





**JONES COUNTY, MISSISSIPPI  
Audited Primary Government Financial  
Statements and Special Reports  
For the Year Ended September 30, 2006**

**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, 2006, which collectively comprise the county's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the county's management. My responsibility is to express opinions on these financial statements based on my audit.

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

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, 2006, 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, 2006, 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 18, 2007, on my consideration of Jones County, Mississippi's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

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

The Budgetary Comparison Schedule and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of 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.

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

  
MARCUS J. MARTIN  
Certified Public Accountant  
July 18, 2007

JONES COUNTY

**PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**Jones County**  
**Statement of Net Assets**  
**September 30, 2006**

**Exhibit 1**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>ASSETS</b>			
Cash	\$ 4,778,780	248,696	5,027,476
Property tax receivable	11,489,408		11,489,408
Accounts receivable (net of allowance for uncollectibles of \$445,108)		220,008	220,008
Fines receivable (net of allowance for uncollectibles of \$1,740,569)	2,057,862		2,057,862
Loans receivable	3,437,381		3,437,381
Capital leases receivable	19,532,200		19,532,200
Intergovernmental receivables	8,638,574		8,638,574
Other receivables	389,337		389,337
Internal balances	36,142	(36,142)	
Capital assets:			
Land and construction in progress	676,929		676,929
Other capital assets, net	70,450,170	308,251	70,758,421
<b>Total Assets</b>	<b>121,486,783</b>	<b>740,813</b>	<b>122,227,596</b>
<b>LIABILITIES</b>			
Claims payable	5,288,999	119,085	5,408,084
Intergovernmental payables	730,748		730,748
Deferred revenue	11,601,608		11,601,608
Unearned revenue		35,442	35,442
Long-term liabilities			
Due within one year:			
Capital debt	5,780,757	91,797	5,872,554
Due in more than one year:			
Capital debt	40,484,795	206,263	40,691,058
Non-capital debt	322,680	18,257	340,937
<b>Total Liabilities</b>	<b>64,209,587</b>	<b>470,844</b>	<b>64,680,431</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	24,184,618	10,191	24,194,809
Restricted:			
Expendable:			
Debt service	257,991		257,991
Public safety	6,949		6,949
Public works	6,066,713	259,778	6,326,491
Economic development	3,437,381		3,437,381
Unemployment compensation	37,177		37,177
Capital projects	46,780		46,780
Other purposes	27,607		27,607
Unrestricted	23,211,980		23,211,980
<b>Total Net Assets</b>	<b>\$ 57,277,196</b>	<b>269,969</b>	<b>57,547,165</b>

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

**Jones County**  
**Statement of Activities**  
**For the Year Ended September 30, 2006**

Exhibit 2

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Business-type Activities		Total
					Governmental Activities	Business-type Activities	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 8,862,766	1,048,320	336,433		(7,478,013)		(7,478,013)
Public safety	5,444,458	1,091,336	1,201,861	118,300	(3,032,961)		(3,032,961)
Public works	37,809,834		36,015,130	133,368	(1,661,336)		(1,661,336)
Health and welfare	831,750		241,127		(590,623)		(590,623)
Culture and recreation	1,069,699				(1,069,699)		(1,069,699)
Conversation of natural resources	103,106				(103,106)		(103,106)
Economic development and assistance	233,340				(233,340)		(233,340)
Interest on long-term debt	1,113,432				(1,113,432)		(1,113,432)
<b>Total Governmental Activities</b>	<b>55,468,385</b>	<b>2,139,656</b>	<b>37,794,551</b>	<b>251,668</b>	<b>(15,282,510)</b>	<b>-</b>	<b>(15,282,510)</b>
<b>Business-type activities:</b>							
Garbage collection	1,736,029	1,851,905				115,876	115,876
<b>Total Business-type Activities</b>	<b>1,736,029</b>	<b>1,851,905</b>	<b>-</b>	<b>-</b>	<b>(15,282,510)</b>	<b>115,876</b>	<b>115,876</b>
<b>Total Primary Government</b>	<b>\$ 57,204,414</b>	<b>3,991,561</b>	<b>37,794,551</b>	<b>251,668</b>	<b>(15,282,510)</b>	<b>115,876</b>	<b>(15,166,634)</b>
<b>General revenues:</b>							
Property taxes					\$ 15,682,034		15,682,034
Road & bridge privilege taxes					844,258		844,258
Grants and contributions not restricted to specific programs					2,784,967		2,784,967
Unrestricted interest income					492,078	10,001	502,079
Compensation for loss of capital assets					1,085,387		1,085,387
Miscellaneous					729,043	15,771	744,814
<b>Total General Revenues</b>					<b>21,617,767</b>	<b>25,772</b>	<b>21,643,539</b>
<b>Changes in Net Assets</b>					<b>6,335,257</b>	<b>141,648</b>	<b>6,476,905</b>
<b>Net Assets - Beginning</b>					<b>50,941,939</b>	<b>128,321</b>	<b>51,070,260</b>
<b>Net Assets - Ending</b>					<b>\$ 57,277,196</b>	<b>269,969</b>	<b>57,547,165</b>

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

**Jones County**  
**Balance Sheet - Governmental Funds**  
**September 30, 2006**

**Exhibit 3**

	<b>Major Funds</b>				<b>Total Governmental Funds</b>
	<b>General Fund</b>	<b>Howard Industries Fund</b>	<b>Private Debris Removal Fund</b>	<b>Other Governmental Funds</b>	
<b>ASSETS</b>					
Cash	\$ 2,549,370		(4,549,352)	6,778,762	4,778,780
Property tax receivable	7,104,329			4,385,079	11,489,408
Fines receivable (net of allowance for uncollectibles of \$1,740,569)	2,057,862				2,057,862
Loans receivable		3,200,000		237,381	3,437,381
Capital lease receivable		19,532,200			19,532,200
Intergovernmental receivables	625,225		7,683,086	330,263	8,638,574
Other receivables	16,003			373,334	389,337
Due from other funds				200,521	200,521
Advances to other funds	111,142			239,400	350,542
<b>Total Assets</b>	<b>\$ 12,463,931</b>	<b>22,732,200</b>	<b>3,133,734</b>	<b>12,544,740</b>	<b>50,874,605</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Claims payable	\$ 822,177		3,170,844	1,295,978	5,288,999
Intergovernmental payables	730,748				730,748
Due to other funds	187,921			12,600	200,521
Advances from other funds	239,400			75,000	314,400
Deferred revenue	9,162,191	19,532,200		4,385,079	33,079,470
<b>Total Liabilities</b>	<b>11,142,437</b>	<b>19,532,200</b>	<b>3,170,844</b>	<b>5,768,657</b>	<b>39,614,138</b>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Debt service				257,991	257,991
Loans receivable		3,200,000		237,381	3,437,381
Advances	111,142			239,400	350,542
Unemployment compensation				37,177	37,177
<b>Unreserved - undesignated, reported in:</b>					
General Fund	1,210,352				1,210,352
Special Revenue Funds			(37,110)	5,957,354	5,920,244
Capital Project Funds				46,780	46,780
<b>Total Fund Balances</b>	<b>1,321,494</b>	<b>3,200,000</b>	<b>(37,110)</b>	<b>6,776,083</b>	<b>11,260,467</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,463,931</b>	<b>22,732,200</b>	<b>3,133,734</b>	<b>12,544,740</b>	<b>50,874,605</b>

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, 2006**

**Exhibit 3-1**

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Total Fund Balance - Governmental Funds	\$	11,260,467
Amounts reported for governmental services in the Statement of Net Assets are different because:		
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$109,525,474		71,127,099
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		2,057,862
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.		(46,588,232)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.		19,420,000
Total Net Assets - Governmental Activities	\$	<u>57,277,196</u>

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, 2006**

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	Howard Industries Fund	Private Debris Removal Fund	Other Governmental Funds	
<b>REVENUES</b>					
Property taxes	\$ 9,918,329			5,763,705	15,682,034
Road and bridge privilege taxes				844,258	844,258
Licenses, commissions and other revenue	457,923			40,685	498,608
Fines and forfeitures	631,070				631,070
Intergovernmental revenues	1,985,800		31,091,652	7,753,734	40,831,186
Charges for services	135,515			737,870	873,385
Interest income	204,678	71,400		216,000	492,078
Miscellaneous revenues	547,516		21,505	115,940	684,961
<b>Total Revenues</b>	<b>13,880,831</b>	<b>71,400</b>	<b>31,113,157</b>	<b>15,472,192</b>	<b>60,537,580</b>
<b>EXPENDITURES</b>					
Current:					
General government	8,329,446			449,133	8,778,579
Public safety	2,814,554			2,166,300	4,980,854
Public works	198,127		31,090,568	10,201,162	41,489,857
Health and welfare	748,680			1,658	750,338
Culture and recreation	690,583			283,394	973,977
Conservation of natural resources	99,323				99,323
Economic development and assistance	233,340				233,340
Debt service:					
Principal	457,615	1,420,000		4,029,653	5,907,268
Interest	63,363	71,400	59,699	918,970	1,113,432
<b>Total Expenditures</b>	<b>13,635,031</b>	<b>1,491,400</b>	<b>31,150,267</b>	<b>18,050,270</b>	<b>64,326,968</b>
Excess of Revenues over (under) Expenditures	245,800	(1,420,000)	(37,110)	(2,578,078)	(3,789,388)
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	4,212			1,510,301	1,514,513
Proceeds from sale of capital assets				440,609	440,609
Compensation for loss of capital assets	1,063,249			22,138	1,085,387
Transfers in				394,715	394,715
Transfers out	(394,715)				(394,715)
Lease principal payments		1,070,000			1,070,000
<b>Total Other Financing Sources and Uses</b>	<b>672,746</b>	<b>1,070,000</b>	<b>-</b>	<b>2,367,763</b>	<b>4,110,509</b>
<b>Net Changes in Fund Balances</b>	<b>918,546</b>	<b>(350,000)</b>	<b>(37,110)</b>	<b>(210,315)</b>	<b>321,121</b>
Fund Balances - Beginning	402,948	3,550,000	-	6,986,398	10,939,346
Fund Balances - Ending	<b>\$ 1,321,494</b>	<b>3,200,000</b>	<b>(37,110)</b>	<b>6,776,083</b>	<b>11,260,467</b>

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, 2006**

Exhibit 4-1

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Net Changes in Fund Balances - Governmental Funds	\$	321,121
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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 \$5,406,886 exceeded depreciation of \$2,367,545 in the current period.		3,039,341
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In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$17,397 and the proceeds from the sale of \$440,609 in the current period.		(458,006)
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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.		136,593
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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 repayments of \$5,907,268 exceeded debt proceeds of \$1,514,513.		4,392,755
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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		(70,629)
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In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the Governmental Funds, both principal and interest payments received increase financial resources. Thus, the change in net assets differs from change in fund balances by the principal collections on the capital leases.		(1,070,000)
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An adjustment to correct capital assets balances.		44,082
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Change in Net Assets of Governmental Activities	\$	6,335,257
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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, 2006**

**Exhibit 5**

	<b>Business-type Activities</b>
	<b>Enterprise Fund Garbage Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 248,696
Accounts receivable (net of allowance for uncollectibles of \$445,108)	220,008
Total Current Assets	468,704
Noncurrent assets:	
Capital assets, net	308,251
Total Noncurrent Assets	308,251
Total Assets	776,955
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	119,085
Advances from other funds	36,142
Unearned revenue	35,442
Capital debt:	
Capital leases payable	91,797
Total Current Liabilities	282,466
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	206,263
Non-capital debt:	
Compensated absences payable	18,257
Total Noncurrent Liabilities	224,520
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	10,191
Restricted for public works	259,778
Total Net Assets	\$ 269,969

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, 2006**

**Exhibit 6**

	<b>Business-type Activites</b>
	<b>Enterprise Fund</b>
	<b>Garbage Fund</b>
Operating Revenues	
Charges for services	\$ 1,851,905
Miscellaneous	15,771
Total Operating Revenues	1,867,676
Operating Expenses	
Personal services	703,033
Contractual services	684,267
Materials and supplies	161,965
Depreciation expense	168,481
Indirect administrative costs	13,409
Total Operating Expenses	1,731,155
Operating Income (Loss)	136,521
Nonoperating Revenues (Expenses)	
Interest income	10,001
Interest expense	(3,805)
Other income (expenses)	(1,069)
Net Nonoperating Revenue (Expenses)	5,127
Changes in Net Assets	141,648
Net Assets - Beginning	128,321
Net Assets Ending	\$ 269,969

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, 2006**

Exhibit 7

	<b>Business-type Activities</b>
	<b>Enterprise Fund Garbage Fund</b>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,870,364
Payments to suppliers	(819,837)
Payments to employees	(700,015)
Payments to General Fund for indirect costs	(49,320)
Other operating cash receipts	15,771
Net Cash Provided (Used) by Operating Activities	316,963
Cash Flows From Noncapital Financing Activities	
Cash paid to other funds:	
Interfund loan repayments	(75,000)
Other receipts (payments)	18,799
Net Cash Provided (Used) by Noncapital Financing Activities	(56,201)
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	214,518
Acquisition and construction of capital assets	(214,518)
Principal paid on long-term debt	(39,907)
Interest paid on debt	(3,805)
Other receipts (payments)	(1,069)
Net Cash Provided (Used) by Capital and Related Financing Activities	(44,781)
Net Increase (Decrease) in Cash and Cash Equivalents	215,981
Cash and Cash Equivalents at Beginning of Year	32,715
Cash and Cash Equivalents at End of Year	\$ 248,696
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 136,521
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	168,481
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	6,781
Increase (decrease) in claims payable	26,395
Increase (decrease) in compensated absences liability	3,018
Increase (decrease) in deferred revenue	11,678
Increase (decrease) in interfund payable	(35,911)
Total Adjustments	180,442
Net Cash Provided (Used) by Operating Activities	\$ 316,963

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

**Jones County**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2006**

**Exhibit 8**

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash	\$ 466,654
Intergovernmental receivables	36,676
<b>Total Assets</b>	<b>\$ 503,330</b>
 <b>LIABILITIES</b>	
Amounts held in custody for others	\$ 406
Intergovernmental payables	502,924
<b>Total Liabilities</b>	<b>\$ 503,330</b>

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, 2006**

**(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 are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

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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/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Fund and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

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

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

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

The county reports the following major Governmental Funds:

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

Private Debris Removal Fund – This fund is used to account for revenues and expenditures directly related to the removal of debris which resulted from Hurricane Katrina.

**JONES COUNTY**  
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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 collection and disposal of solid waste within the county.

Additionally, the county reports the following fund types:

**GOVERNMENTAL FUND TYPES**

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

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

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

**PROPRIETARY FUND TYPES**

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

**FIDUCIARY FUND TYPES**

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

**D. Account Classifications.**

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

**E. Deposits and Investments.**

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

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

**JONES COUNTY**  
**Notes to Financial Statements**  
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F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

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 Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

**JONES COUNTY**  
**Notes to Financial Statements**  
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\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund 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 Fund Statement of Net Assets.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

K. Property Tax Revenues.

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

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

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

**(2) Deposits**

The carrying amount of the county's total deposits with financial institutions at September 30, 2006, was \$5,494,130, and the bank balance was \$6,224,667. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

**(3) Interfund Transactions and Balances**

The following is a summary of interfund balances at September 30, 2006:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 187,921
Other Governmental Funds	Other Governmental Funds	12,600
Total		<u>\$ 200,521</u>

**JONES COUNTY**  
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The receivables represent the tax revenue collected but not settled until October 2006 and a correction of revenue distribution to other 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 Fund	Garbage Fund	\$ 36,142
General Fund	Other Governmental Funds	75,000
Other Governmental Funds	General Fund	239,400
Total		<u>\$ 350,542</u>

The advances represent interfund loans totaling \$314,400 and indirect costs associated with garbage collection totaling \$36,142. The interfund loans include \$142,500 related to the purchase of a building in the prior year, \$75,000 used for prior year emergency gas purchases due to Hurricane Katrina, and \$96,900 which represents an error in revenue distribution to other funds in the prior year. Currently, \$337,133 of the above balance has been repaid and the remaining \$13,409 is expected to be repaid within the next fiscal year.

**C. Transfers In/Out:**

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 394,715
Total		<u>\$ 394,715</u>

The majority of transfers were related to expenses due to Hurricane Katrina. All other interfund transfers were routine and consistent with the activities of the fund making the transfer.

**(4) Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2006 consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative Tag Credit	\$ 337,246
Public Assistance Grants	8,296,291
Other	5,037
Total Governmental Activities	<u>\$ 8,638,574</u>

**(5) Loans Receivable**

Loans receivable balances at September 30, 2006, 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
Debar Construction CDBG Loan	09-30-98	5.50	09-30-09	208,541
Howard Industries MBIA Loan	02-01-98	-	02-01-13	1,400,000
Howard Industries MBIA Loan	12-01-98	-	12-01-18	1,800,000
Total				<u>\$ 3,437,381</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.

**JONES COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2006**

**(6) Capital Assets**

The following is a summary of capital assets activity for the year ended September 30, 2006:

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
<b>Governmental Activities:</b>					
<i>Non-depreciable capital assets:</i>					
Land	\$ 592,616				\$ 592,616
Construction in progress	6,771	77,542			84,313
Total non-depreciable capital assets	599,387	77,542	-	-	676,929
<i>Depreciable capital assets:</i>					
Infrastructure	142,978,750	3,569,721			146,548,471
Buildings	15,259,280			2,526,261	17,785,541
Mobile equipment	6,219,981	111,347	(438,868)	681,344	6,573,804
Furniture and equipment	1,037,586	52,785	(79,392)	9,453	1,020,432
Leased property under capital leases	10,137,169	1,595,491	(581,809)	(3,103,455)	8,047,396
Total depreciable capital assets	175,632,766	5,329,344	(1,100,069)	113,603	179,975,644
<i>Less accumulated depreciation for:</i>					
Infrastructure	(95,153,302)	(447,759)			(95,601,061)
Buildings	(3,721,238)	(343,392)		(768,360)	(4,832,990)
Mobile equipment	(4,565,753)	(483,760)	385,070	(416,837)	(5,081,280)
Furniture and equipment	(823,306)	(48,679)	71,453	(37,391)	(837,923)
Leased property under capital leases	(3,466,872)	(1,043,955)	185,540	1,153,067	(3,172,220)
Total accumulated depreciation	(107,730,471)	(2,367,545)	642,063	(69,521)	(109,525,474)
Total depreciable capital assets, net	67,902,295	2,961,799	(458,006)	44,082	70,450,170
<b>Governmental activities capital assets, net</b>	<b>\$ 68,501,682</b>	<b>\$ 3,039,341</b>	<b>\$ (458,006)</b>	<b>\$ 44,082</b>	<b>\$ 71,127,099</b>

	Balance Oct. 1, 2005	Additions	Deletions	Adjustments	Balance Sept. 30, 2006
<b>Business-type Activities:</b>					
<i>Depreciable capital assets:</i>					
Mobile equipment	\$ 552,333				\$ 552,333
Furniture and equipment	14,724				14,724
Leased property under capital leases	162,163	214,518			376,681
Total depreciable capital assets	729,220	214,518	-	-	943,738
<i>Less accumulated depreciation for:</i>					
Mobile equipment	(396,411)	(99,103)			(495,514)
Furniture and equipment	(12,215)	(1,575)			(13,790)
Leased property under capital leases	(58,380)	(67,803)			(126,183)
Total accumulated depreciation	(467,006)	(168,481)	-	-	(635,487)
Total depreciable capital assets, net	262,214	46,037	-	-	308,251
<b>Business-type activities capital assets, net</b>	<b>\$ 262,214</b>	<b>\$ 46,037</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 308,251</b>

**JONES COUNTY**  
**Notes to Financial Statements**  
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Depreciation expense was charged to the following functions:

Governmental Activities:	
General Government	\$ 145,784
Public Safety	696,037
Public Works	1,350,458
Health and Welfare	79,999
Culture and Recreation	92,897
Conservation of Natural Resources	<u>2,370</u>
Total	<u>\$ 2,367,545</u>
Business-type Activities:	
Garbage Collection	<u>\$ 168,481</u>

The significant adjustments to capital assets above include lease purchases which were paid off during the year and transferred to other appropriate categories and reversal of prior year capitalization of building repairs.

Construction in progress at September 30, 2006, consisted of the renovation of the Moye Office Building and construction of the Glade Community Center. These projects are currently complete. Also included is the renovation of the Reliable Building. This project is currently on hold.

Included in the Governmental Activities balance at September 30, 2006, are capital assets for the Southeast Mississippi Drug Task Force with a value of \$12,337, net of accumulated depreciation of \$40,486. These assets have subsequently been disbursed (see Note (16)). Also included are assets which were declared surplus but not sold as of September 30, 2006, with a value of \$25,937, net of accumulated depreciation of \$151,353.

**(7) Claims and Judgments**

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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 \$28,439, reported on the balance sheet.

**JONES COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2006**

**(8) Capital Leases**

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2006:

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

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2006, are as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 1,140,000	\$ 55,200
2008	1,210,000	37,800
2009	1,270,000	19,200
2010	1,000,000	
2011	1,000,000	
2012-2016	5,000,000	
2017-2021	5,000,000	
2022-2026	3,800,000	
	<u>\$ 19,420,000</u>	<u>\$ 112,200</u>

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2006:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 6,207,492	\$ 376,681
Other furniture and equipment	1,839,904	
Total	8,047,396	376,681
Less: Accumulated depreciation	<u>3,172,220</u>	<u>126,183</u>
Leased Property Under Capital Leases	<u>\$ 4,875,176</u>	<u>\$ 250,498</u>

The following is a schedule by years of the total payments due as of September 30, 2006:

<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>
2007	\$ 1,523,388	\$ 167,754	\$ 91,797	\$ 10,748
2008	1,236,636	122,134	94,995	7,550
2009	1,393,136	80,886	54,594	4,239
2010	526,048	31,037	56,674	2,160
2011	178,932	10,864		
2012-2016	37,814	4,180		
	<u>\$ 4,895,954</u>	<u>\$ 416,855</u>	<u>\$ 298,060</u>	<u>\$ 24,697</u>

**JONES COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2006**

**(9) Short-term Debt and Liquidity**

The following is a summary short-term debt activity for the year ended September 30, 2006:

Description of Debt	Balance				Balance Sept. 30, 2006
	Oct. 1, 2005	Additions	Reductions	Adjustments	
FEMA Reimbursement Anticipation Loan	\$ -	\$ 3,988,798	\$ 3,988,798	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,988,798</b>	<b>\$ 3,988,798</b>	<b>\$ -</b>	<b>\$ -</b>

In May 2006, the county issued a loan in the amount of \$3,988,798 with an interest rate of 4.49% and maturity date of September 15, 2006 in order to pay for debris removal as a result of Hurricane Katrina until reimbursement could be received from FEMA.

**(10) Long-term Debt**

Debt outstanding as of September 30, 2006, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
<b>A. General Obligation Bonds:</b>			
Enterprise bonds for Howard Industries	\$ 240,000	0.00	04-14
Multi-purpose center construction	1,705,000	4.00 to 6.00	12-11
Road and bridge	1,280,000	4.42	04-08
Juvenile center construction	1,590,000	4.35 to 5.25	10-15
Justice Court Building and road improvements	4,010,000	1.75 to 4.25	06-12
Refunding bond	1,535,000	2.40 to 3.85	01-09
MBIA bonds for Tech Park	4,160,000	3.00	03-21
Construction bond	3,595,000	3.32	04-19
MBIA bonds for Howard Industries	920,000	6.00	01-09
MBIA bonds for Howard Industries	1,400,000	0.00	12-13
MBIA bonds for Howard Industries	1,800,000	0.00	12-18
MBIA bonds for Tech Park	12,600,000	0.00	10-23
MBIA bonds for Tech Park	5,900,000	0.00	04-25
<b>Total General Obligation Bonds</b>	<b>\$ 40,735,000</b>		

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Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>B. Capital Leases:</b>			
Comdial phone system	\$ 3,225	4.34	02-09
IBM AS400 computer system	295,069	3.40	08-10
2 GMC pickup trucks	21,259	3.25	04-09
PBX phone system	7,867	3.18	02-07
Konica copier	1,570	3.19	08-07
2005 GMC truck	14,768	3.25	02-09
19 Crown Victoria patrol cars	296,769	3.23	03-09
Digital copier	2,005	3.05	3-08
Toshiba copier	3,450	3.21	01-07
Ford F250 truck	9,494	3.09	01-08
2 mowers	3,317	3.40	12-06
E-911 tower & equipment	171,446	4.66	03-08
E-911 command system	64,141	4.91	07-08
E-911 emergency equipment	185,310	3.15	08-11
Toshiba copier	2,544	3.99	10-08
2 Pierce fire trucks	104,423	4.73	03-09
Fire truck	62,500	3.79	07-11
2006 Ford mini-pumper	69,500	3.60	11-15
Fire tanker	64,789	5.23	10-15
5 Freightliner fire trucks	81,429	5.09	11-06
Western Star fire truck	23,996	3.40	03-09
1990 Ford fire truck	12,897	3.23	11-07
10 warning sirens with equipment	55,164	4.07	08-09
1997 Freightliner FL80	24,450	3.25	10-09
Caterpillar paver	247,608	4.29	10-10
2004 Caterpillar bulldozer	87,210	2.75	07-07
3 2004 Caterpillar excavators	156,790	3.04	08-07
3 trucks	31,398	3.05	03-08
3 tractors & 2 mowers	140,197	3.25	03-09
New Holland tractor	10,679	3.16	08-07
Cat 430D backhoe	83,357	3.89	03-11
2006 Durapatcher	58,281	3.79	05-10
2006 Ford F750 truck	46,107	3.79	05-10
2004 GMC Sierra truck	3,837	2.89	06-08
6 2007 dump trucks	581,940	3.99	09-10
Cat 140H motorgrader	159,123	3.14	01-09
Cat 924GZ wheel loader	92,821	3.60	10-09
2 tractors & 2 mowers	22,404	3.01	06-07
2004 GMC Sierra truck	3,330	2.89	05-08
6 tractors & 6 mowers	271,584	3.25	06-09
3 Caterpillar backhoes	81,155	3.09	01-08
Kubota tractor	25,443	4.04	04-09
2 tractors & 2 mowers	104,815	3.25	03-09
Cat 416D backhoe	43,839	3.25	04-09
2006 GMC Sierra truck	11,671	3.99	10-09
Cat 135H motorgrader	164,209	3.40	11-08
Komatsu excavator & backhoe	66,029	2.89	06-08
2002 Freightliner FL-70 truck	23,076	3.28	10-06
2003 Ford F-350	6,657	3.28	12-06
10' rotary cutter	2,079	3.49	12-06
2 2007 dump trucks	99,402	4.18	08-10
Broce self-propelled broom	33,989	3.79	05-10
2006 truck/loader	83,751	3.81	01-10
Cat 140H motorgrader	159,123	3.14	01-09
3 tractors	89,402	3.14	01-09
3 mowers	54,607	3.14	02-09
2004 GMC Sierra truck	3,200	2.89	06-08
2 Kubota tractors	53,574	3.19	10-08
2 used trucks	67,800	6.79	01-10
Cat 924GZ wheel loader	70,766	3.40	08-09
Tractor & mower	48,028	3.25	08-09
2006 Ford F350 truck	20,623	3.79	05-10
2004 GMC Sierra truck	4,668	2.89	05-08
Total Capital Leases	<u>\$ 4,895,954</u>		

**JONES COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2006**

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>C. Other Loans:</b>			
MS Development Authority - Debar	\$ 28,840	5.50	07-06
MS Development Authority - Debar	208,541	5.50	07-10
State of MS - volunteer fire department	397,217	3.70	07-11
Total Other Loans	<u>\$ 634,598</u>		

**Business-type Activities:**

<b>A. Capital Leases:</b>			
Heil garbage truck	\$ 48,876	2.89	05-08
2 2006 International garbage trucks	214,518	3.81	01-10
2005 International truck	34,666	3.25	08-08
Total Capital Leases	<u>\$ 298,060</u>		

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

**Governmental Activities:**

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2007	\$ 4,145,000	\$ 693,504	\$ 112,369	\$ 30,815
2008	4,350,000	578,159	118,155	17,833
2009	3,570,000	469,171	127,630	13,155
2010	3,025,000	374,899	118,272	8,271
2011	3,085,000	312,469	158,172	3,175
2012-2016	10,880,000	809,969		
2017-2021	7,880,000	214,775		
2022-2026	3,800,000			
	<u>\$ 40,735,000</u>	<u>\$ 3,452,746</u>	<u>\$ 634,598</u>	<u>\$ 73,249</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, 2006, the amount of outstanding debt was equal to 10.32% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2006:

	Balance				Balance	Amount Due Within One Year
	Oct. 1, 2005	Additions	Reductions	Adjustments		
<b>Governmental Activities:</b>						
Compensated absences	\$ 252,051	\$ 70,629			\$ 322,680	
General obligation bonds	44,690,000		3,955,000		40,735,000	4,145,000
Capital leases	5,263,833	1,514,513	1,882,392		4,895,954	1,523,388
Other loans	704,474		69,876		634,598	112,369
Total	<u>\$ 50,910,358</u>	<u>\$ 1,585,142</u>	<u>\$ 5,907,268</u>	<u>\$ -</u>	<u>\$ 46,588,232</u>	<u>\$ 5,780,757</u>
<b>Business-type Activities:</b>						
Compensated absences	\$ 15,239	\$ 3,018			\$ 18,257	
Capital leases	123,449	214,518	39,907		298,060	91,797
Total	<u>\$ 138,688</u>	<u>\$ 217,536</u>	<u>\$ 39,907</u>	<u>\$ -</u>	<u>\$ 316,317</u>	<u>\$ 91,797</u>

**JONES COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2006**

**(11) Deficit Fund Balance of Individual Funds**

The following funds reported deficits in fund balances at September 30, 2006:

<u>Fund</u>	<u>Deficit Amount</u>
Special Revenue Fund – Emergency Operations Center	\$ 81,075
Special Revenue Fund – Emergency Management	75,163
Special Revenue Fund – County-wide Road & Bridge	25,422
Special Revenue Fund – Private Debris Removal	37,110

**(12) Contingencies**

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

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

Hospital Revenue Bond Contingencies – The county issues revenue bonds to provide funds for constructing and improving capital facilities of the South Central Regional Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds and notes because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2006, is \$33,030,000.

**(13) Joint Ventures**

The county participates in the following joint ventures:

Jones County is a participant with the cities of Laurel, Ellisville and Sandersville in a joint venture, authorized by Section 39-3-9, Miss Code Ann. (1972), to operate the Laurel-Jones County Library. The joint venture was created to provide free public library service to the citizens of Jones County. The Jones County Board of Supervisors appoints one of the four members of the board of directors. By contractual agreement, the county's appropriation to the joint venture was \$260,000 in fiscal year 2006. 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 \$198,127 in fiscal year 2006. 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, 2006**

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

Jones County is a participant with the Cities of Laurel, Ellisville, Soso and Sandersville in a joint venture, authorized by Section 19-9-11, Miss. Code Ann. (1972), to operate the Jones County Economic Development Authority. The joint venture was created to foster, encourage and facilitate economic development in the county. The Jones County Board of Supervisors appoints six of the 22 members of the board of trustees. By contractual agreement, the county's appropriation to the joint venture was \$216,000 in fiscal year 2006. 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 appropriated \$49,000 for support of the district in fiscal year 2006.

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 2006.

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 \$1,325,610 for maintenance and support of the college in fiscal year 2006.

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 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 \$92,880 for support of the fair in fiscal year 2006.

**JONES COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2006**

**(15) Defined Benefit Pension Plan**

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2006 was 11.30% 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, 2006, 2005 and 2004 were \$915,447, \$848,185, and \$763,521, respectively, equal to the required contributions for each year.

**(16) Subsequent Events**

Subsequent to September 30, 2006, Jones County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
Oct-06	4.10	\$ 107,357	Lease Purchase	Ad Valorem Tax
Nov-06	4.01	338,000	Lease Purchase	Ad Valorem Tax
Nov-06	4.15	121,000	Lease Purchase	Ad Valorem Tax
Dec-06	3.97	247,008	Lease Purchase	Ad Valorem Tax
Feb-07	4.36	13,900	Lease Purchase	Ad Valorem Tax
Mar-07	4.12	107,757	Lease Purchase	Ad Valorem Tax
Mar-07	4.24	26,174	Lease Purchase	Ad Valorem Tax
May-07	4.23	69,500	Lease Purchase	Ad Valorem Tax
May-07	4.23	35,607	Lease Purchase	Ad Valorem Tax
Jun-07	4.23	90,251	Lease Purchase	Ad Valorem Tax
Jun-07	4.24	73,975	Lease Purchase	Ad Valorem Tax
Jun-07	4.29	65,619	Lease Purchase	Ad Valorem Tax
Jul-07	4.23	179,595	Lease Purchase	Ad Valorem Tax
Jul-07	4.28	44,318	Lease Purchase	Ad Valorem Tax

In December 2004, Debar Construction, Inc., a debtor to the county, declared bankruptcy. As listed in Note (5) and Note (10), the county has obtained two loans on behalf of this company from Mississippi Development Authority. As of September 30, 2006, the combined balance of these loans was \$237,381. As a result of the bankruptcy proceedings, a judgment was received entitling the county to the remaining amount of the loans. Currently, no funds have been received but recovery of at least a portion of the funds is expected.

In November 2006, the Board of Supervisors approved a tax anticipation note in the principal amount of \$4,000,000 with an interest rate of 4.51% due on April 1, 2007. On March 21, 2007 the Board of Supervisors approved the repayment of the principal balance plus \$65,144 in related interest.

The county has currently received reimbursement from FEMA for the majority of costs associated with damages sustained as a result of Hurricane Katrina. However, FEMA has not reimbursed approximately \$6 million specifically related to debris removal and cleanup, the cost of which exceeded \$31 million, and is now disputing certain aspects of the remaining amount. The county expects to receive a portion of these funds, but because FEMA representatives originally monitored and approved the aspects that have only recently been disputed, the county believes it is entitled to the entire reimbursement. In July 2007, the county hired a private law firm to assist in the recovery of these funds.

**JONES COUNTY**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2006**

During fiscal year 2006, the Southeast Mississippi Drug Task Force, which served the Counties of Jones, Covington and Smith, was under investigation by the Mississippi Bureau of Investigation, the Office of the State Auditor, and the Jones County District Attorney's Office. Due to discrepancies found, the operations of the task force subsequently ceased and will not resume. Funds recovered from the task force totaling \$105,593 were deposited into a restricted account held by the county pending the completion of the investigation. As of September 30, 2006, funds in the amount of \$11,615 had been disbursed. Other funds from this account have been subsequently disbursed by court order, and in April 2007, the Board of Supervisors approved an agreement to disburse the remaining funds totaling \$83,181 equally between the member counties. Also, all firearms and vehicles owned by the task force were mutually disbursed with proceeds from the sale of any remaining property to be divided equally between the member counties.

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, 2006**

	General Fund			Howard Industries Fund			Private Debris Removal 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)	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>												
Property taxes	\$ 9,762,790	9,958,115	9,958,115	-	-	-	-	-	-	-	-	-
Road and bridge privilege taxes	-	-	-	-	-	-	-	-	-	-	-	-
Licenses, commissions and other revenue	398,500	472,011	450,891	(21,120)	-	-	-	-	-	-	-	-
Fines and forfeitures	478,000	542,404	563,524	21,120	-	-	-	-	-	-	-	-
Intergovernmental revenues	1,974,860	2,187,183	2,187,183	-	-	-	-	-	23,408,566	23,408,566	23,408,566	-
Charges for services	125,000	137,149	137,149	-	-	-	-	-	-	-	-	-
Interest income	130,000	203,744	203,744	-	-	-	-	-	-	-	-	-
Miscellaneous revenues	478,240	1,440,806	1,440,806	-	1,050,000	1,391,400	1,391,400	-	4,010,303	4,010,303	4,010,303	-
Total Revenues	13,347,390	14,941,412	14,941,412	-	1,050,000	1,391,400	1,391,400	-	27,418,869	27,418,869	27,418,869	-
<b>EXPENDITURES</b>												
Current:												
General government	7,210,332	8,570,434	8,469,439	100,995	-	-	-	-	-	-	-	-
Public safety	2,972,280	2,847,459	2,735,681	111,778	-	-	-	-	-	-	-	-
Public works	198,127	198,127	198,127	-	-	-	-	-	-	-	-	-
Health and welfare	879,509	889,751	889,750	1	-	-	-	-	31,968,220	31,968,220	27,919,723	4,048,497
Culture and recreation	384,460	497,058	486,415	10,643	-	-	-	-	-	-	-	-
Education	110,600	121,092	121,092	-	-	-	-	-	-	-	-	-
Conservation of natural resources	111,632	102,488	98,927	3,561	-	-	-	-	-	-	-	-
Economic development and assistance	383,240	380,340	380,339	1	1,050,000	1,491,400	1,491,400	-	-	-	-	-
Debt service principal, interest, and fees	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditures	12,250,180	13,606,749	13,606,749	(226,979)	1,050,000	1,491,400	1,491,400	-	31,968,220	31,968,220	31,968,220	(4,048,497)
Excess of Revenues over (under) Expenditures	1,097,210	1,334,663	1,334,663	-	-	(100,000)	(100,000)	-	(4,549,351)	(4,549,351)	(4,549,351)	-
<b>OTHER FINANCING SOURCES (USES)</b>												
Other financing sources	5,000	359,438	359,438	-	-	100,000	100,000	-	-	-	-	-
Other financing uses	(756,500)	(1,019,542)	(577,042)	442,500	-	-	-	-	-	-	-	-
Total Other Financing Sources and Uses	(751,500)	(660,104)	(217,604)	442,500	-	100,000	100,000	-	-	-	-	-
Net Change in Fund Balance	345,710	674,559	1,117,059	442,500	-	-	-	-	(4,549,351)	(4,549,351)	(4,549,351)	-
Fund Balances - Beginning	832,540	796,504	796,504	-	-	-	-	-	-	-	-	-
Fund Balances - Ending	\$ 1,178,250	1,471,063	1,913,563	442,500	-	-	-	-	(4,549,351)	(4,549,351)	(4,549,351)	-

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, 2006**

**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	Private Debris Removal Fund
Budget (Cash Basis)	\$ 1,117,059	-	(4,549,351)
Increase (Decrease)			
Net adjustments for revenue accruals	(352,648)	(350,000)	7,683,086
Net adjustments for expenditure accruals	154,135		(3,170,845)
GAAP Basis	\$ 918,546	(350,000)	(37,110)

**D. Unbudgeted Funds.**

The Private Debris Removal Fund was opened near the beginning of the fiscal year after original budgets had been prepared. Therefore, no amounts are listed in the Original Budget column for this fund. However, a budget was prepared and amended if necessary during the year.

JONES COUNTY

**SUPPLEMENTAL INFORMATION**

**JONES COUNTY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2006**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
<b>U.S. Department of Transportation</b>			
Federal Highway Administration			
Passed-through the Mississippi Department of Transportation			
Highway Planning and Construction	20.205	BR NBIS 065 B (34) (F)	\$ 7,750
Highway Planning and Construction	20.205	BR NBIS 066 B (34) (F)	16,380
Highway Planning and Construction	20.205	ER 0034 25 B	<u>2,784,562</u>
Total U.S. Department of Transportation			<u>2,808,692</u>
<b>U.S. Department of Homeland Security</b>			
Passed-through the Mississippi Emergency Management Agency			
Public Assistance Grants	97.036	1604-DR-MS	<u>31,733,128</u>
Total Expenditures of Major Federal Awards			<u>34,541,820</u>
<b>OTHER FEDERAL AWARDS</b>			
<b>U.S. Department of Justice</b>			
Office of Justice Programs, Office for Victims of Crime			
Passed-through the Mississippi Department of Public Safety			
Crime Victim Assistance	16.575	N/A	4,121
Office of Justice Programs, Bureau of Justice Assistance			
Passed-through the Mississippi Department of Public Safety			
Edward Byrne Memorial Formula Grant Program	16.579	N/A	79,276
Office of Justice Programs, Bureau of Justice Assistance			
Passed-through the Mississippi Department of Public Safety			
Local Law Enforcement Block Grants Program	16.592	N/A	9,026
Office of Justice Programs, Bureau of Justice Assistance			
Passed-through the Mississippi Department of Public Safety			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06HR1341	<u>37,800</u>
Total U.S. Department of Justice			<u>130,223</u>
<b>U.S. Department of Transportation</b>			
National Highway Traffic Safety Administration			
Passed-through the Mississippi Department of Public Safety			
State and Community Highway Safety	20.600	N/A	<u>45,207</u>
<b>U.S. Department of Education</b>			
Office of Safe and Drug-free Schools			
Passed-through the Mississippi Department of Public Safety			
Safe and Drug-free Schools and Communities, State Grants	84.186	N/A	<u>64,436</u>
<b>U.S. Election Assistance Commission</b>			
Passed-through the Mississippi Secretary of State			
Help America Vote Act Requirements Payments	90.401	N/A	<u>579,543</u>
<b>U.S. Department of Homeland Security</b>			
Passed-through the Mississippi Emergency Management Agency			
State Domestic Preparedness Equipment Support Program	97.004	N/A	<u>9,616</u>
Total Expenditures of Other Federal Awards			<u>829,025</u>
Total Expenditures of Federal Awards			<u>\$ 35,370,845</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note A – Significant Accounting Policies**

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

**Note B – Help America Vote Act Requirements Payments (CFDA# 90.401)**

Of the federal expenditures presented in the schedule, federal awards totaling \$561,846 represent non-cash awards for computerized voting machines during the fiscal year ended September 30, 2006.

**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, 2006, which collectively comprise the county's basic primary government financial statements and have issued my report thereon dated July 18, 2007. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units. 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 opinions 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 primary government financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance which I have reported to the management of Jones County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated July 18, 2007, included within this document.

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

  
MARCUS J. MARTIN  
Certified Public Accountant  
July 18, 2007

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

Members of the Board of Supervisors  
Jones County, Mississippi

Compliance

I have audited the compliance of Jones County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. 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. My responsibility is to express an opinion on Jones County, Mississippi's compliance based on my audit.

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


In my opinion, Jones County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of Jones County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Jones County, Mississippi's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance 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 noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program 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 compliance and its operation that I consider to be material weaknesses.

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



MARCUS J. MARTIN  
Certified Public Accountant  
July 18, 2007

**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, 2006. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I considered necessary in the circumstances.


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

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

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

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

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

  
MARCUS J. MARTIN  
Certified Public Accountant  
July 18, 2007

**JONES COUNTY**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
**For the Year Ended September 30, 2006**

**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, 2006**

**Schedule 2**

<b>Date</b>	<b>Item Purchased</b>	<b>Amount Paid</b>	<b>Vendor</b>	<b>Reason for Emergency Purchase</b>
10/2/05	AGM Cell Batteries	\$ 1,530	John Garruto Contractors	Hurricane Katrina
10/3/05	Equipment Rental	\$ 1,978	Puckett Machinery Company	Hurricane Katrina
10/4/05	Replace Service, Storm Damage	\$ 723	Associate Electric	Hurricane Katrina
10/4/05	Ice Machine	\$ 2,665	Dixie Pump & Supply	Hurricane Katrina
10/4/05	Port-A-Jon Rental	\$ 2,400	Sanford's Plumbing, Inc.	Hurricane Katrina
10/5/05	Repair to Equipment	\$ 1,432	Puckett Machinery Company	Hurricane Katrina
10/5/05	Windshield	\$ 382	Lovitt Equipment Company	Hurricane Katrina
10/5/05	Board, Backfeed Relay Driver	\$ 433	Eaton Power Quality Corp.	Hurricane Katrina
10/12/05	Diesel	\$ 205	The Store (Rapid Express)	Hurricane Katrina
10/17/05	Refrig Truck at Memory Chapel	\$ 186	Industrial Services of Laurel	Hurricane Katrina
10/17/05	Labor & Material at Ellisville Courthouse	\$ 465	The Glass Co., Inc.	Hurricane Katrina
10/20/05	Remove & Install Doors	\$ 8,158	Lawson Overhead Door	Hurricane Katrina
10/21/05	Repair Truck	\$ 2,793	Farrell Breland's Body Shop	Hurricane Katrina
10/25/05	Roof Myrick Community Center	\$ 1,250	Graham's Roofing	Hurricane Katrina
10/31/05	Gasoline & Diesel	\$ 5,644	Laurel Oil LLC	Hurricane Katrina
10/31/05	Equipment Rental	\$ 1,978	Puckett Machinery Company	Hurricane Katrina
10/31/05	Non Hazardous Rubbish	\$ 1,180	Randy-Danny Inc.	Hurricane Katrina
10/31/05	Non Hazardous Rubbish	\$ 2,950	Randy-Danny Inc.	Hurricane Katrina
11/3/05	Windowpane	\$ 168	Lovitt Equipment Company	Hurricane Katrina
11/7/05	Door	\$ 357	Lovitt Equipment Company	Hurricane Katrina
11/15/05	Remove & Replace Roofing	\$ 10,112	Gerald Barnes Construction	Hurricane Katrina
11/15/05	Remove & Replace Roofing	\$ 9,175	Gerald Barnes Construction	Hurricane Katrina
11/15/05	Remove & Replace Roofing	\$ 3,076	Gerald Barnes Construction	Hurricane Katrina
11/15/05	Remove & Replace Roofing	\$ 2,453	Gerald Barnes Construction	Hurricane Katrina
11/15/05	Remove & Replace Roofing	\$ 1,162	Gerald Barnes Construction	Hurricane Katrina
11/15/05	Storm Damage Repairs	\$ 250,342	Larry J. Sumrall Contractors	Hurricane Katrina
11/18/05	Replace Fence	\$ 1,500	Lindsey Fence Company	Hurricane Katrina
11/25/05	Replace fence at Maintenance	\$ 619	Lindsey Fence Company	Hurricane Katrina
11/30/05	Roof at Ovet Barn	\$ 2,080	Graham's Roofing	Hurricane Katrina
11/30/05	Roof at Ovet Community Center	\$ 1,920	Graham's Roofing	Hurricane Katrina
12/6/05	Gasoline & Diesel	\$ 19,864	Pine Belt Oil Co.	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 18,664	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 29,865	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 2,400	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 3,200	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 2,700	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 2,333	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 2,680	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 2,500	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 3,120	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 3,840	Gerald Barnes Construction	Hurricane Katrina
12/9/05	Remove & Replace Roofing	\$ 7,920	Gerald Barnes Construction	Hurricane Katrina
12/19/05	Shingles & Felt	\$ 2,811	City Salvage	Hurricane Katrina
12/27/05	Building Repair	\$ 575	The Glass Co., Inc.	Hurricane Katrina
12/28/05	Columns, Screws	\$ 125	Alexander's	Hurricane Katrina
1/10/06	Storm Damage Repairs	\$ 4,329	Larry J. Sumrall Contractors	Hurricane Katrina
1/13/06	Replaced Shingles at Gitano	\$ 1,560	Graham's Roofing	Hurricane Katrina
1/20/06	Repair Gas Line	\$ 875	W & W Plumbing	Hurricane Katrina
1/30/06	Vinyl Siding, J-Channel, Soffitt, etc.	\$ 135	City Salvage	Hurricane Katrina
1/31/06	Non Hazardous Rubbish	\$ 540	Randy-Danny Inc.	Hurricane Katrina
1/31/06	Non Hazardous Rubbish	\$ 595	Randy-Danny Inc.	Hurricane Katrina
2/28/06	Non Hazardous Rubbish	\$ 890	Randy-Danny Inc.	Hurricane Katrina
3/6/06	Bridge Repair at Pumping Station Road	\$ 13,531	MAGCO	Bridge Fell In
3/31/06	Non Hazardous Rubbish	\$ 660	Randy-Danny Inc.	Hurricane Katrina
3/31/06	Non Hazardous Rubbish	\$ 1,060	Randy-Danny Inc.	Hurricane Katrina

**JONES COUNTY**  
**Schedule of Emergency Purchases**  
**For the Year Ended September 30, 2006**

**Schedule 2 – Continued**

<b>Date</b>	<b>Item Purchased</b>	<b>Amount Paid</b>	<b>Vendor</b>	<b>Reason for Emergency Purchase</b>
4/30/06	Non Hazardous Rubbish	\$ 1,800	Randy-Danny Inc.	Hurricane Katrina
4/30/06	Non Hazardous Rubbish	\$ 1,430	Randy-Danny Inc.	Hurricane Katrina
4/31/2006	Non Hazardous Rubbish	\$ 820	Randy-Danny Inc.	Hurricane Katrina
5/15/06	Repair Ball Park	\$ 62,070	Keyes Electric Inc.	Hurricane Katrina
5/31/06	Non Hazardous Rubbish	\$ 1,580	Randy-Danny Inc.	Hurricane Katrina
5/31/06	Non Hazardous Rubbish	\$ 850	Randy-Danny Inc.	Hurricane Katrina
5/31/06	Non Hazardous Rubbish	\$ 1,120	Randy-Danny Inc.	Hurricane Katrina
5/31/06	Non Hazardous Rubbish	\$ 7,640	Randy-Danny Inc.	Hurricane Katrina
6/30/06	Non Hazardous Rubbish	\$ 8,945	Randy-Danny Inc.	Hurricane Katrina
6/30/06	Non Hazardous Rubbish	\$ 1,850	Randy-Danny Inc.	Hurricane Katrina
6/30/06	Non Hazardous Rubbish	\$ 110	Randy-Danny Inc.	Hurricane Katrina
6/30/06	Non Hazardous Rubbish	\$ 300	Randy-Danny Inc.	Hurricane Katrina
7/31/06	Non Hazardous Rubbish	\$ 8,905	Randy-Danny Inc.	Hurricane Katrina
7/31/06	Non Hazardous Rubbish	\$ 895	Randy-Danny Inc.	Hurricane Katrina
7/31/06	Non Hazardous Rubbish	\$ 1,320	Randy-Danny Inc.	Hurricane Katrina
8/9/06	Compressor for Air Conditioner at Jail	\$ 17,875	Terry-Trane Svc. Agency	Air Conditioner Failure
8/31/06	Non Hazardous Rubbish	\$ 10,725	Randy-Danny Inc.	Hurricane Katrina

**JONES COUNTY**  
**Schedule of Purchases Made Noncompetitively From a Sole Source**  
**For the Year Ended September 30, 2006**

**Schedule 3**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
04/06/06	Blower for pothole patcher	\$ 4,622	Duraco
04/15/06	Mapping/address system software for E-911	\$ 34,068	PTS Solutions

**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, 2006, I considered Jones County, Mississippi's internal control to determine my auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control.

In addition, for 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 18, 2007, 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 findings and recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

Section 49-19-23, Miss. Code Ann. (1972), requires the county to disburse fifty percent (50%) of national forest distributions to the public school district. As stated in the prior year, during the current year, the county received such funds but disbursed an incorrect amount to the school district. The amount still owed to the school district totals \$56,218.

Recommendation

The Board of Supervisors should pay the school district its portion and ensure that such funds are disbursed in a timely manner in the future.

Board of Supervisors' Response

We have complied with this recommendation.

Auditor's Note

The correct amount was paid to the school district in June 2007.

2. Finding

As stated in the prior year, the county has interfund loans outstanding that are over a year old. These interfund loans totaled \$350,542 as of September 30, 2006. The interfund loans include \$142,500 related to the purchase of a building in the prior year, \$75,000 used for prior year emergency gas purchases due to Hurricane Katrina, \$96,900 which represents an error in revenue distribution to other funds in the prior year, and \$36,142 related to indirect costs associated with garbage collection. The Mississippi Code is silent regarding the authority of the county to make these loans and failure to repay these loans constitutes a diversion of legally restricted funds.

Recommendation

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

Response

We have complied or will comply with this recommendation.

Auditor's Note

Currently, \$337,133 of the above amount has been repaid.

3. Finding

Section 27-35-519, Miss. Code Ann. (1972), requires the county to disburse rail car taxes received from the State Tax Commission to the municipalities and public school district in the county in proportion to the number of miles of railroad in the respective taxing districts to the number of miles of railroad in the entire county. However, during the current year, the county received such funds but did not disburse the portion to the school district. The amount owed to the school district totals \$15,632.

Recommendation

The Board of Supervisors should pay the school district its portion and ensure that such funds are disbursed in a timely manner in the future.

Board of Supervisors' Response

We have complied with this recommendation.

Auditor's Note

The correct amount was paid to the school district in June 2007.

4. Finding

Section 19-3-5, Miss. Code Ann. (1972), requires each member of the Board of Supervisors to be bonded for an amount equal to five percent (5%) of the sum of all state and county taxes shown by the assessment rolls and levies to have been collectible in the county for the year immediately preceding the commencement of the term of office, not to exceed \$100,000. However, due to an interim election, one member of the Board of Supervisors took office during the current year but was not properly bonded.

Recommendation

The Board of Supervisors should ensure that all officials are properly bonded as required by state statutes.

Response

We have complied with this recommendation.

Auditor's Note

This member of the Board of Supervisors was noted to be properly bonded as of July 17, 2007.

Sheriff.

5. Finding

Section 19-25-74, Miss. Code Ann. (1972), requires the Sheriff to submit a meal log to the Board of Supervisors documenting all meals served on a monthly basis. The Sheriff did not submit a copy of the meal log to the Board of Supervisors.

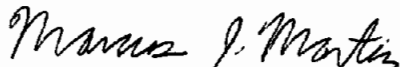
Recommendation

The Sheriff should submit a copy of the meal log to the Board of Supervisors each month.

Sheriff's Response

We will address this issue and comply.

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 18, 2007

JONES COUNTY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JONES COUNTY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2006**

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

***Financial Statements:***

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

***Federal Awards:***

- |   |             |
|---|-------------|
| 4. Internal control over major programs:  |             |
| a. Material weakness identified?  | No          |
| b. Reportable condition identified that is not considered to be a material weakness?  | No          |
| 5. Type of auditor's report issued on compliance for major federal programs:  | Unqualified |
| 6. Any audit finding(s) reported as required by Section ____510(a) of Circular A-133?   | No          |
| 7. Federal programs identified as major programs:   |             |
| a. Highway Planning and Construction, CFDA# 20.205  |             |
| b. Public Assistance Grants, CFDA# 97.036   |             |
| 8. The dollar threshold used to distinguish between type A and type B programs:   | \$1,061,125 |
| 9. Auditee qualified as a low-risk auditee?   | No          |
| 10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No          |

**Section 2: Financial Statement Findings**

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

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

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