short-term debt activity for the year ended September 30, 2008:

Description of Debt	Balance			Adjustments	Balance	
	Oct. 1, 2007	Additions	Reductions		Sept. 30, 2008	
Tax Anticipation Note	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -	
Total	\$ -	\$ 2,000,000	\$ 2,000,000	\$ -	\$ -	

During the month of February 2008, the county issued \$2,000,000 of tax anticipation notes with an interest rate of 4.21% and maturity date of April 1, 2008 in order to alleviate a temporary operating cash flow deficiency. This note was repaid on March 17, 2008.

(10) Long-term Debt

Debt outstanding as of September 30, 2008, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Enterprise bonds for Howard Industries	\$ 180,000	0.00	04-14
Multi-purpose center construction	1,175,000	4.00 to 6.00	12-11
Juvenile center construction	1,450,000	4.35 to 5.25	10-15
Justice Court Building and road improvements	2,810,000	1.75 to 4.25	06-12
Refunding bond	345,000	2.40 to 3.85	01-09
MBIA bonds for Tech Park	3,705,000	3.00	03-21
Construction bond	3,155,000	3.32	04-19
Road bonds	5,000,000	3.00 to 4.25	06-23
MBIA bonds for Howard Industries	320,000	6.00	01-09
MBIA bonds for Howard Industries	1,000,000	0.00	12-13
MBIA bonds for Howard Industries	1,500,000	0.00	12-18
MBIA bonds for Tech Park	11,200,000	0.00	10-23
MBIA bonds for Tech Park	5,550,000	0.00	04-25
Total General Obligation Bonds	<u>\$ 37,390,000</u>		

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
Comdial phone system	\$ 1,121	4.34	02-09
IBM AS400 computer system	152,466	3.40	08-10
2 GMC pickup trucks	7,318	3.25	04-09
2005 GMC truck	5,083	3.25	02-09
19 Crown Victoria patrol cars	102,131	3.23	03-09
3 2008 Ford F-150 trucks	73,965	3.20	03-12
2008 Tahoe	41,647	3.20	05-12
2008 Ford F-150 truck	22,772	3.00	06-12
Mahindra tractor	10,644	4.36	02-11
Gator & 3 mowers	20,032	4.24	03-11
E-911 emergency equipment	114,719	3.15	08-11
2 Pierce fire trucks	36,428	4.73	03-09
Fire truck	38,478	3.79	07-11
2006 Ford mini-pumper	57,494	3.60	11-15
Fire tanker	40,835	5.23	10-15
E-one Protector fire truck	53,189	4.23	05-11
2006 Ford rescue truck	67,897	4.24	06-17
Western Star fire truck	12,399	3.40	03-09
Toshiba copier	882	3.99	10-08
10 warning sirens with equipment	19,009	4.07	08-09
1997 Freightliner FL80	6,413	3.25	10-09
Caterpillar paver	189,624	4.29	10-10
Caterpillar asphalt compactor	82,113	4.10	11-10
2008 Ford F-150 truck	21,959	3.00	06-12
3 tractors & 2 mowers	48,257	3.25	03-09
Cat 430D backhoe	58,089	3.89	03-11
2006 Durapatcher	30,023	3.79	05-10
2006 Ford F750 truck	23,752	3.79	05-10
Leeboy broom	35,995	3.24	09-12
5 Diamond mowers	137,447	4.23	07-11
2 2007 Volvo motor graders	313,217	4.01	11-09
6 2007 dump trucks	302,348	3.99	09-10
Cat 140H motor grader	128,531	3.14	01-09
Cat 924GZ wheel loader	48,078	3.60	10-09
Cat excavator	130,218	4.09	11-11
2 2008 Ford F-150 trucks	39,728	3.14	05-12
3 Diamond mowers	82,427	4.12	03-11
2 Cat 140M motor graders	431,130	3.07	05-12
6 tractors & 6 mowers	93,482	3.25	06-09
4 Caterpillar backhoes	207,307	3.97	01-11
Kubota tractor	8,825	4.04	04-09
2 tractors & 2 mowers	36,078	3.25	03-09
2006 GMC Sierra truck	6,068	3.99	10-09
Cat 135H motor grader	130,966	3.40	11-08
Leeboy motor grader	115,600	3.18	10-12
2 International trucks	125,981	3.20	10-12
2 tractors & 2 mowers	114,143	3.20	03-12
Cat backhoe loader	70,462	3.20	03-12
4 2008 Ford F-150 trucks	58,442	3.20	02-12
2 2007 dump trucks	51,773	4.18	08-10
Broce self-propelled broom	17,509	3.79	05-10
2006 truck/loader	43,441	3.81	01-10
2 Kubota tractors & mower	69,070	4.23	06-11
2 Volvo drum rollers	78,340	3.21	07-12
3 bush hogs	27,251	4.23	06-11
2007 Caterpillar excavator	101,470	4.15	11-10
Cat 140H motor grader	128,581	3.14	01-09
3 tractors	30,740	3.14	01-09
3 mowers	18,776	3.14	02-09
Cat 313D excavator	161,672	3.17	09-11
2 Kubota tractors	18,430	3.19	10-08
2 used trucks	35,160	6.79	01-10
Cat 924GZ wheel loader	24,382	3.40	08-09
2 F-450 trucks	33,938	4.28	07-11
3 F-150 trucks	50,252	4.29	08-11
John Deere tractor & mower	16,532	3.25	08-09
2006 Ford F350 truck	10,624	3.79	05-10
2008 Ford F-150 truck	22,561	3.2	03-12
1997 Ford F-150 truck	14,000	4.22	11-10
Total Capital Leases	\$ 4,909,714		

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
MS Development Authority - Debar	\$ 27,003	5.50	07-06
MS Development Authority - Debar	200,096	5.50	07-10
State of MS - volunteer fire department	247,396	3.70	07-11
Total Other Loans	<u>\$ 474,495</u>		

Business-type Activities:

A. Capital Leases:			
3 2008 garbage trucks	\$ 480,630	2.85	06-10
2 2006 International garbage trucks	111,268	3.81	01-10
Total Capital Leases	<u>\$ 591,898</u>		

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
2009	\$ 3,810,000	\$ 642,646	\$ 117,959	\$ 19,567
2010	3,280,000	546,268	120,955	14,986
2011	3,345,000	473,394	132,988	10,202
2012	3,395,000	394,099	36,235	5,208
2013	2,400,000	321,422	66,358	806
2014-2018	11,035,000	1,063,357		
2019-2023	8,475,000	279,626		
2024-2028	1,650,000			
	<u>\$ 37,390,000</u>	<u>\$ 3,720,812</u>	<u>\$ 474,495</u>	<u>\$ 50,769</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, 2008, the amount of outstanding debt was equal to 8.55% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Adjustments	Balance Sept. 30, 2008	Amount Due Within One Year
Governmental Activities:						
Compensated absences	\$ 343,131		\$ 3,676		\$ 339,455	
General obligation bonds	36,590,000	5,000,000	4,200,000		37,390,000	3,810,000
Capital leases	4,967,867	1,558,615	1,616,768		4,909,714	1,734,271
Other loans	551,364		76,869		474,495	117,959
Total	<u>\$ 42,452,362</u>	<u>\$ 6,558,615</u>	<u>\$ 5,897,313</u>	<u>\$ -</u>	<u>\$ 43,113,664</u>	<u>\$ 5,662,230</u>
Business-type Activities:						
Compensated absences	\$ 17,548		\$ 2,322		\$ 15,226	
Capital leases	206,263	480,630	94,995		591,898	140,063
Total	<u>\$ 223,811</u>	<u>\$ 480,630</u>	<u>\$ 97,317</u>	<u>\$ -</u>	<u>\$ 607,124</u>	<u>\$ 140,063</u>

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(11) Deficit Fund Balance of Individual Funds

The following funds reported deficits in fund balances at September 30, 2008:

Fund	Deficit Amount
Special Revenue Fund – County-wide Road & Bridge	\$ 4,326
Special Revenue Fund – Highway 11 Bridge Fund	25,916

(12) Contingencies

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

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

Hospital Revenue Bond Contingencies – The county issues revenue bonds to provide funds for constructing and improving capital facilities of the South Central Regional Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds and notes because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2008, is \$31,750,000.

(13) Joint Ventures

The county participates in the following joint ventures:

Jones County is a participant with the cities of Laurel, Ellisville and Sandersville in a joint venture, authorized by Section 39-3-9, Miss Code Ann. (1972), to operate the Laurel-Jones County Library. The joint venture was created to provide free public library service to the citizens of Jones County. The Jones County Board of Supervisors appoints one of the four members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$315,223 in fiscal year 2008. Complete financial statements for the Laurel-Jones County Library can be obtained from 530 Commerce Street, Laurel, MS 39440.

Jones County is a participant with Forrest County, the Cities of Hattiesburg and Laurel, and the State of Mississippi in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Hattiesburg-Laurel Regional Airport Authority. The joint venture was created to develop and maintain the airport for the members of the authority. The Jones County Board of Supervisors appoints one of the five members of the board of commissioners. By contractual agreement, the county's appropriation to the joint venture was \$230,931 in fiscal year 2008. Complete financial statements for the Hattiesburg-Laurel Regional Airport Authority can be obtained from 1002 Terminal Drive, Moselle, MS 39459.

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

Jones County is a participant with the Counties of Covington and Perry, and the Cities of Hattiesburg, Laurel and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste in members of the authority. The Jones County Board of Supervisors appoints two of the 12 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

Jones County is a participant with the Cities of Laurel, Ellisville, Soso and Sandersville in a joint venture, authorized by Section 19-9-11, Miss. Code Ann. (1972), to operate the Jones County Economic Development Authority. The joint venture was created to foster, encourage and facilitate economic development in the county. The Jones County Board of Supervisors appoints six of the 22 members of the board of trustees. By contractual agreement, the county's appropriation to the joint venture was \$219,500 in fiscal year 2008. Complete financial statements for the Jones County Economic Development Authority can be obtained from P.O. Box 527, Laurel, MS 39441.

(14) *Jointly Governed Organizations*

The county participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jones County Board of Supervisors appoints one of the 34 members of the board of directors. The county appropriated \$49,000 for support of the district in fiscal year 2008.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jones County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$144,999 for support of the entity in fiscal year 2008.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Jones County Board of Supervisors appoints six of the 20 members of the college board of trustees. The county appropriated \$1,408,325 for maintenance and support of the college in fiscal year 2008.

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

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

South Mississippi Fair operates in a district composed of Jones County and the City of Laurel. The Jones County Board of Supervisors appoints five of the ten members of the fair commission. The county issued general obligation bonds for the construction of a multi-purpose building to be used by the South Mississippi Fair. The county appropriated \$125,000 for support of the fair in fiscal year 2008.

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2008

(15) Defined Benefit Pension Plan

Plan Description. Jones 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 rate at September 30, 2008 was 11.85% 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, 2008, 2007 and 2006 were \$1,164,569, \$1,029,253, and \$915,447, respectively, equal to the required contributions for each year.

(16) Subsequent Events

Subsequent to September 30, 2008, Jones County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
Oct-08	3.23	\$ 111,645	Lease Purchase	Ad Valorem Tax
Oct-08	3.07	113,341	Lease Purchase	Ad Valorem Tax
Nov-08	3.41	475,456	Lease Purchase	Ad Valorem Tax
Nov-08	3.22	76,829	Lease Purchase	Ad Valorem Tax
Dec-08	3.31	116,794	Lease Purchase	Ad Valorem Tax
Jan-09	3.37	77,592	Lease Purchase	Ad Valorem Tax
Jan-09	3.34	35,995	Lease Purchase	Ad Valorem Tax
Jan-09	3.25	265,250	Lease Purchase	Ad Valorem Tax
Jan-09	3.32	234,033	Lease Purchase	Ad Valorem Tax
Mar-09	3.32	46,997	Lease Purchase	Ad Valorem Tax
Mar-09	3.32	31,146	Lease Purchase	Ad Valorem Tax
Apr-09	3.18	35,560	Lease Purchase	Ad Valorem Tax
Apr-09	3.59	14,000	Lease Purchase	Ad Valorem Tax
May-09	3.35	12,000	Lease Purchase	Ad Valorem Tax
Jun-09	3.27	202,184	Lease Purchase	Ad Valorem Tax
Jun-09	3.47	29,500	Lease Purchase	Ad Valorem Tax
Jun-09	3.20	322,360	Lease Purchase	Ad Valorem Tax
Oct-09	3.00	77,500	Lease Purchase	Ad Valorem Tax
Nov-09	3.00	122,338	Lease Purchase	Ad Valorem Tax

On September 10, 2009, the county issued Special Obligation Bonds in the principal amount of \$5,670,000 and Taxable Special Obligation Recovery Zone Economic Development Bonds in the principal amount of \$3,265,000 to provide funds for purchasing or erecting, equipping, repairing, reconstructing, remodeling and enlarging county buildings and constructing, reconstructing, and repairing roads, highways and bridges, and acquiring any necessary land and related heavy equipment. Interest payments are due commencing March 1, 2010 at an interest rate ranging from 3.00% to 6.10%.

In September 2009, a former deputy chancery clerk pled guilty to embezzling approximately \$218,025 of funds which should have been paid to tax sale purchasers. Although the county is seeking reimbursement of these funds, the entire amount may not be recoverable and general funds are currently being used to pay the tax sale purchasers.

JONES COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Jones County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund (and each major special revenue fund)
For the Year Ended September 30, 2008

	General Fund			Howard Industries Fund		
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget
REVENUES						
Property taxes	\$ 10,472,947	10,482,637	10,482,637	-		
Licenses, commissions and other revenue	462,600	610,753	610,753	-		
Fines and forfeitures	450,000	1,076,524	1,076,524	-		
Intergovernmental revenues	2,684,234	2,519,193	2,519,193	-		
Charges for services	165,000	372,775	372,775	-		
Interest income	225,000	180,974	180,974	-		
Miscellaneous revenues	420,240	539,554	539,554	-	1,550,000	1,597,800
Total Revenues	14,880,021	15,762,410	15,762,410	-	1,550,000	1,597,800
EXPENDITURES						
Current:						
General government	8,154,196	8,844,891	8,844,891	-		
Public safety	2,634,733	3,331,231	3,331,231	-		
Public works	230,931	230,931	230,931	-		
Health and welfare	900,540	919,412	919,412	-		
Culture and recreation	1,148,566	968,498	968,498	-		
Education	113,000	164,926	164,926	-		
Conservation of natural resources	118,351	114,013	114,013	-		
Economic development and assistance	386,740	384,474	384,474	-	1,550,000	1,597,800
Debt service principal, interest, and fees	235,983	238,250	238,250	-		
Total Expenditures	14,123,040	15,196,626	15,196,626	-	1,550,000	1,597,800
Excess of Revenues over (under) Expenditures	756,981	585,784	585,784	-	-	-
OTHER FINANCING SOURCES (USES)						
Other financing sources	2,500	248,304	248,304	-		
Other financing uses	(303,000)	(485,655)	(485,655)	-		
Total Other Financing Sources and Uses	(300,500)	(237,351)	(237,351)	-	-	-
Net Change in Fund Balance	456,481	348,433	348,433	-	-	-
Fund Balances - Beginning	648,352	639,146	639,146	-	-	-
Fund Balances - Ending	\$ 1,104,833	987,579	987,579	-	-	-

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

JONES COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2008

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 and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Howard Industries Fund
Budget (Cash Basis)	\$ 348,433	-
Increase (Decrease)		
Net adjustments for revenue accruals	(703,716)	(350,000)
Net adjustments for expenditure accruals	71,834	
GAAP Basis	\$ (283,449)	(350,000)

JONES COUNTY

SUPPLEMENTAL INFORMATION

JONES COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture – National Forest Funds Mississippi State Treasurer's Office – Federal Forest Service Schools and Roads Grants to States	10.665	N/A	\$ 258,360
U.S. Department of Justice – Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Passed-through the Mississippi Department of Public Safety Juvenile Accountability Block Grants	16.523	03JB1341	34,645
Bureau of Justice Assistance Passed-through the Mississippi Department of Public Safety Local Law Enforcement Block Grants Program	16.592	N/A	7,723
Total U.S. Department of Justice			<u>42,368</u>
U.S. Department of Transportation Federal Highway Administration Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205	BR NBIS 068 B (34)	28,460
National Highway Traffic Safety Administration Passed-through the Mississippi Department of Public Safety State and Community Highway Safety	20.600	N/A	56,026
Total U.S. Department of Transportation			<u>84,486</u>
U.S. Department of Education – Office of Safe and Drug-free Schools Passed-through the Mississippi Department of Public Safety Safe and Drug-free Schools and Communities, State Grants	84.186	N/A	30,461
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Public Assistance Grants*	97.036	1604-DR-MS	698,092
Passed-through the Mississippi Emergency Management Agency Hazard Mitigation Grant	97.039	1604-DR-MS	45,000
Total U.S. Department of Homeland Security			<u>743,092</u>
Total Expenditures of Federal Awards			\$ <u>1,158,767</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A – Significant Accounting Policies

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

* Denotes major federal award program.

JONES COUNTY

SPECIAL REPORTS

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

Members of the Board of Supervisors
Jones County, Mississippi

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of and for the year ended September 30, 2008, which collectively comprise the county's basic financial statements and have issued my report thereon dated November 17, 2009. I conducted my 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 my audit, I considered Jones County, Mississippi's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the county's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.


My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones County, Mississippi's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain immaterial instances of noncompliance which I have reported to the management of Jones County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated November 17, 2009, included within this document.

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


MARCUS J. MARTIN
Certified Public Accountant
November 17, 2009

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

Members of the Board of Supervisors
Jones County, Mississippi

Compliance

I have audited the compliance of Jones County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2008. Jones County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Jones County, Mississippi's management. My responsibility is to express an opinion on Jones County, Mississippi's compliance based on my audit.

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

In my opinion, Jones County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2008.

Internal Control Over Compliance

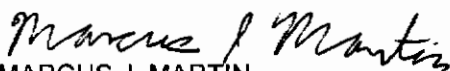
The management of Jones County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Jones County, Mississippi's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the county's internal control over compliance.

A control deficiency in the county's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the county's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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


MARCUS J. MARTIN
Certified Public Accountant
November 17, 2009

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

Members of the Board of Supervisors
Jones County, Mississippi

I have made a study and evaluation of the central purchasing system and inventory control system of Jones County, Mississippi, as of and for the year ended September 30, 2008. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.


The Board of Supervisors of Jones 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 Jones County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In my opinion, Jones 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 my aforementioned study and evaluation of the purchasing system and, in my 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 Jones 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.


MARCUS J. MARTIN
Certified Public Accountant
November 17, 2009

JONES COUNTY
Schedule of Purchases Not Made From the Lowest Bidder ,
For the Year Ended September 30, 2008

Schedule 1

My test results did not identify any purchases from other than the lowest bidder.

JONES COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2008

Schedule 2

Date	Item Purchased	Amount Paid	Vendor	Reason for Emergency Purchase
10/8/2007	Bridge repair	\$ 32,450	Magco, Inc.	Bridge was damaged due to increased travel because another bridge was closed
1/7/2008	Uniforms	\$ 24,406	Mid-South Uniforms	Time restraints on uniforms needed for Sheriff personnel
8/28/2008	Batteries and radio supplies	\$ 8,954	Motorola	Hurricane Gustav
8/29/2008	Diesel	\$ 25,934	Stinson Petroleum	Hurricane Gustav

JONES COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2008

Schedule 3

Date	Item Purchased	Amount Paid	Vendor
10/26/07	Outsource printing for tax statements	\$ 15,000	Lawrence Printing Company
09/02/08	Credit/debit card processing machine	\$ 5,500	Cashflow Solutions LLC

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jones County, Mississippi

In planning and performing my audit of the financial statements of Jones County, Mississippi, for the year ended September 30, 2008, I considered Jones County, Mississippi's internal control to determine my auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jones County, Mississippi's financial reporting, I 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. My 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, I do not express such an opinion. This report does not affect my report dated November 17, 2009, on the financial statements of Jones County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, my consideration of 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 of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of my review procedures and compliance tests identified a certain immaterial instance of noncompliance with state laws and regulations and other matters that is an opportunity for strengthening internal controls and operating efficiency. My finding and recommendation and your response are disclosed below:

Board of Supervisors.

1. Finding

As stated in the prior year, the county has interfund loans outstanding that are over a year old. These interfund loans totaled \$201,027 as of September 30, 2008. The interfund loans include \$142,500 related to the purchase of a building and \$58,527 related to indirect costs associated with garbage collection. The Mississippi Code is silent regarding the authority of the county to make these loans and failure to repay these loans constitutes a diversion of legally restricted funds.

Recommendation

The Board of Supervisors should ensure that the old loans are repaid as soon as practical.

Response

We have made plans to comply with this recommendation based on the availability of funds.

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

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



MARCUS J. MARTIN
Certified Public Accountant
November 17, 2009

JONES COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JONES COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|---------------|
| 1. Type of auditor's report issued on financial statements: | Unqualified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 3. Noncompliance material to the financial statements? | No |

Federal Awards:

- | | |
|---|---------------|
| 4. Internal control over major programs: | |
| a. Material weakness identified? | No |
| b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. Any audit finding(s) reported as required by Section ____510(a) of Circular A-133? | No |
| 7. Federal programs identified as major programs: | |
| a. Public Assistance Grants, CFDA# 97.036 | |
| 8. The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. Auditee qualified as a low-risk auditee? | No |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of my tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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