

# JONES COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2010

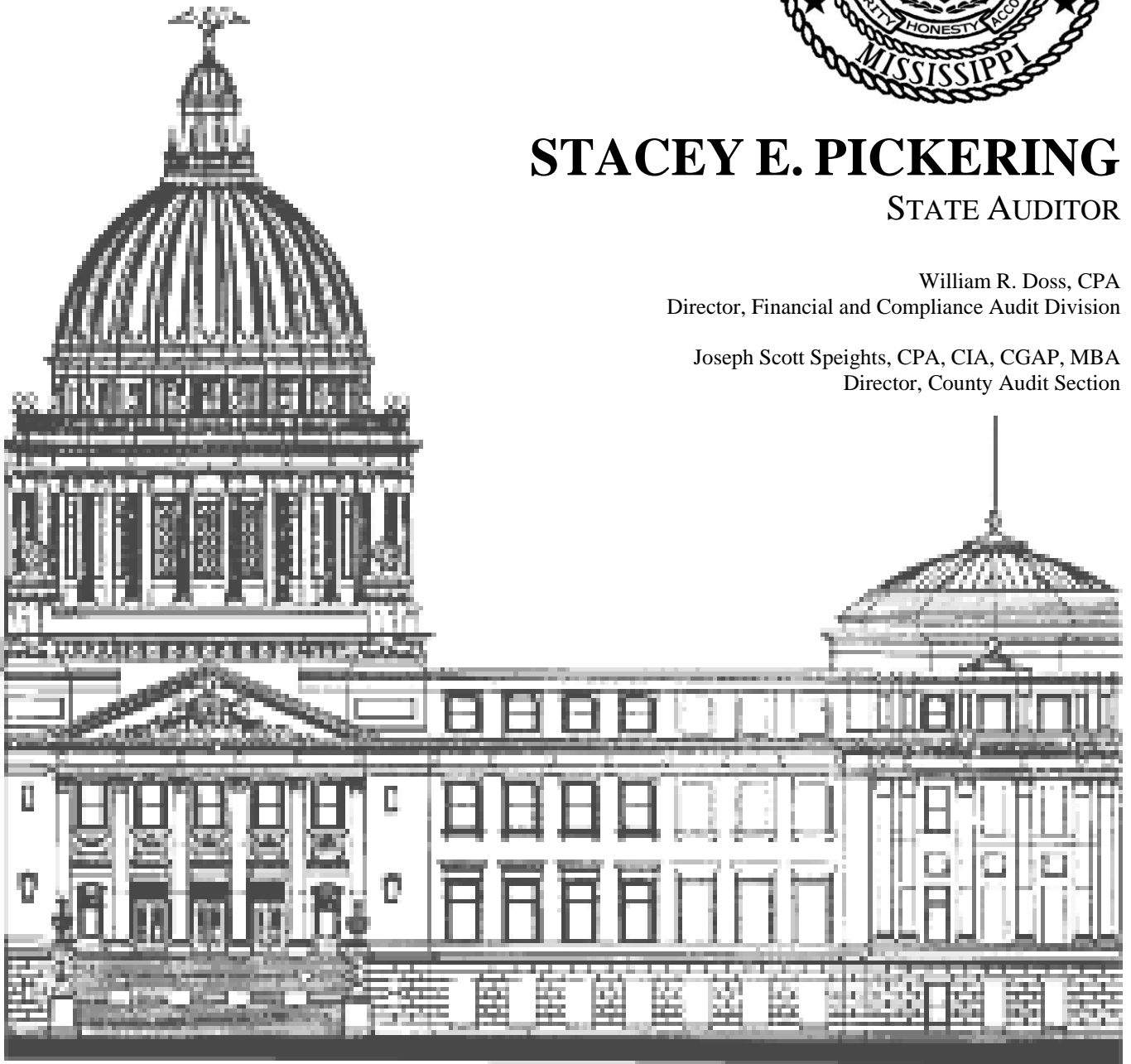


## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

August 4, 2011

Members of the Board of Supervisors  
Jones County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Jones County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Jones County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jones County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



# JONES COUNTY

## TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITOR’S REPORT .....	3
FINANCIAL STATEMENTS .....	5
Statement of Net Assets.....	7
Statement of Activities .....	8
Balance Sheet - Governmental Funds.....	9
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	12
Statement of Net Assets - Proprietary Fund .....	13
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund.....	14
Statement of Cash Flows - Proprietary Fund.....	15
Statement of Fiduciary Assets and Liabilities .....	16
Notes to Financial Statements .....	17
REQUIRED SUPPLEMENTARY INFORMATION .....	37
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund.....	39
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) Howard Industries Fund .....	40
Notes to the Required Supplementary Information .....	41
SUPPLEMENTAL INFORMATION .....	43
Schedule of Expenditures of Federal Awards.....	44
SPECIAL REPORTS.....	47
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 <i>Government Auditing Standards</i> .....	49
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	51
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)).....	53
Limited Internal Control and Compliance Review Management Report .....	59
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	65
AUDITEE’S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	69



JONES COUNTY

FINANCIAL SECTION

JONES COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Jones County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As discussed in Note 10 to the financial statements, the county has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net assets and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Jones County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Jones County, Mississippi, as of September 30, 2010, or the changes in financial position thereof for the year then ended.


In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of September 30, 2010, 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*, we have also issued our report dated August 4, 2011, on our consideration of Jones County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Jones County, Mississippi, has not presented Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits that are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board.

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

Our 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. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



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

August 4, 2011

JONES COUNTY

FINANCIAL STATEMENTS

## JONES COUNTY

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JONES COUNTY  
Statement of Net Assets  
September 30, 2010

Exhibit 1

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
<b>ASSETS</b>			
Cash	\$ 8,318,366	38,579	8,356,945
Cash with fiscal agent	7,414		7,414
Prepaid interest held by trustee	300,164		300,164
Property tax receivable	14,065,915		14,065,915
Accounts receivable (net of allowance for uncollectibles of \$1,210,164)		48,168	48,168
Fines receivable (net of allowance for uncollectibles of \$3,720,596)	1,601,766		1,601,766
Loans receivable	2,027,100		2,027,100
Capital leases receivable	14,800,000		14,800,000
Intergovernmental receivables	1,097,354		1,097,354
Other receivables	22,888		22,888
Internal balances	54,180	(54,180)	
Deferred charges - issuance cost	353,046		353,046
Capital assets:			
Land and construction in progress	1,539,161		1,539,161
Other capital assets, net	71,556,879	354,601	71,911,480
Total Assets	<u>115,744,233</u>	<u>387,168</u>	<u>116,131,401</u>
<b>LIABILITIES</b>			
Claims payable	696,383	111,292	807,675
Intergovernmental payables	639,669		639,669
Accrued interest payable	251,980		251,980
Deferred revenue	14,065,915		14,065,915
Unearned revenue		157,939	157,939
Amounts held in custody for others	476,749		476,749
Long-term liabilities			
Due within one year:			
Capital debt	3,778,996	75,175	3,854,171
Non-capital debt	1,350,000		1,350,000
Due in more than one year:			
Capital debt	23,506,408	239,564	23,745,972
Non-capital debt	15,877,290	31,280	15,908,570
Total Liabilities	<u>60,643,390</u>	<u>615,250</u>	<u>61,258,640</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	45,810,636	39,862	45,850,498
Restricted:			
Expendable:			
General government	536,733		536,733
Debt service	92,274		92,274
Public safety	597,306		597,306
Public works	5,014,382		5,014,382
Economic development	1,800,000		1,800,000
Unemployment compensation	41,313		41,313
Capital projects	993,161		993,161
Unrestricted	215,038	(267,944)	(52,906)
Total Net Assets	<u>\$ 55,100,843</u>	<u>(228,082)</u>	<u>54,872,761</u>

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

JONES COUNTY  
Statement of Activities  
For the Year Ended September 30, 2010

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	\$ 10,745,711	903,698	4,696,797	22,070	(5,123,146)		(5,123,146)
Public safety	6,431,731	1,236,044	643,469		(4,552,218)		(4,552,218)
Public works	13,132,778		1,666,685	211,918	(11,254,175)		(11,254,175)
Health and welfare	841,898		187,974		(653,924)		(653,924)
Culture and recreation	1,153,840				(1,153,840)		(1,153,840)
Education	109,169				(109,169)		(109,169)
Conservation of natural resources	117,959				(117,959)		(117,959)
Economic development and assistance	652,362				(652,362)		(652,362)
Interest on long-term debt	1,044,201				(1,044,201)		(1,044,201)
Total Governmental Activities	<u>34,229,649</u>	<u>2,139,742</u>	<u>7,194,925</u>	<u>233,988</u>	<u>(24,660,994)</u>	<u>0</u>	<u>(24,660,994)</u>
Business-type activities:							
Solid Waste	1,874,835	1,553,284				(321,551)	(321,551)
Total Business-type Activities	<u>1,874,835</u>	<u>1,553,284</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(321,551)</u>	<u>(321,551)</u>
Total Primary Government	<u>\$ 36,104,484</u>	<u>3,693,026</u>	<u>7,194,925</u>	<u>233,988</u>	<u>(24,660,994)</u>	<u>(321,551)</u>	<u>(24,982,545)</u>
General revenues:							
Property taxes					\$ 17,742,116		17,742,116
Road & bridge privilege taxes					848,941		848,941
Grants and contributions not restricted to specific programs					2,376,766		2,376,766
Unrestricted interest income					376,209	2,706	378,915
Miscellaneous					1,316,022	87,721	1,403,743
Total General Revenues					<u>22,660,054</u>	<u>90,427</u>	<u>22,750,481</u>
Changes in Net Assets					(2,000,940)	(231,124)	(2,232,064)
Net Assets - Beginning					<u>57,101,783</u>	<u>3,042</u>	<u>57,104,825</u>
Net Assets - Ending					<u>\$ 55,100,843</u>	<u>(228,082)</u>	<u>54,872,761</u>

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

JONES COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2010

Exhibit 3

	Major Funds			
	General Fund	Howard Industries Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 1,351,879		6,966,487	8,318,366
Cash with fiscal agent	7,414			7,414
Prepaid interest held by trustee	300,164			300,164
Property tax receivable	9,504,313		4,561,602	14,065,915
Fines receivable (net of allowance for uncollectibles of \$3,720,596)	1,601,766			1,601,766
Loans receivable		1,800,000	227,100	2,027,100
Capital lease receivable		14,800,000		14,800,000
Intergovernmental receivables	267,566		829,788	1,097,354
Other receivables	22,888			22,888
Due from other funds	21,720		379,833	401,553
Advances to other funds	32,460			32,460
Total Assets	<u>\$ 13,110,170</u>	<u>16,600,000</u>	<u>12,964,810</u>	<u>42,674,980</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 360,213		336,170	696,383
Intergovernmental payables	604,172			604,172
Due to other funds	293,330		122,000	415,330
Deferred revenue	11,106,079	14,800,000	4,561,602	30,467,681
Amounts held in custody for others	476,749			476,749
Total Liabilities	<u>12,840,543</u>	<u>14,800,000</u>	<u>5,019,772</u>	<u>32,660,315</u>
Fund balances:				
Reserved for:				
Debt service			344,254	344,254
Loans receivable		1,800,000	227,100	2,027,100
Advances	32,460			32,460
Unemployment compensation			41,313	41,313
Unreserved - undesignated, reported in:				
General Fund	237,167			237,167
Special Revenue Funds			6,339,210	6,339,210
Capital Project Funds			993,161	993,161
Total Fund Balances	<u>269,627</u>	<u>1,800,000</u>	<u>7,945,038</u>	<u>10,014,665</u>
Total Liabilities and Fund Balances	<u>\$ 13,110,170</u>	<u>16,600,000</u>	<u>12,964,810</u>	<u>42,674,980</u>

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

## JONES COUNTY

Exhibit 3-1

## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

September 30, 2010

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 10,014,665
Amounts reported for governmental activities 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 \$116,588,312.	73,096,040
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,601,766
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(44,512,694)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(251,980)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	14,800,000
Bond issuance cost are deferred in the Statement of Net Assets and amortized over the term of the bonds.	<u>353,046</u>
Total Net Assets - Governmental Activities	\$ <u><u>55,100,843</u></u>

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

## JONES COUNTY

Exhibit 4

## Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2010

	Major Funds		Other	Total
	General	Howard	Governmental	Governmental
	Fund	Industries	Funds	Funds
	Fund	Fund		
REVENUES				
Property taxes	\$ 11,835,326		5,906,790	17,742,116
Road and bridge privilege taxes			848,941	848,941
Licenses, commissions and other revenue	549,656		67,961	617,617
Fines and forfeitures	531,823		132,464	664,287
Intergovernmental revenues	1,985,156		7,820,523	9,805,679
Charges for services	307,341		712,853	1,020,194
Interest income	105,179		271,030	376,209
Miscellaneous revenues	625,332		828,637	1,453,969
Total Revenues	15,939,813	0	16,589,199	32,529,012
EXPENDITURES				
Current:				
General government	9,247,828		1,749,821	10,997,649
Public safety	4,143,335		2,959,179	7,102,514
Public works	254,631		13,610,902	13,865,533
Health and welfare	925,629			925,629
Culture and recreation	405,613		619,888	1,025,501
Education	109,169			109,169
Conservation of natural resources	117,959			117,959
Economic development and assistance	647,154			647,154
Debt service:				
Principal	121,293	1,350,000	3,785,697	5,256,990
Interest	300,336		780,620	1,080,956
Total Expenditures	16,272,947	1,350,000	23,506,107	41,129,054
Excess of Revenues over (under) Expenditures	(333,134)	(1,350,000)	(6,916,908)	(8,600,042)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	81,849		1,116,185	1,198,034
Proceeds from sale of capital assets	1,020		510,291	511,311
Transfers in			241,192	241,192
Transfers out	(157,355)		(83,837)	(241,192)
Lease principal payments		1,000,000		1,000,000
Total Other Financing Sources and Uses	(74,486)	1,000,000	1,783,831	2,709,345
Net Changes in Fund Balances	(407,620)	(350,000)	(5,133,077)	(5,890,697)
Fund Balances - Beginning	1,093,569	2,150,000	12,661,793	15,905,362
Prior Period Adjustment	(416,322)		416,322	
Fund Balances - Beginning, as restated	677,247	2,150,000	13,078,115	15,905,362
Fund Balances - Ending	\$ 269,627	1,800,000	7,945,038	10,014,665

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

## JONES COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (5,890,697)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$4,268,605, exceeded depreciation of \$2,614,399 in the current period.	1,654,206
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 \$137,947 and the proceeds from the sale of \$511,311 in the current period.	(649,258)
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.	(162,356)
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 repayments of \$5,256,990 exceeded debt proceeds of \$1,198,034.	4,058,956
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The increase in compensated absences	(48,546)
The decrease in accrued interest payable	63,307
The amortization of premium on bonds	6,397
The amorization of bond issuance cost	(32,949)
In the Statement of Activities, only interest income from payments received on capital leases is 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.	<u>(1,000,000)</u>
Change in Net Assets of Governmental Activities	<u>\$ (2,000,940)</u>

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

JONES COUNTY  
Statement of Net Assets - Proprietary Fund  
September 30, 2010

Exhibit 5

	Business-type Activities Enterprise Fund
	<u>Garbage Fund</u>
ASSETS	
Current assets:	
Cash	\$ 38,579
Accounts receivable (net of allowance for uncollectibles of \$1,210,164)	48,168
Total Current Assets	<u>86,747</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	354,601
Total Noncurrent Assets	<u>354,601</u>
Total Assets	<u>441,348</u>
LIABILITIES	
Current liabilities:	
Claims payable	111,292
Due to other funds	21,720
Advances from other funds	32,460
Unearned revenue	157,939
Capital debt:	
Capital leases payable	75,175
Total Current Liabilities	<u>398,586</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	239,564
Non-capital debt:	
Compensated absences payable	31,280
Total Noncurrent Liabilities	<u>270,844</u>
NET ASSETS	
Invested in capital assets, net of related debt for:	39,862
Unrestricted	<u>(267,944)</u>
Total Net Assets	\$ <u><u>(228,082)</u></u>

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

## JONES COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund  
For the Year Ended September 30, 2010

	Business-type Activities - Enterprise Fund
	Garbage Fund
Operating Revenues	
Charges for services	\$ 1,553,284
Miscellaneous	6,770
Total Operating Revenues	1,560,054
Operating Expenses	
Personal services	968,546
Contractual services	472,904
Materials and supplies	254,404
Depreciation expense	157,261
Indirect administrative cost	21,720
Total Operating Expenses	1,874,835
Operating Loss	(314,781)
Nonoperating Revenues (Expenses)	
Interest income	2,706
Gain on sale of capital assets	80,951
Net Nonoperating Revenue (Expenses)	83,657
Changes in Net Assets	(231,124)
Net Assets - Beginning	3,042
Net Assets - Ending	\$ (228,082)

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, 2010

Exhibit 7

	Business-type Activities Enterprise Fund
	Garbage Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,847,760
Payments to suppliers	(650,214)
Payments to employees	(1,020,278)
Other operating cash receipts	6,770
Net Cash Provided (Used) by Operating Activities	<u>184,038</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	314,739
Proceeds from sale of capital assets	388,553
Acquisition and construction of capital assets	(404,265)
Principal paid on long-term debt	(451,835)
Interest paid on debt	(6,373)
Interest earned	2,706
Cash paid to other funds:	
Interfund loan repayments	(58,527)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(215,002)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(30,964)
Cash and Cash Equivalents at Beginning of Year	<u>69,543</u>
Cash and Cash Equivalents at End of Year	<u>\$ 38,579</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (314,781)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	157,261
Allowance for uncollectibles	621,033
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(440,095)
Increase (decrease) in claims payable	22,103
Increase (decrease) in compensated absences liability	3,259
Increase (decrease) in unearned revenue	113,538
Increase (decrease) in interfund payables	21,720
Total Adjustments	<u>498,819</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 184,038</u>
Noncash Capital Financing Activity:	
Jones County lease purchased mobile equipment for \$314,739 for 4 years at 3.05% interest. No principal payments were made on the lease during the year.	

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

JONES COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2010

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 468,329
Due from other funds	35,497
Total Assets	<u>\$ 503,826</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 31,362
Intergovernmental payables	472,464
Total Liabilities	<u>\$ 503,826</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, 2010

#### (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.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- South Central Regional Medical Center
- West Jones Fire Protection District
- Sharon-Shady Grove Fire Protection District
- Northeast Jones Fire Protection District
- South Jones Fire Protection District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the county legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

##### B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures, which provide a detailed level of financial information.

##### Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

## JONES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

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.

#### Fund Financial Statements:

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

#### C. Measurement Focus and Basis of Accounting.

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

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

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

## JONES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

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.

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.

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than 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 TYPE

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

#### FIDUCIARY FUND TYPE

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

#### D. Account Classifications.

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

#### E. Deposits and Investments.

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

## JONES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." 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. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

#### I. 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 and those acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all road 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.

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

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:

	Capitalization Thresholds	Estimated Useful Life
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	*	*

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

### J. 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 Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

### K. Equity Classifications.

Government-wide Financial Statements:

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

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

## JONES COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2010

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.

#### L. Property Tax Revenues.

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

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

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

#### M. 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.

#### N. 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 Proprietary Funds 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.

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (2) Prior Period Adjustment.

A summary of significant fund equity adjustments are as follows:

#### Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds

<u>Explanation</u>	<u>Amount</u>
To reclassify the Special Escrow Fund, Parks and Recreation, Block Grant 6 – Law Enforcement Fund, Block Grant 7 – Law Enforcement Fund, Seized Property Forfeiture Fund, Highway Interdiction Fund, Triad – Sheriff Grant Fund, and K-9 Unit Fund from the General Fund to Other Governmental Funds.	
General Fund	\$ (416,322)
Other Governmental Funds	<u>416,322</u>
Total prior period adjustment	<u><u>\$ 0</u></u>

### (3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$8,825,274, and the bank balance was \$9,388,678. 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 Deposit Insurance Corporation (FDIC).

**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.

### (4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Garbage Fund	\$ 21,720
Other Governmental Funds	Other Governmental Funds	122,000
Other Governmental Funds	General	257,833
Agency Funds	General	<u>35,497</u>
Total		<u><u>\$ 437,050</u></u>

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

The receivables represent the tax revenue collected but not settled until October, 2010 and operating loans between the governmental funds. 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	Garbage Fund	\$ <u>32,460</u>

The advances represent interfund loans relating to indirect costs associated with garbage collection totaling \$32,460. The advance is not expected to be repaid within one year from the date of the financial statements.

### C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	Other Governmental Funds	\$ 83,837
Other Governmental Funds	General Fund	<u>157,355</u>
Total		\$ <u>241,192</u>

All interfund transfers were routine and consistent with the activities of the fund making the transfer.

### (5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 239,011
State and community highway safety	11,753
State and community highway safety	11,607
Safe and drug-free schools and communities, state grants	2,546
Safe and drug-free schools and communities, state grants	2,649
Highway planning and construction	43,113
Hazard mitigation grant	128,990
Emergency management performance grant	9,853
Emergency watershed protection program	449,335
Public safety interoperable communications grant program	<u>198,497</u>
Total Governmental Activities	\$ <u>1,097,354</u>

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (6) Loans Receivable.

Loans receivable balances at September 30, 2010, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Debar Construction CDBG Loan	5/1/1995	5.25	7/1/2006	\$ 27,004
Debar Construction CDBG Loan	9/30/1998	5.5	9/30/2009	200,096
Howard Industries MBIA Loan	2/1/1998	-	2/1/2013	650,000
Howard Industries MBIA Loan	12/1/1998	-	12/1/2018	1,150,000
Total Loans Receivable				<u>\$ 2,027,100</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 12, the county has obtained two loans on behalf of this company from Mississippi Development Authority. As of September 30, 2010, the combined balance of these loans was \$227,100. 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 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.

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 952,616	84,500	3,906		1,033,210
Construction in progress		505,951			505,951
Total non-depreciable capital assets	952,616	590,451	3,906	0	1,539,161
<u>Depreciable capital assets:</u>					
Infrastructure	147,915,151	681,700			148,596,851
Buildings	19,085,547				19,085,547
Mobile equipment	9,586,440	1,042,074	1,038,192	1,162,815	10,753,137
Furniture and equipment	2,160,211	716,846	71,115	363,068	3,169,010
Leased property under capital leases	7,403,675	1,237,534	574,680	(1,525,883)	6,540,646
Total depreciable capital assets	186,151,024	3,678,154	1,683,987	0	188,145,191
<u>Less accumulated depreciation for:</u>					
Infrastructure	97,037,371	513,657			97,551,028
Buildings	5,971,397	346,445			6,317,842
Mobile equipment	7,295,583	719,742	782,260	739,601	7,972,666
Furniture and equipment	1,771,355	165,547	59,513	326,761	2,204,150
Leased property under capital leases	2,936,842	869,008	196,862	(1,066,362)	2,542,626
Total accumulated depreciation	115,012,548	2,614,399	1,038,635	0	116,588,312
Total depreciable capital assets, net	71,138,476	1,063,755	645,352	0	71,556,879
Governmental activities capital assets, net	\$ 72,091,092	1,654,206	649,258	0	73,096,040

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### Business-type activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Depreciable capital assets:</u>					
Mobile equipment	450,153	76,357		214,518	741,028
Furniture and equipment	14,724	13,169			27,893
Leased property under capital leases	695,148	314,739	480,630	(214,518)	314,739
Total depreciable capital assets	1,160,025	404,265	480,630	0	1,083,660
<u>Less accumulated depreciation for:</u>					
Mobile equipment	403,554	88,758		154,454	646,766
Furniture and equipment	13,790	11,851			25,641
Leased property under capital leases	327,482	56,652	173,028	(154,454)	56,652
Total accumulated depreciation	744,826	157,261	173,028	0	729,059
Total depreciable capital assets, net	415,199	247,004	307,602	0	354,601
Business-type activities capital assets, net	415,199	247,004	307,602	0	354,601

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

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 113,384
Public safety	675,962
Public works	1,635,267
Health and welfare	57,052
Culture and recreation	127,526
Economic development	5,208
Total governmental activities depreciation expense	\$ 2,614,399
Business-type activities:	
Solid waste	\$ 157,261

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (8) Claims and Judgments.

#### Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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, 2010, to January 1, 2011. 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 \$7,414, reported on the balance sheet.

### (9) Capital Leases.

#### As Lessor:

The county leases the following property with varying terms and options as of September 30, 2010:

<u>Classes 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
Total	<u>\$ 24,000,000</u>

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2010, are as follows:

<u>Year Ended September 30</u>		<u>Principal</u>
2011	\$	1,000,000
2012		1,000,000
2013		1,000,000
2014		1,000,000
2015		1,000,000
2016 - 2020		5,000,000
2021 - 2025		4,800,000
Total	\$	<u>14,800,000</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

<u>Classes of Property</u>		<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$	5,807,717	314,739
Furniture and equipment		<u>732,929</u>	
Total		6,540,646	314,739
Less: Accumulated depreciation		<u>2,542,626</u>	<u>56,652</u>
Leased Property Under Capital Leases	\$	<u>3,998,020</u>	<u>258,087</u>

The following is a schedule by years of the total payments due as of September 30, 2010:

<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>
2011	\$	1,648,802	151,060	75,175	9,599
2012		1,490,281	98,291	77,468	7,307
2013		1,092,812	44,662	79,831	4,944
2014		228,619	10,967	82,265	2,509
2015		15,954	1,652		
2016 - 2020		<u>25,562</u>	<u>1,400</u>		
Total	\$	<u>4,502,030</u>	<u>308,032</u>	<u>314,739</u>	<u>24,359</u>

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (10) Other Postemployment Benefits.

#### Plan Description

The Jones County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The county's health insurance plan may be amended by the Jones County Board of Supervisors. The county purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The county does not issue a publicly available financial report for the Plan.

### (11) Long-term Debt.

Debt outstanding as of September 30, 2010, 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	\$ 120,000	0.00%	04-2014
Multi-purpose center construction	605,000	4.00/6.00%	12-2011
Juvenile center construction	975,000	4.35/5.25%	10-2015
Justice Court Building and road improvements	1,450,000	1.75/4.25%	06-2012
MBIA bonds for Tech Park	3,220,000	3.00%	03-2021
2004 Construction bond	2,675,000	3.32%	04-2019
2008 Road bonds	4,490,000	3.00/4.25%	06-2023
MBIA bonds for Howard Industries	600,000	0.00%	12-2013
MBIA bonds for Howard Industries	1,200,000	0.00%	12-2018
MBIA bonds for Tech Park	9,800,000	0.00%	10-2023
MBIA bonds for Tech Park	5,000,000	0.00%	04-2025
Series 2009 (A) bond	5,670,000	3.00/4.00%	09-2021
Series 2009 (B) bond	3,265,000	5.50/6.10%	09-2024
Total General Obligation Bonds	\$ 39,070,000		
B. Capital Leases:			
WAN equipment	\$ 58,526	3.22%	11-2012
Server upgrade	38,322	3.34%	01-2014
Phone system/Moye building	7,500	3.34%	03-2012
2-2009 Ford F-150 trucks	24,798	3.18%	04-2013
Surveillance system	36,027	3.34%	03-2014
E-One protector fire truck	18,470	4.23%	05-2011
3 2008 Ford F-150 trucks	38,157	3.20%	03-2012

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
2008 Chevy Tahoe	21,482	3.20%	05-2012
2008 Ford F-150 truck	11,726	3.00%	06-2012
Motorola radios	59,162	3.37%	02-2013
4 Tahoe trucks, 2 Impalas, K-9 transport, etc.	178,040	3.32%	02-2013
21 Ford Crown Victoria cars	362,502	3.41%	11-2012
Mahindra tractor	3,700	4.36%	02-2011
Gator & 3 mowers	6,956	4.24%	03-2011
E-911 emergency equipment	38,730	3.15%	08-2011
Motorola Microwave system point to point	91,647	3.13%	05-2014
DS3000 Tanker truck	77,500	3.00%	10-2012
Fire truck	14,311	5.23%	10-2010
2006 Ford rescue truck	54,924	4.24%	06-2017
Sandersville fire truck	12,595	3.79%	07-2011
2006 Ford mini-pumper	44,608	3.60%	11-2015
Mauldin paver	122,338	3.00%	10-2013
Cat paver	60,522	4.29%	10-2010
Cat asphalt compactor	28,478	4.10%	11-2010
Cat D-6 dozer	173,659	3.27%	07-2013
2008 Ford F-150 truck	11,308	3.00%	06-2012
Cat 430D backhoe	30,781	3.89%	03-2011
Leeboy broom	18,297	3.24%	09-2012
2 Ford dump trucks	89,006	3.31%	01-2013
5 Diamond mowers	47,726	4.23%	07-2011
Used '02 International truck & skid steer	46,500	3.19%	02-2013
Cat excavator	67,718	4.09%	11-2011
2 2008 Ford F-150 trucks	20,486	3.14%	05-2012
3 Diamond mowers	28,591	4.12%	03-2011
2 Cat 140M motor graders	354,441	3.07%	05-2012
2 Cat motor graders	132,568	3.25%	01-2012
4 Cat 420E backhoes	123,113	3.97%	01-2011
Lee Roy broom	27,441	3.34%	02-2013
Diamond side broom mower	23,742	3.32%	03-2013
Used 2000 Freightliner truck	10,683	3.35%	04-2013
Used 2004 Ford F-350 truck	9,147	3.35%	05-2013
Used 1999 Sterling truck	22,498	3.47%	06-2013
4 Cat backhoes	274,329	3.20%	10-2012
Used dump truck, dozer, & skid steer	96,900	3.22%	11-2012
2 Durapatchers	126,580	3.15%	04-2014
2007 J.D. mini excavator	42,000	3.10%	04-2013
Kobelco excavator	102,437	3.19%	03-2013
Leeboy motor grader	88,062	3.18%	10-2012
2 International dump trucks	95,958	3.20%	10-2012
2 tractors & 2 mowers	58,868	3.20%	03-2012
Cat backhoe loader	36,350	3.20%	03-2012

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
4 2008 Ford F-150 trucks	30,142	3.20%	02-2012
2 Kubota tractors & 1 mower	23,984	4.23%	06-2011
2 Volvo double drum roller	40,424	3.21%	07-2012
Case mini excavator	35,825	3.32%	03-2013
Cat D-5 dozer	87,401	3.07%	10-2011
3 Kubota tractors	113,985	3.24%	01-2014
2002 F-350 Patch truck	12,500	3.13%	05-2013
Used 2006 Lo-boy	44,526	3.14%	09-2014
3 Bush Hogs	9,463	4.23%	06-2011
2007 Cat 315CL excavator	62,410	4.15%	11-2010
Cat 313D excavator	87,984	3.17%	09-2011
2 F-450 trucks	11,799	4.28%	07-2011
Used 1999 GMC 7500 truck	26,700	3.20%	09-2012
Used 2003 International 4300 dump truck	29,000	3.31%	07-2012
PacMac Knuckleboom	100,528	3.19%	02-2014
Kubota with Diamond side mower	83,044	3.10%	09-2014
Cat 312DL trackhoe	98,133	3.23%	11-2012
3 F-150 trucks	17,472	4.29%	08-2011
2008 Ford F-150 truck	11,639	3.20%	03-2012
1997 Ford F-350	4,861	4.22%	11-2010
Total Capital Leases	\$ <u>4,502,030</u>		
C. Other Loans:			
MS Development Authority – Debar*	\$ 27,004	5.50%	07-2006
MS Development Authority – Debar*	200,096	5.50%	07-2010
State of MS – volunteer fire department	<u>86,274</u>	3.70%	07-2011
Total Other Loans	\$ <u>313,374</u>		
Business-type Activities:			
D. Capital Leases:			
3 NuWay garbage trucks	\$ <u>314,739</u>	3.05%	08-2014

\* The possibility exists that Jones County may not have to repay these two Debar loans because they have made a good faith effort to collect after the bankruptcy of Debar Construction, Inc. Currently, a judgment has been issued in favor of the County for Debar to have to repay the loans. No funds have been received as of the current date.

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

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
2011	\$ 3,355,000	465,309	125,194	8,970
2012	3,405,000	685,513	54,852	4,770
2013	3,030,000	612,335	36,235	2,839
2014	2,890,000	558,004	97,093	9,141
2015	2,915,000	502,433		
2016 – 2020	13,700,000	1,676,219		
2021 - 2025	9,775,000	376,739		
Total	\$ 39,070,000	4,876,552	313,374	25,720

Note on the 2009B G.O. Bonds: The county has elected to designate the 2009B bonds as Recovery Zone Economic Development Bonds, and pursuant to Section 6341 of the Internal Revenue Code, is eligible to receive subsidy payments from the United States Treasury equal to 45% of the periodic interest payments on the bonds. The total amount of the subsidy payments over the life of the bonds is projected to be \$1,164,372.

Note on prepaid interest for the 2009A G.O. Bonds and the 2009B G.O. Bonds: Prepaid interest in the amount of \$386,409 will be amortized to pay the first four interest payments due on the 2009A Bond; similarly prepaid interest in the amount of \$206,415 will be amortized to pay the first four interest payments due on the 2009B Bonds.

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, 2010, the amount of outstanding debt was equal to 7.00% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 514,770	48,546			563,316	
General obligation bonds	42,355,000		3,285,000		39,070,000	3,355,000
Add:						
Premiums	70,371		6,397		63,974	
Capital leases	5,193,949	1,198,034	1,889,953		4,502,030	1,648,802
Other loans	395,411		82,037		313,374	125,194
Total	\$ 48,529,501	1,246,580	5,263,387	0	44,512,694	5,128,996

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments	Balance Sept. 30, 2010	Amount due within one year
Business-type Activities:						
Compensated absences	\$ 28,021	3,259			31,280	
Capital leases	451,835	314,739	451,835		314,739	75,175
Other loans						
Total	\$ 479,856	317,998	451,835	0	346,019	75,175

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Fund and Solid Waste Fund.

### (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 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, 2010, is \$29,524,682.

### (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 \$345,000 in fiscal year 2010. 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 board of commissioners. 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 \$254,631 in fiscal year 2010. 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, 2010

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 of 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 \$227,500 in the fiscal year 2010. 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 \$65,240 for support of the district in fiscal year 2010.

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 \$145,000 for support of the entity in fiscal year 2010.

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 \$2,073,491 for maintenance and support of the college in fiscal year 2010.

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 \$63,000 for support of the fair in fiscal year 2010.

# JONES COUNTY

## Notes to Financial Statements For the Year Ended September 30, 2010

### (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. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% 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, 2010, 2009 and 2008 were \$1,290,707, \$1,245,448 and \$1,164,569, respectively, equal to the required contributions for each year.

### (16) Subsequent Events.

Subsequent to September 30, 2010, the county issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
12/2010	0.65-3.50%	\$ 3,000,000	General obligation bond	Property tax revenue
04/2011	2.00-5.625%	5,800,000	Special obligation bonds	Hospital revenue
02/2011	3.89%	2,750,000	Capital Lease	Property tax revenue
10/2010	3.34%	39,500	Capital lease	Property tax revenue
11/2010	3.17%	36,000	Capital lease	Property tax revenue
01/2011	3.08%	98,000	Capital lease	Property tax revenue
01/2011	3.26%	499,766	Capital lease	Property tax revenue
01/2011	3.05%	88,110	Capital lease	Property tax revenue
02/2011	3.23%	37,000	Capital lease	Property tax revenue
02/2011	3.01%	103,922	Capital lease	Property tax revenue
04/2011	3.00%	49,473	Capital lease	Property tax revenue
04/2011	3.00%	61,839	Capital lease	Property tax revenue
04/2011	2.91%	141,258	Capital lease	Property tax revenue
07/2011	2.77%	141,258	Capital lease	Property Tax revenue

## JONES COUNTY

### REQUIRED SUPPLEMENTARY INFORMATION

## JONES COUNTY

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JONES COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,120,263	11,851,973	11,851,973	
Road and bridge privilege taxes		885	885	
Licenses, commissions and other revenue	614,000	564,375	564,375	
Fines and forfeitures	515,000	520,953	520,953	
Intergovernmental revenues	1,784,104	1,957,734	1,957,734	
Charges for services	370,000	307,342	307,342	
Interest income	200,000	110,682	110,682	
Miscellaneous revenues	373,000	633,528	633,528	
Total Revenues	<u>15,976,367</u>	<u>15,947,472</u>	<u>15,947,472</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	8,433,362	9,079,751	9,079,751	
Public safety	3,522,246	3,829,306	3,829,306	
Public works	237,131	254,631	254,631	
Health and welfare	932,351	924,226	924,226	
Culture and recreation	407,729	408,229	408,229	
Education	94,000	109,169	109,169	
Conservation of natural resources	128,419	117,607	117,607	
Economic development and assistance	399,240	645,540	645,540	
Debt service:				
Principal	128,967	109,717	109,717	
Total Expenditures	<u>14,283,445</u>	<u>15,478,176</u>	<u>15,478,176</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,692,922</u>	<u>469,296</u>	<u>469,296</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			62,778	62,778
Transfers out			(739,983)	(739,983)
Other financing sources	10,000	62,778		(62,778)
Other financing uses	(545,500)	(739,983)		739,983
Total Other Financing Sources and Uses	<u>(535,500)</u>	<u>(677,205)</u>	<u>(677,205)</u>	<u>0</u>
Net Change in Fund Balance	1,157,422	(207,909)	(207,909)	
Fund Balances - Beginning	<u>150,000</u>	<u>287,338</u>	<u>287,338</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,307,422</u>	<u>79,429</u>	<u>79,429</u>	<u>0</u>

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

JONES COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Howard Industries Fund  
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$ 1,600,000	1,350,000	1,350,000	
Total Revenues	<u>1,600,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>0</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	1,600,000	1,350,000	1,350,000	0
Interest				0
Total Expenditures	<u>1,600,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance				
Fund Balances - Beginning	<u>1,600,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>0</u>
Fund Balances - Ending	\$ <u>1,600,000</u>	<u>1,350,000</u>	<u>1,350,000</u>	<u>0</u>

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

# JONES COUNTY

## Notes the Required Supplementary Information For the Year Ended September 30, 2010

### 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 the major Special Revenue Fund:

	General Fund	Howard Industries Fund
	<u>                    </u>	<u>                    </u>
Budget (Cash Basis)	\$ (207,909)	0
Increase (Decrease)		
Net adjustments for revenue accruals	12,432	
Net adjustments for expenditure	<u>(212,143)</u>	<u>(350,000)</u>
GAAP Basis	<u>\$ (407,620)</u>	<u>(350,000)</u>

## JONES COUNTY

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## JONES COUNTY

## SUPPLEMENTAL INFORMATION

JONES COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Passed-through the Mississippi State Treasurer's Office School and roads-grants to states	10.665	N/A	\$ 149,546
Passed-through the Office of National Resource Conservation Service ARRA Emergency Watershed Protection program *	10.923	JCBS-101-08	448,571
Total U.S. Department of Agriculture			598,117
U.S. Department of Commerce/Passed-through the Office of National Telecommunications and Information Administration Public Safety Interoperable Communications Grant Program	11.555	N/A	198,497
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	2008-DJ-BX-0631	8,861
Edward Byrne memorial justice assistance grant program	16.738	2009-DJ-BX-1440	67,542
ARRA Byrne JAG program	16.804	2009-SB-B9-3317	282,185
Total U.S. Department of Justice			358,588
U.S. Department of Transportation/ Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction *	20.205	BR-NBIS-071 B(34)	52,320
Highway planning and construction *	20.205	STP-2170-00 (006)	306,302
Highway planning and construction *	20.205	BR-2170-00 (008)	200,552
Subtotal			559,174
National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety State and community highway safety	20.600	10-PT-134-1	137,487
Total U.S. Department of Transportation			696,661
U.S. Department of Energy ARRA Energy Efficiency and Conservation Block Grant program (Direct Award)	81.128	SC0002981	30,525
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 grant	84.186	09-DF-657-1	30,658
U.S Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant *	97.039	DR-1604-MS-0140	193,755
Hazard mitigation grant *	97.039	DR-1604-MS-0381	163,284
Subtotal			357,039

JONES COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Emergency management performance grant	97.042		9,853
Total U.S Department of Homeland Security			366,892
Total Expenditures of Federal Awards			\$ 2,279,938

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.

Note B - American Recovery and Reinvestment Act grants

The Emergency watershed protection program, ARRA Byrne JAG program, and Energy efficiency and conservation block grant program are American Recovery and Reinvestment Act funds.

\* Denotes major federal award program

JONES COUNTY

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## JONES COUNTY

## SPECIAL REPORTS

## JONES COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**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

We 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, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated August 4, 2011. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the county did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Jones County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our 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, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1, 10-2, and 10-3 to be material weaknesses.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as 10-4 to be a significant deficiency.

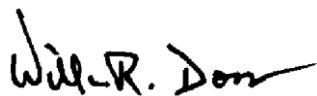
#### Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Jones County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated August 4, 2011, included within this document.

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

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.



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

August 4, 2011



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Jones County, Mississippi

Compliance

We 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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Jones County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jones County, Mississippi's management. Our responsibility is to express an opinion on Jones County, Mississippi's compliance based on our audit.

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

In our opinion, Jones County, Mississippi, complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we 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.

A handwritten signature in black ink, appearing to read "Will R. Doss", with a stylized flourish at the end.

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

August 4, 2011



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

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

Members of the Board of Supervisors  
Jones County, Mississippi

We have examined Jones County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Jones County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of 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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Inventory Control Clerk.

1. Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Clerk to maintain an inventory system. As reported in the prior year audit report, certain fixed assets control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of general fixed assets. During our audit we noted several instances in which assets were removed from inventory. However, they had not been disposed of and there were some assets remaining on the inventory list that should have been removed during the fiscal year. Failure to accurately record assets in a subsidiary ledger could result in a misstatement on the county's financial statements.

### Recommendation

The Inventory Control Clerk should implement procedures to properly maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

### Inventory Control Clerk's Response

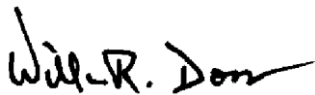
We acknowledge that we have had some problems with proper documentation of assets; however, we have taken several steps to help improve the accuracy of our inventory. First, we have hired new personnel whose sole duties are inventory and second we have accepted the States \$1,000 threshold for inclusion of items on inventory. This should allow us to focus more on the remaining items that are required for inclusion.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Jones County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

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

A handwritten signature in black ink that reads "Will-R. Doss" with a stylized flourish at the end.

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

August 4, 2011

## JONES COUNTY

Schedule 1Schedule of Purchases Not Made From the Lowest Bidder  
For the Year Ended September 30, 2010

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
01/13/2010	Asphalt	\$ 55.25 per ton	Dunn Roadbuilders, LLC	\$ 52.00 per ton	Distance to travel and haul
01/14/2010	Asphalt	55.25 per ton	Dunn Roadbuilders, LLC	52.00 per ton	Distance to travel and haul

JONES COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2010

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
12/23/2009	Servers	\$ 13,979	Premise, Inc.	Existing server quit working
02/22/2010	Sand for bridges	800	Wayne Jones Hay & Fertilizer	Weather hazard of ice on bridges

## JONES COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2010

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
11/10/2009	2009 tax statements	\$	15,064	Lawrence Printing
12/02/2009	Muffin Grinder repair		8,689	JWC Environmental
04/26/2010	Digital W-Car video system		5,100	Watch Guard Digital in Car Video
06/11/2010	Milling pavement at JCJC		17,565	Dunn Roadbuilders, LLC.

## JONES COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Jones County, Mississippi

In planning and performing our audit of the financial statements of Jones County, Mississippi for the year ended September 30, 2010, we considered Jones County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our 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, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated August 4, 2011, 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, our 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 our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

Interfund loans should be repaid on a timely basis.

1. Finding

As stated in the prior three years' audit reports, the county has interfund loans outstanding that are over a year old. There interfund loans totaled \$32,460 as of September 30, 2010. The interfund loans include \$32,460 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 possible.

## Board of Supervisors' Response

This loan has now been repaid and we will strive to repay all future loans in the same fiscal year as when made.

Tax Collector.

### The distribution of funds report was not prepared.

#### 2. Finding

The Tax Collector must prepare a report at September 30 of each year identifying the distribution of all funds held by the respective official in order to include these funds in the financial statements of the county. This report should specify the revenues that are due to the General Fund, other funds, state governments or others and should be submitted to the Chancery Clerk by October 31 of each year. As reported in the prior year's audit report, this report was not prepared for September 30, 2010. By not preparing this report properly, there could be a risk of funds being misclassified in the financial statements.

#### Recommendation

In the future, the Tax Collector should prepare the report described above at September 30 of each year.

#### Tax Collector's Response

We will comply.

Circuit Clerk.

### Deputy Circuit Clerks should be properly bonded.

#### 3. Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks be bonded for three percent of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000. As a result of audit procedures performed, it was determined that the Deputy Circuit Clerks were not properly bonded for the fiscal year 2010. Failure to comply with the statutes could result in loss of public funds.

#### Recommendation

The Circuit Clerk should implement additional procedures to ensure that all officials required by state statute are properly bonded.

#### The Circuit Clerk's Response

Coverage was charged to individual policy and were properly bonded for 2010 with South group.

Justice Court Clerk.

### The Justice Court Clerk and Deputy Clerks should be properly bonded.

#### 4. Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires that the Justice Court Clerk and Deputy Clerks be bonded for minimum of \$50,000. As a result of audit procedures performed, it was determined that the Justice Court Clerk and Deputy Clerks were not properly bonded for the fiscal year 2010. Failure to comply with the statutes could result in loss of public funds.

Recommendation

The Justice Court Clerk should implement additional procedures to ensure that all officials required by state statute are properly bonded.

Justice Court Clerk's Response

We will comply.

Sheriff.

The Sheriff should maintain a separate bank account.

5. Finding

An effective system of internal control should include separate accounting for Sheriff's Office funds. A separate bank account should be used to account for all Sheriff's office collections and a separate reconciliation should be prepared for that account. As noted in the prior year's audit report, during our audit, we noted that the Sheriff's Office funds were being deposited directly into the general depository. Failure to separate the account of the Sheriff's Office funds could result in the loss or misappropriations of public funds.

Recommendation

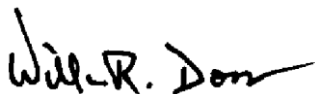
The Sheriff should establish and maintain a separate bank account and reconciliation monthly in order to settle appropriate fees to the county.

The Sheriff's Response

The Jones County Sheriff's Department has opened their own checking account. They are making daily deposits and then make a settlement to the County once a month.

Jones County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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.



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

August 4, 2011

JONES COUNTY

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JONES COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## JONES COUNTY

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# JONES COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

### Section 1: Summary of Auditor's Results

#### ***Financial Statements:***

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements:                              |             |
|    | Governmental activities   | Qualified   |
|    | Business-type activities  | Unqualified |
|    | Aggregate discretely presented component units  | Adverse     |
|    | General Fund  | Unqualified |
|    | Howard Industries   | Unqualified |
|    | Garbage Fund  | Unqualified |
|    | Aggregate remaining fund information  | Unqualified |
| 2. | Internal control over financial reporting:  |             |
|    | a. Material weaknesses identified?  | Yes         |
|    | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes         |
| 3. | Noncompliance material to the financial statements noted?                                 | 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 disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133?  | No            |
| 7.  | Federal programs identified as major programs:   |               |
|     | a. ARRA Emergency watershed protection program, CFDA #10.923   |               |
|     | b. Highway planning and construction, CFDA #20.205   |               |
|     | c. Hazard mitigation grant, CFDA #97.039   |               |
| 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 finding 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? | Yes           |

## JONES COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

#### Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency – Material Weakness

#### Financial Data for Component Units Should Be Included in the Financial Statements

##### 10-1. Finding

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

##### Recommendation

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

##### Board of Supervisors' Response

While we understand this is considered generally accepted accounting principles to combine component units with the primary government, in our case, it would result in financial statements that would no longer be relevant to the general public in determining the financial operations of county Government. We do not feel this principal should apply to County Government and we have yet to find any other county in Mississippi that combines its hospital's financial statements with that of the county.

Significant Deficiency – Material Weakness

#### The County Should Comply with GASB Statement 45 and Report on Postemployment Health Care Benefits

##### 10-2. Finding

Jones County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the county's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined health care plan. GASB Statement 45 requires the county to report on an accrual basis the liability associated with other postemployment benefits. The county does not issue a publicly available financial report its health insurance plan. As reported in the prior year's audit, the county has not recorded a liability for other postemployment benefits nor has the county reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.

##### Recommendation

The Board of Supervisors should have an actuarial valuation annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

## JONES COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

#### Board of Supervisors' Response

We understand this is a new requirement placed on counties to provide this information, however, this information is very difficult to obtain. We will continue to seek help from our local insurance agent representing us for Health coverage in providing this actuary information in the future.

#### Significant Deficiency – Material Weakness

##### The County Should Establish Controls to Ensure Preparation of the Financial Statements

###### 10-3. Finding

A critical aspect of effective financial management is the maintenance of accurate accounting records. Management does not have personnel that possess the necessary qualification and training to prepare financial statements in accordance with generally accepted accounting principles. Therefore, since the county personnel lacked the skills and knowledge to apply generally accepted accounting principles in preparing and presenting the financial statements and related note disclosures, the risk increases that inaccurate information may be reported.

###### Recommendation

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

###### Board of Supervisors' Response

The county has relied upon the auditor to prepare financial statements in the past due to county accounting personnel time constraints and to save taxpayer funds for the sake of financial efficiency. This new internal control weakness finding is based upon new requirements and interpretations of auditing standards that have not been required of county governments in Mississippi in the past. The Board of Supervisors will provide the appropriate financial information to the auditor, as required, in the future.

#### Significant Deficiency

##### The County Should Maintain Adequate Fixed Asset Subsidiary Records

###### 10-4. Finding

An effective system of internal control over capital assets includes maintaining an accurate inventory system, with complete and accurate subsidiary records. As reported in the prior year's audit, certain fixed assets control procedures were inadequate for maintaining an accurate inventory or adequate subsidiary records documenting the existence, valuation and completeness of general fixed assets. During our audit we noted several instances in which assets were removed from inventory. However, they had not been disposed of and there were some assets remaining on the inventory list that should have been removed during the fiscal year. Failure to accurately record assets in a subsidiary ledger could result in a misstatement on the county's financial statements.

###### Recommendation

The Inventory Control Clerk should implement procedures to properly maintain accurate inventory records documenting the existence, completeness and valuation of capital assets.

## JONES COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2010

#### Board of Supervisors' Response

We acknowledge that we have had some problems with proper documentation of assets, however; we have taken several steps to help improve the accuracy of our inventory. First, we have hired new personnel whose sole duties are inventory and second we have accepted the States 1,000 threshold for inclusion of items on inventory. This should allow us to focus more on the remaining items that are required for inclusion.

#### Section 3: Federal Award Findings and Questioned Costs

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

JONES COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



JONES COUNTY, MISSISSIPPI  
BOARD OF SUPERVISORS  
P.O. BOX 1468  
LAUREL, MS 39441  
PHONE 425-3001

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2010

Office of the State Auditor  
P.O. Box 956  
Jackson, Mississippi 39205

Gentlemen:

Jones County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

### U. S. DEPARTMENT OF HOMELAND SECURITY

2009 - FINDING NO. 09-4: Hazard Mitigation grant/Passed through the Mississippi Emergency Management Agency, CFDA No. 97.039.

Condition: During the fiscal year, funds were expended for the acquisition of generators and sirens. The acquisitions were for the use of public safety. The amount expended for these acquisitions was not added to the fixed asset records of the county. The failure to add these items to the fixed asset records causes an understatement of the county's net assets and a failure for assets acquired with federal funds.

Recommendation: Management has a procedure to identify and record the additions to the fixed assets records. This procedure was not followed. This procedure should be followed and modified to address the issue of not reporting the acquisition of this type capital expenditure. When this issue was brought to the attention of management, this equipment was added to the fixed asset records.

Current Status: Corrective actions was taken.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Charles Miller".

Charles Miller  
County Administrator  
601-428-3134