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**JONES COUNTY, MISSISSIPPI
Audited Primary Government Financial
Statements and Special Reports
For the Year Ended September 30, 2004**

JONES COUNTY
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JONES COUNTY

FINANCIAL SECTION

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

Members of the Board of Supervisors
Jones County, Mississippi

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of and for the year ended September 30, 2004, 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. My responsibility is to express opinions on these financial statements based on my audit.

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

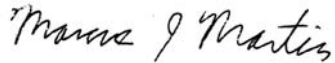
The financial statements referred to above include only the primary government of Jones County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jones County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Jones County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated July 20, 2005, on my consideration of Jones County, Mississippi's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

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

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

A handwritten signature in cursive script that reads "Marcus J. Martin".

MARCUS J. MARTIN
Certified Public Accountant
July 20, 2005

JONES COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

**Jones County
Statement of Net Assets
September 30, 2004**

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 7,969,157	41,235	8,010,392
Property tax receivable	14,556,967		14,556,967
Accounts receivable (net of allowance for uncollectibles of \$81,449)		110,862	110,862
Fines receivable (net of allowance for uncollectibles of \$1,464,324)	1,688,162		1,688,162
Loans receivable	4,137,381		4,137,381
Capital leases receivable	1,710,000		1,710,000
Intergovernmental receivables	295,322		295,322
Other receivables	52,346	12,600	64,946
Internal balances	199,320	(199,320)	
Capital assets, net	73,018,632	392,081	73,410,713
Total Assets	103,627,287	357,458	103,984,745
LIABILITIES			
Claims payable	570,136	51,566	621,702
Intergovernmental payables	850,206		850,206
Deferred revenue	14,826,967	13,201	14,840,168
Long-term liabilities			
Due within one year:			
Capital debt	5,108,935	245,521	5,354,456
Due in more than one year:			
Capital debt	33,499,600	123,449	33,623,049
Non-capital debt	269,894	15,263	285,157
Total Liabilities	55,125,738	449,000	55,574,738
NET ASSETS			
Invested in capital assets, net of related debt	34,410,097	23,111	34,433,208
Restricted:			
Expendable:			
Debt service	269,347		269,347
Public safety	70,084		70,084
Public works	6,508,298		6,508,298
Economic development	4,139,296		4,139,296
Unemployment compensation	31,014		31,014
Capital projects	551,380		551,380
Other purposes	23,793		23,793
Unrestricted	2,498,240	(114,653)	2,383,587
Total Net Assets	\$ 48,501,549	(91,542)	48,410,007

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

**Jones County
Statement of Activities
For the Year Ended September 30, 2004**

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 7,007,641	640,643	183,039		(6,183,959)		(6,183,959)
Public safety	5,031,870	1,138,571	880,570		(3,012,729)		(3,012,729)
Public works	3,931,333		1,618,793	313,531	(1,999,009)		(1,999,009)
Health and welfare	813,525		204,876		(608,649)		(608,649)
Culture and recreation	618,043				(618,043)		(618,043)
Conservation of natural resources	113,897				(113,897)		(113,897)
Economic development and assistance	425,802			91,182	(334,620)		(334,620)
Interest on long-term debt	1,138,925				(1,138,925)		(1,138,925)
Total Governmental Activities	19,081,036	1,779,214	2,887,278	404,713	(14,009,831)	-	(14,009,831)
Business-type activities:							
Garbage collection	1,498,036	1,550,768				52,732	52,732
Total Business-type Activities	1,498,036	1,550,768	-	-	-	52,732	52,732
Total Primary Government	\$ 20,579,072	3,329,982	2,887,278	404,713	(14,009,831)	52,732	(13,957,099)
General revenues:							
Property taxes					\$ 13,870,030		13,870,030
Road & bridge privilege taxes					800,317		800,317
Grants and contributions not restricted to specific programs					1,743,955		1,743,955
Unrestricted investment income					237,532	498	238,030
Loss on sale of capital assets					(26,814)	(30,322)	(57,136)
Miscellaneous					529,827	14,604	544,431
Total General Revenues					17,154,847	(15,220)	17,139,627
Changes in Net Assets					3,145,016	37,512	3,182,528
Net Assets - Beginning					43,221,686	(129,054)	43,092,632
Prior period adjustment					2,134,847		2,134,847
Net Assets - Beginning, as restated					45,356,533	(129,054)	45,227,479
Net Assets - Ending					\$ 48,501,549	(91,542)	48,410,007

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

Jones County
Balance Sheet - Governmental Funds
September 30, 2004

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Howard Industries Fund	Countywide Bond Fund		
ASSETS					
Cash	\$ 1,541,712		220,172	6,207,273	7,969,157
Property tax receivable	8,602,857		2,886,052	3,068,058	14,556,967
Fines receivable (net of allowance for uncollectibles of \$1,464,324)	1,688,162				1,688,162
Loans receivable		3,900,000		237,381	4,137,381
Capital lease receivable		1,710,000			1,710,000
Intergovernmental receivables	295,322				295,322
Other receivables	52,346				52,346
Due from other funds			49,175	131,369	180,544
Advances to other funds	49,320			1,250,000	1,299,320
Total Assets	\$ 12,229,719	5,610,000	3,155,399	10,894,081	31,889,199
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 190,150			379,986	570,136
Intergovernmental payables	850,206				850,206
Due to other funds	180,544				180,544
Advances from other funds	1,100,000				1,100,000
Deferred revenue	10,291,019	1,710,000	2,886,052	3,068,058	17,955,129
Total Liabilities	12,611,919	1,710,000	2,886,052	3,448,044	20,656,015
Fund balances:					
Reserved for:					
Loans receivable		3,900,000		237,381	4,137,381
Unemployment compensation				31,014	31,014
Unreserved, reported in:					
General Fund	(382,200)				(382,200)
Special Revenue Funds				6,626,262	6,626,262
Debt Service Funds			269,347		269,347
Capital Project Funds				551,380	551,380
Total Fund Balances	(382,200)	3,900,000	269,347	7,446,037	11,233,184
Total Liabilities and Fund Balances	\$ 12,229,719	5,610,000	3,155,399	10,894,081	31,889,199

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

Jones County
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

Exhibit 3-1

Total Fund Balance - Governmental Funds	\$	11,233,184
<p>Amounts reported for governmental services in the Statement of Net Assets are different because:</p>		
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$106,673,381		73,018,632
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,688,162
Capital lease receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,440,000
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.		(38,878,429)
Total Net Assets - Governmental Activities	\$	48,501,549

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

Jones County
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2004

Exhibit 4

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Howard Industries Fund	Countywide Bond Fund		
REVENUES					
Property taxes	\$ 8,653,310		2,200,393	3,016,327	13,870,030
Road and bridge privilege taxes	6,605			793,712	800,317
Licenses, commissions and other revenue	432,959			24,673	457,632
Fines and forfeitures	286,115				286,115
Intergovernmental revenues	1,607,978		64,426	3,363,542	5,035,946
Charges for services	170,084			647,167	817,251
Interest income	56,866	100,800		79,866	237,532
Miscellaneous revenues	541,097	500		50,649	592,246
Total Revenues	<u>11,755,014</u>	<u>101,300</u>	<u>2,264,819</u>	<u>7,975,936</u>	<u>22,097,069</u>
EXPENDITURES					
Current:					
General government	6,627,490			568,738	7,196,228
Public safety	2,975,083			1,798,146	4,773,229
Public works	252,116			6,316,902	6,569,018
Health and welfare	718,195				718,195
Culture and recreation	219,462			315,705	535,167
Conservation of natural resources	111,207				111,207
Economic development and assistance	334,121	5,721,386		91,181	6,146,688
Debt service:					
Principal	417,767	590,000	2,114,227	1,150,637	4,272,631
Interest	68,824	100,800	806,579	162,722	1,138,925
Total Expenditures	<u>11,724,265</u>	<u>6,412,186</u>	<u>2,920,806</u>	<u>10,404,031</u>	<u>31,461,288</u>
Excess of Revenues over (under) Expenditures	<u>30,749</u>	<u>(6,310,886)</u>	<u>(655,987)</u>	<u>(2,428,095)</u>	<u>(9,364,219)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	22,322	5,720,886		5,248,233	10,991,441
Proceeds from sale of capital assets				368,277	368,277
Transfers in	50,147			362,863	413,010
Transfers out	(6,000)			(407,010)	(413,010)
Lease principal payments		240,000			240,000
Total Other Financing Sources and Uses	<u>66,469</u>	<u>5,960,886</u>	<u>-</u>	<u>5,572,363</u>	<u>11,599,718</u>
Net Changes in Fund Balances	<u>97,218</u>	<u>(350,000)</u>	<u>(655,987)</u>	<u>3,144,268</u>	<u>2,235,499</u>
Fund Balances - Beginning	<u>(479,418)</u>	<u>4,250,000</u>	<u>925,334</u>	<u>4,301,769</u>	<u>8,997,685</u>
Fund Balances - Ending	<u>\$ (382,200)</u>	<u>3,900,000</u>	<u>269,347</u>	<u>7,446,037</u>	<u>11,233,184</u>

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

Jones County
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2004

Exhibit 4-1

Net Changes in Fund Balances - Governmental Funds	\$	2,235,499
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$10,044,782 exceeded depreciation of \$1,921,158 in the current period.		8,123,624
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In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the loss of \$26,814 and the proceeds from the sale of \$368,277 in the current period.		(395,091)
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Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting		218,216
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In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the Governmental Funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on capital leases.		(240,000)
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Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$10,991,441 exceeded debt repayments of \$4,272,631.		(6,718,810)
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Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. Thus, the change in net assets differs from the change in fund balances by the following:

Compensated absences		(16,003)
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An adjustment for the net effect of various miscellaneous transactions involving capital assets and long-term debt decreased net assets		(62,419)
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Change in Net Assets of Governmental Activities	\$	3,145,016
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The notes to the financial statements are an integral part of this statement.

Jones County
Statement of Net Assets - Proprietary Fund
September 30, 2004

Exhibit 5

	Business-type
	Activities
	Enterprise Fund
	Garbage
	Fund
ASSETS	
Current assets:	
Cash	\$ 41,235
Accounts receivable (net of allowance for uncollectibles of \$81,449)	110,862
Other receivables	12,600
Total Current Assets	164,697
Noncurrent assets:	
Capital assets, net	392,081
Total Noncurrent Assets	392,081
Total Assets	556,778
LIABILITIES	
Current liabilities:	
Claims payable	51,566
Advances from other funds	199,320
Deferred revenue	13,201
Current portions of long-term capital-related debt:	
Capital leases payable	245,521
Total Current Liabilities	509,608
Noncurrent liabilities:	
Capital-related debt:	
Capital leases payable	123,449
Non-capital debt:	
Compensated absences payable	15,263
Total Noncurrent Liabilities	138,712
NET ASSETS	
Invested in capital assets, net of related debt	23,111
Unrestricted	(114,653)
Total Net Assets	\$ (91,542)

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

Jones County
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2004

Exhibit 6

	Business-type Activities
	Enterprise Fund
	Garbage Fund
Operating Revenues	
Charges for services	\$ 1,550,768
Miscellaneous	12,572
Total Operating Revenues	1,563,340
Operating Expenses	
Personal services	640,628
Contractual services	580,864
Materials and supplies	104,200
Depreciation expense	131,839
Indirect administrative cost	24,326
Total Operating Expenses	1,481,857
Operating Income (Loss)	81,483
Nonoperating Revenues (Expenses)	
Interest income	498
Loss on sale of capital assets	(30,322)
Interest expense	(16,179)
Other income (expenses)	2,032
Net Nonoperating Revenues (Expenses)	(43,971)
Changes in Net Assets	37,512
Net Assets - Beginning	(129,054)
Net Assets - Ending	\$ (91,542)

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, 2004

Exhibit 7

	Business-type
	Activities
	Enterprise Fund
	Garbage
	Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,489,539
Payments to suppliers	(690,958)
Payments to employees	(640,411)
Other operating cash receipts	12,572
Net Cash Provided (Used) by Operating Activities	170,742
Cash Flows From Noncapital Financing Activities	
Principal paid on long-term debt	(187,500)
Interest expense	(2,063)
Cash received from other funds:	
Loans from other funds	150,000
Other receipts (payments)	498
Net Cash Provided (Used) by Noncapital Financing Activities	(39,065)
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	162,163
Acquisition and construction of capital assets	(162,163)
Principal paid on long-term debt	(203,632)
Interest paid on debt	(14,116)
Other receipts (payments)	273
Net Cash Provided (Used) by Capital and Related Financing Activities	(217,475)
Net Increase (Decrease) in Cash and Cash Equivalents	(85,798)
Cash and Cash Equivalents at Beginning of Year	127,033
Cash and Cash Equivalents at End of Year	\$ 41,235
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 81,483
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	131,839
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	27,874
Increase (decrease) in claims payable	(5,894)
Increase (decrease) in compensated absences liability	217
Increase (decrease) in deferred revenue	(89,103)
Increase (decrease) in interfund payable	24,326
Total Adjustments	89,259
Net Cash Provided (Used) by Operating Activities	\$ 170,742

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

Jones County
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 141,740
Intergovernmental receivables	312,777
Other receivables	8,993
Total Assets	<u>\$ 463,510</u>
 LIABILITIES	
Amounts held in custody for others	\$ 18,383
Intergovernmental payables	445,127
Total Liabilities	<u>\$ 463,510</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, 2004

(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 and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

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

The 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

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

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 segment or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Fund and Fiduciary Funds financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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

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

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

The county reports the following major Governmental Funds:

General Fund – Accounts for all activities of the general government for which a separate fund has not been established.

Countywide Bond Fund – Accounts for resources accumulated and used for the payment of long-term debt principal, interest and related costs of borrowing relating to bonds.

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

Howard Industries Fund – Accounts 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 – Accounts for the county’s activities of collection and disposal of solid waste within the county.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

E. Deposits and Investments.

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

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

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. 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.

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

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

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and business-type activities. 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.

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

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

* Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Funds in the 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.

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.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

Therefore, the county's full liability in the amount of \$269,894 for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as a liability in the Statement of Net Assets. In the Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$15,263, which represents an amount up to a maximum of 30 days per employee.

(2) Prior Period Adjustment

A summary of significant fund equity adjustments is as follows:

Exhibit 2 – Statement of Activities.

To correct error in calculated accumulated depreciation for certain assets whose useful lives were originally understated	\$ 454,847
To correct recording of deferred revenue associated with capital leases receivable	<u>1,680,000</u>
Total prior period adjustment	<u>\$ 2,134,847</u>

(3) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$8,152,132, and the bank balance was \$8,601,111. The collateral for public entities' deposits in financial institutions is now 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

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(4) Interfund Transactions and Balances

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Bond Fund	General Fund	\$ 49,175
Other Governmental Funds	General Fund	131,369
Total		<u>\$ 180,544</u>

The receivables represent the tax revenue collected but not settled until October 2004. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Garbage Fund	\$ 49,320
Other Governmental Funds	General Fund	1,100,000
Other Governmental Funds	Garbage Fund	150,000
Total		<u>\$ 1,299,320</u>

The advances represent interfund loans and indirect costs associated with garbage collection. A continuing deficit in the General Fund has prompted borrowing from other funds to cover operations. All interfund balances were not initially or are not currently expected to be repaid in the following fiscal year.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 50,147
Other Governmental Funds	General Fund	6,000
Other Governmental Funds	Other Governmental Funds	356,863
Total		<u>\$ 413,010</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, 2004 consisted of the following:

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative Tag Credit	\$ 292,701
Other	2,621
Total Governmental Activities	<u>\$ 295,322</u>

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

(6) Loans Receivable

Loans receivable balances at September 30, 2004, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Debar Construction CDBG Loan	05-01-95	5.25	07-01-06	\$ 28,840
Howard Industries MBIA Loan	02-01-98	-	02-01-13	1,800,000
Howard Industries MBIA Loan	12-01-98	-	12-01-18	2,100,000
Debar Construction CDBG Loan	09-30-98	5.50	09-30-09	<u>208,541</u>
Total				<u>\$ 4,137,381</u>

The loans receivable from Debar Construction, Inc. are impaired and may not be fully collectible due to bankruptcy of the company. See Note (16) for additional information.

(7) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2004:

	<u>Balance Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2004</u>
Governmental Activities:					
<i>Non-depreciable capital assets:</i>					
Land	\$ 487,046	\$ 20,570			\$ 507,616
Construction in progress		5,792,739			5,792,739
Total non-depreciable capital assets	<u>487,046</u>	<u>5,813,309</u>	-	-	<u>6,300,355</u>
<i>Depreciable capital assets:</i>					
Infrastructure	140,533,916	2,444,834			142,978,750
Buildings	14,637,561	221,500			14,859,061
Mobile equipment	5,871,908	248,855	(431,295)	654,503	6,343,971
Furniture and equipment	874,107	49,623	(17,319)	196,031	1,102,442
Leased property under capital leases	8,154,141	1,266,661	(478,076)	(835,292)	8,107,434
Total depreciable capital assets	<u>170,071,633</u>	<u>4,231,473</u>	<u>(926,690)</u>	<u>15,242</u>	<u>173,391,658</u>
<i>Less accumulated depreciation for:</i>					
Infrastructure	(94,422,923)	(365,189)			(94,788,112)
Buildings	(3,143,508)	(284,863)			(3,428,371)
Mobile equipment	(4,174,058)	(462,057)	386,932	(307,475)	(4,556,658)
Furniture and equipment	(630,250)	(244,502)	15,587	(26,482)	(885,647)
Leased property under capital leases	(3,294,034)	(564,547)	129,080	714,908	(3,014,593)
Total accumulated depreciation	<u>(105,664,773)</u>	<u>(1,921,158)</u>	<u>531,599</u>	<u>380,951</u>	<u>(106,673,381)</u>
Total depreciable capital assets, net	<u>64,406,860</u>	<u>2,310,315</u>	<u>(395,091)</u>	<u>396,193</u>	<u>66,718,277</u>
Governmental activities capital assets, net	<u>\$ 64,893,906</u>	<u>\$ 8,123,624</u>	<u>\$ (395,091)</u>	<u>\$ 396,193</u>	<u>\$ 73,018,632</u>

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
Business-type Activities:					
<i>Depreciable capital assets:</i>					
Mobile equipment				\$ 1,759	\$ 1,759
Furniture and equipment	14,724				14,724
Leased property under capital leases	613,716	162,163	(63,142)		712,737
Total depreciable capital assets	<u>628,440</u>	<u>162,163</u>	<u>(63,142)</u>	<u>1,759</u>	<u>729,220</u>
<i>Less accumulated depreciation for:</i>					
Mobile equipment					-
Furniture and equipment	(7,094)	(3,547)			(10,641)
Leased property under capital leases	(214,661)	(128,292)	16,455		(326,498)
Total accumulated depreciation	<u>(221,755)</u>	<u>(131,839)</u>	<u>16,455</u>	<u>-</u>	<u>(337,139)</u>
Total depreciable capital assets, net	<u>406,685</u>	<u>30,324</u>	<u>(46,687)</u>	<u>1,759</u>	<u>392,081</u>
Business-type activities capital assets, net	<u>\$ 406,685</u>	<u>\$ 30,324</u>	<u>\$ (46,687)</u>	<u>\$ 1,759</u>	<u>\$ 392,081</u>

Depreciation expense was charged to the following functions:

Governmental Activities:	
General Government	\$ 54,574
Public Safety	695,451
Public Works	973,089
Health and Welfare	95,010
Culture and Recreation	100,664
Conservation of Natural Resources	<u>2,370</u>
Total	<u>\$ 1,921,158</u>
 Business-type Activities:	
Garbage Collection	<u>\$ 131,839</u>

The significant adjustments to capital assets above include transfers of assets and related accumulated depreciation between Governmental Funds and Business-type Funds, lease purchases which were paid off during the year and transferred to other appropriate categories, and the decrease in accumulated depreciation described as a prior period adjustment in Note (2).

Construction in progress at September 30, 2004, consisted of the construction of a District 2 maintenance facility and an Emergency Operations facility. Both of these projects were completed in November 2004 at additional costs of \$85,607 and \$5,325, respectively.

(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 \$500,000 for law enforcement, fire fighters and road construction personnel and \$400,000 for all other employees 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, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

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 \$23,602, 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, 2004:

Class of Property	Amount
Industrial Facilities for Howard Industries	\$ 4,000,000

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2004, are as follows:

Year Ended September 30	Principal	Interest
2005	\$ 250,000	\$ 86,400
2006	270,000	71,400
2007	290,000	55,200
2008	310,000	37,800
2009	320,000	19,200
	\$ 1,440,000	\$ 270,000

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2004:

Classes of Property	Governmental Activities	Business-type Activities
Land and buildings	\$ 2,563,695	\$ 712,737
Mobile equipment	3,877,170	1,666,569
Other furniture and equipment	1,666,569	8,107,434
Total	8,107,434	712,737
Less: Accumulated depreciation	3,014,593	326,498
Leased Property Under Capital Leases	\$ 5,092,841	\$ 386,239

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

The following is a schedule by years of the total payments due as of September 30, 2004:

<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>
2005	\$ 1,287,296	\$ 152,084	\$ 245,521	\$ 12,008
2006	1,057,744	87,751	39,907	3,805
2007	800,379	48,932	41,137	2,575
2008	319,174	20,035	42,405	1,307
2009	136,581	9,517		
2010-2014	112,578	6,144		
	<u>\$ 3,713,752</u>	<u>\$ 324,463</u>	<u>\$ 368,970</u>	<u>\$ 19,695</u>

(10) Long-term Debt

Debt outstanding as of September 30, 2004, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Enterprise bonds for Howard Industries	\$ 300,000	0.00	04-14
Multi-purpose center construction	2,175,000	4.00 to 6.00	12-11
Road and bridge	2,430,000	4.42	04-08
Juvenile center construction	1,850,000	4.35 to 5.25	10-15
Justice Court Building and road improvements	5,060,000	1.75 to 4.25	06-12
Refunding bond	2,650,000	2.40 to 3.85	01-09
MBIA bonds for Tech Park	4,595,000	3.00	03-21
Construction bond	4,000,000	3.32	04-19
MBIA bonds for Howard Industries	1,440,000	6.00	01-09
MBIA bonds for Howard Industries	1,800,000	0.00	12-13
MBIA bonds for Howard Industries	2,100,000	0.00	12-18
MBIA bonds for Howard Industries	5,720,886	0.00	10-23
Total General Obligation Bonds	<u>\$ 34,120,886</u>		

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
B. Capital Leases:			
Gibson building	\$ 520,821	8.00	09-06
Konica digital copier	4,887	3.45	11-05
2 Ricoh copiers	3,698	4.81	03-04
PBX phone system	22,880	3.18	02-07
Ricoh copier	2,128	4.21	09-05
Konica copier	2,260	5.15	03-05
Konica copier	4,566	3.19	08-07
Ricoh copier	2,626	3.69	01-06
22 Crown Victoria patrol cars	113,937	5.21	04-05
Digital copier	3,894	3.05	03-08
Toshiba copier	10,031	3.21	01-07
Ford F250 truck	18,428	3.09	01-08
John Deere field & bunker rake	4,248	3.77	11-05
2 mowers	9,626	3.40	12-06
E-911 tower & equipment	395,040	4.66	03-08
E-911 command system	122,418	4.91	07-08
E-911 emergency equipment	254,257	3.15	08-11
2002 Freightliner tanker truck	17,823	4.54	09-06
2 Pierce fire trucks	166,415	4.73	03-09
Fire tanker	86,420	5.23	10-15
5 Freightliner fire trucks	232,646	5.09	11-06
Western Star fire truck	34,843	3.40	03-09
1990 Ford fire truck	25,000	3.23	11-07
10 warning sirens with equipment	88,542	4.07	08-09
1997 Freightliner FL80	24,450	3.25	10-09
2004 Caterpillar bulldozer	154,557	2.75	07-07
3 2004 Caterpillar excavators	313,467	3.04	08-07
3 trucks	61,000	2.99	03-08
New Holland tractor	31,066	3.16	08-07
2004 GMC Sierra truck	11,187	2.89	06-08
7 Ford tractors	52,026	4.86	07-05
2 tractors & 2 mowers	65,267	3.01	06-07
2004 GMC Sierra truck	9,707	2.89	05-08
3 boom & 2 side mowers	17,364	4.22	08-05
Alamo buzzbar tree & limb cutter	12,649	4.20	10-04
3 Caterpillar backhoes	157,518	3.09	01-08
4 Caterpillar backhoes	52,414	5.42	11-04
8 2003 Ford dump trucks	191,210	3.24	09-06
2 Dodge pickups	7,530	4.38	07-05
Komatsu excavator & backhoe	128,354	2.89	06-08
1999 rubber tire roller	18,072	3.37	08-06
2002 Freightliner FL-70 truck	67,053	3.28	10-06
2003 Ford F-350	19,344	3.28	12-06
10' rotary cutter	6,028	3.49	12-06
2002 Dodge Ram	8,247	3.39	05-05
3 New Holland tractors	62,151	3.75	05-06
2004 GMC Sierra truck	9,328	2.89	06-08
2 Kubota tractors	70,324	3.19	10-08
Konica copier	2,396	3.17	02-06
2004 GMC Sierra truck	13,609	2.89	05-08
Total Capital Leases	<u>\$ 3,713,752</u>		

C. Other Loans:			
MS Development Authority - Debar	\$ 28,840	5.50	07-06
State of MS - volunteer fire department	536,516	3.70	07-11
MS Development Authority - Debar	208,541	5.50	07-10
Total Other Loans	<u>\$ 773,897</u>		

Business-type Activities:

A. Capital Leases:			
2 2002 garbage trucks	\$ 40,447	3.39	04-05
2002 GMC Sierra 4X2 truck	4,907	3.39	03-05
6 garbage trucks	161,453	3.39	02-05
Heil garbage truck	95,010	2.89	05-08
2005 International truck	67,153	3.25	08-08
Total Capital Leases	<u>\$ 368,970</u>		

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

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
2005	\$ 3,710,000	\$ 908,277	\$ 111,639	\$ 30,099
2006	3,855,000	804,667	109,724	25,126
2007	3,995,000	693,504	112,410	20,577
2008	4,150,000	578,159	113,537	16,002
2009	3,320,000	469,170	115,317	11,224
2010-2014	10,520,886	1,269,533	211,270	8,607
2015-2019	3,915,000	412,829		
2020-2024	655,000	29,550		
	<u>\$ 34,120,886</u>	<u>\$ 5,165,689</u>	<u>\$ 773,897</u>	<u>\$ 111,635</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2004, the amount of outstanding debt was equal to 9.48% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	Balance				Amount Due	
	Oct. 1, 2003	Additions	Reductions	Adjustments	Balance Sept. 30, 2004	Within One Year
Governmental Activities:						
Compensated absences	\$ 253,891	\$ 270,589	\$ 254,586		\$ 269,894	
General obligation bonds	27,090,000	9,720,886	2,690,000		34,120,886	3,710,000
Capital leases	3,934,302	1,270,555	1,494,870	3,765	3,713,752	1,287,296
Other loans	861,658		87,761		773,897	111,639
Total	<u>\$ 32,139,851</u>	<u>\$ 11,262,030</u>	<u>\$ 4,527,217</u>	<u>\$ 3,765</u>	<u>\$ 38,878,429</u>	<u>\$ 5,108,935</u>
Business-type Activities:						
Compensated absences	\$ 15,046	\$ 24,505	\$ 24,288		\$ 15,263	
Capital leases	414,204	162,163	203,632	(3,765)	368,970	245,521
Other loans	187,500		187,500		-	
Total	<u>\$ 616,750</u>	<u>\$ 186,668</u>	<u>\$ 415,420</u>	<u>\$ (3,765)</u>	<u>\$ 384,233</u>	<u>\$ 245,521</u>

(11) Deficit Fund Balance of Individual Funds

The following funds reported deficits in fund balances or net assets at September 30, 2004:

Fund	Deficit Amount
General Fund	\$ 382,200
Enterprise Fund – Garbage	91,542
Special Revenue Fund – Emergency Operations	28,073
Special Revenue Fund – Emergency Management	29,399

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

(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 and Note Contingencies – The county issues revenue bonds and notes to provide funds for constructing and improving capital facilities of the South Central Regional Medical Center. Revenue bonds and notes are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds and notes because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds and notes outstanding at September 30, 2004, is \$18,965,000 and \$8,000,000, respectively.

(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 \$210,000 in fiscal year 2004. Complete financial statements for the Laurel-Jones County Library can be obtained from 530 Commerce Street, Laurel, MS 39440.

Jones County is a participant with Forrest County, the Cities of Hattiesburg and Laurel, and the State of Mississippi in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Hattiesburg-Laurel Regional Airport Authority. The joint venture was created to develop and maintain the airport for the members of the authority. The Jones County Board of Supervisors appoints one of the five members of the board of commissioners. By contractual agreement, the county's appropriation to the joint venture was \$232,116 in fiscal year 2004. Complete financial statements for the Hattiesburg-Laurel Regional Airport Authority can be obtained from 1002 Terminal Drive, Moselle, MS 39359.

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

Jones County is a participant with the Cities of Laurel, Ellisville, Soso and Sandersville in a joint venture, authorized by Section 19-9-11, Miss. Code Ann. (1972), to operate the Jones County Economic Development Authority. The joint venture was created to foster, encourage and facilitate economic development in the county. The Jones County Board of Supervisors appoints six of the 22 members of the board of trustees. By contractual agreement, the county's appropriation to the joint venture was \$300,492

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

in fiscal year 2004. 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 27 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$49,000 for support of the district in fiscal year 2004.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jones County Board of Supervisors appoints one of the nine members of the board of commissioners. The county appropriated \$144,996 for support of the entity in fiscal year 2004.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Jones County Board of Supervisors appoints six of the 20 members of the college board of trustees. The county appropriated \$1,186,126 for maintenance and support of the college in fiscal year 2004.

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, Jefferson Davis, 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 the five-member 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 no funds for support of the fair in fiscal year 2004.

(15) Defined Benefit Pension Plan

Plan Description. Jones County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for

JONES COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2004

the years ending September 30, 2004, 2003 and 2002 were \$763,521, \$755,305, and \$730,715, respectively, equal to the required contributions for each year.

(16) Subsequent Events

Subsequent to September 30, 2004, Jones County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
Oct-04	3.19	\$ 70,324	Lease Purchase	Ad Valorem Tax
Jan-05	3.14	117,382	Lease Purchase	Ad Valorem Tax
Jan-05	3.14	173,714	Lease Purchase	Ad Valorem Tax
Jan-05	3.14	173,714	Lease Purchase	Ad Valorem Tax
Jan-05	3.14	71,697	Lease Purchase	Ad Valorem Tax
Feb-05	3.25	19,380	Lease Purchase	Ad Valorem Tax
Feb-05	3.23	389,480	Lease Purchase	Ad Valorem Tax
Feb-05	3.25	50,210	Lease Purchase	Ad Valorem Tax
Feb-05	3.25	356,393	Lease Purchase	Ad Valorem Tax
Feb-05	3.25	63,026	Lease Purchase	Ad Valorem Tax
Mar-05	3.25	27,595	Lease Purchase	Ad Valorem Tax
Mar-05	3.25	137,785	Lease Purchase	Ad Valorem Tax
Mar-05	3.25	183,976	Lease Purchase	Ad Valorem Tax

In addition to the above lease purchases, the county currently has two lease purchase agreements pending totaling \$456,848 which were approved by the Board of Supervisors on July 18, 2005 but have not been finalized.

On March 21, 2005, the Board of Supervisors approved the issuance of General Obligation MBIA Bonds in the principal amount of \$6,000,000 to evidence a loan with the Mississippi Development Authority and the State of Mississippi for this amount. The principal proceeds received from the sale of the bonds remain on deposit with the State Treasurer and are drawn as needed for the purpose of acquiring and constructing two buildings to be used for the purpose of designing, manufacturing, processing, marketing, and distributing computers and related equipment for Howard Industries, Inc. and to provide related infrastructure improvements. Principal payments are to be financed solely by the relating lease agreement with Howard Industries, Inc.

On April 18, 2005, the Board of Supervisors declared its intention to authorize and approve a loan on behalf of the county and the Hattiesburg-Laurel Regional Airport Authority with the Mississippi Development Authority and the State of Mississippi in a maximum principal amount not to exceed \$90,000 for the purpose of making improvements to the airport facility to promote commerce and economic growth. This loan will be repaid by the Authority through appropriations it receives from the participants in the joint venture described in Note (13).

In December 2004, Debar Construction, Inc., a debtor to the county, declared bankruptcy. As listed in Note (6) and Note (10), the county has obtained two loans on behalf of this company from Mississippi Development Authority. As of September 30, 2004, the combined balance of these loans was \$237,381. Currently, the county is involved in bankruptcy proceedings to recover the remaining money owed to the county, but recovery of funds is uncertain.

On August 29, 2005, the county sustained considerable damage and destruction as a result of Hurricane Katrina. The potential economic loss is currently unknown. Because of this catastrophe and the time and effort involved in the recovery process, the county will not present the Management's Discussion and Analysis for the year ended September 30, 2004.

JONES COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

Jones County
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund (and each major special revenue fund)
For the Year Ended September 30, 2004

	General Fund				Howard Industries Fund			
	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES								
Property taxes	\$ 8,333,074	8,662,217	8,662,217	-				-
Road and bridge privilege taxes	-	9,007	9,007	-				-
Licenses, commissions and other revenue	408,000	443,744	443,744	-				-
Fines and forfeitures	407,500	426,927	430,727	3,800				-
Intergovernmental revenues	1,725,000	2,118,976	2,118,976	-				-
Charges for services	115,000	170,084	170,084	-				-
Interest income	65,000	55,257	55,257	-				-
Miscellaneous revenues	410,240	929,376	730,344	(199,032)		691,300	691,300	-
Total Revenues	<u>11,463,814</u>	<u>12,815,588</u>	<u>12,620,356</u>	<u>(195,232)</u>	<u>-</u>	<u>691,300</u>	<u>691,300</u>	<u>-</u>
EXPENDITURES								
Current:								
General government	6,248,824	7,066,942	6,967,208	99,734				-
Public safety	2,355,952	2,895,633	2,781,512	114,121				-
Public works	232,115	232,116	232,116	-				-
Health and welfare	846,088	847,332	871,333	(24,001)				-
Culture and recreation	363,158	381,857	382,683	(826)				-
Education	98,500	222,573	222,573	-				-
Conservation of natural resources	79,679	114,986	111,424	3,562				-
Economic development and assistance	466,132	481,571	481,571	-		691,300	691,300	-
Debt service principal, interest, and fees			192,590	(192,590)				-
Total Expenditures	<u>10,690,448</u>	<u>12,243,010</u>	<u>12,243,010</u>	<u>-</u>	<u>-</u>	<u>691,300</u>	<u>691,300</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>773,366</u>	<u>572,578</u>	<u>377,346</u>	<u>(195,232)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)								
Other financing sources	42,000	996,312	384,889	(611,423)				-
Other financing uses	(154,993)	(855,038)	(455,038)	400,000				-
Total Other Financing Sources and Uses	<u>(112,993)</u>	<u>141,274</u>	<u>(70,149)</u>	<u>(211,423)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	660,373	713,852	307,197	(406,655)	-	-	-	-
Fund Balances - Beginning	62,000	68,768	68,766	(2)				-
Fund Balances - Ending	<u>\$ 722,373</u>	<u>782,620</u>	<u>375,963</u>	<u>(406,657)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

JONES COUNTY
Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Howard Industries Fund
Budget (Cash Basis)	\$ 307,197	-
Increase (Decrease)		
Net adjustments for revenue accruals	(1,181,560)	(350,000)
Net adjustments for expenditure accruals	971,581	
GAAP Basis	\$ 97,218	(350,000)

D. Unbudgeted Funds.

Original budgets were not prepared for several funds, including the Howard Industries Fund. However, budgets were prepared and amended if necessary during the year.

JONES COUNTY

SPECIAL REPORTS

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

Members of the Board of Supervisors
Jones County, Mississippi

I have audited the primary government 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, 2004, and have issued my report thereon dated July 20, 2005. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

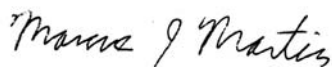
Internal Control over Financial Reporting

In planning and performing my audit, I considered Jones County, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones County, Mississippi's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted a certain immaterial instance of noncompliance which I have reported to the management of Jones County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 20, 2005, included within this document.

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



MARCUS J. MARTIN
Certified Public Accountant
July 20, 2005

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

Members of the Board of Supervisors
Jones County, Mississippi

I have made a study and evaluation of the central purchasing system and inventory control system of Jones County, Mississippi, as of and for the year ended September 30, 2004. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.

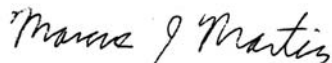
The Board of Supervisors of Jones County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Jones County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Jones County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



MARCUS J. MARTIN
Certified Public Accountant
July 20, 2005

JONES COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

Schedule 1

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

JONES COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2004

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09/15/04	Batteries	\$ 1,872	Motorola	State of emergency due to Hurricane Ivan

JONES COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/06/03	Voice Stress Analyzer	\$ 9,760	NITV
01/24/04	Steno Machine & Software	\$ 4,520	Stenograph, LLC

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

Members of the Board of Supervisors
Jones County, Mississippi

In planning and performing my audit of the financial statements of Jones County, Mississippi, for the year ended September 30, 2004, I considered Jones County, Mississippi's internal control to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for audit areas not considered material to Jones County, Mississippi's financial reporting, I have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, I do not express such an opinion. This report does not affect my report dated July 20, 2005, on the financial statements of Jones County, Mississippi.

These review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, my consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors.

1. Finding

As stated in the prior year, Section 71-5-359(2)f, Miss. Code Ann. (1972), states that after January 1, 1980, an unemployment compensation revolving fund should maintain a balance not less than 2% of the eligible salaries of the preceding year. The amount on hand in the county's unemployment compensation revolving fund is below the 2% threshold.

Recommendation

The Board of Supervisors should deposit the additional amount needed for maintaining the 2% threshold. Further, based on their respective anticipated payrolls, the additional amounts should originate from the General Fund and appropriate Special Revenue Funds.

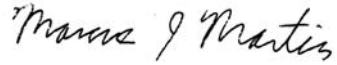
Board of Supervisors' Response

We have complied with this recommendation.

Auditor's Note

Additional amounts necessary were transferred in April 2005.

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



MARCUS J. MARTIN
Certified Public Accountant
July 20, 2005

JONES COUNTY

SCHEDULE OF FINDINGS

JONES COUNTY
Schedule of Findings
For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

- | | |
|--|-------------|
| 1. Type of auditor's report issued on primary government financial statements: | Unqualified |
| 2. Material noncompliance relating to the primary government financial statements? | No |
| 3. Internal control over financial reporting: | |
| a. Material weakness identified? | No |
| b. Reportable conditions identified that are not considered to be material weaknesses? | No |

Section 2: Financial Statement Findings

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