

JONES COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2009

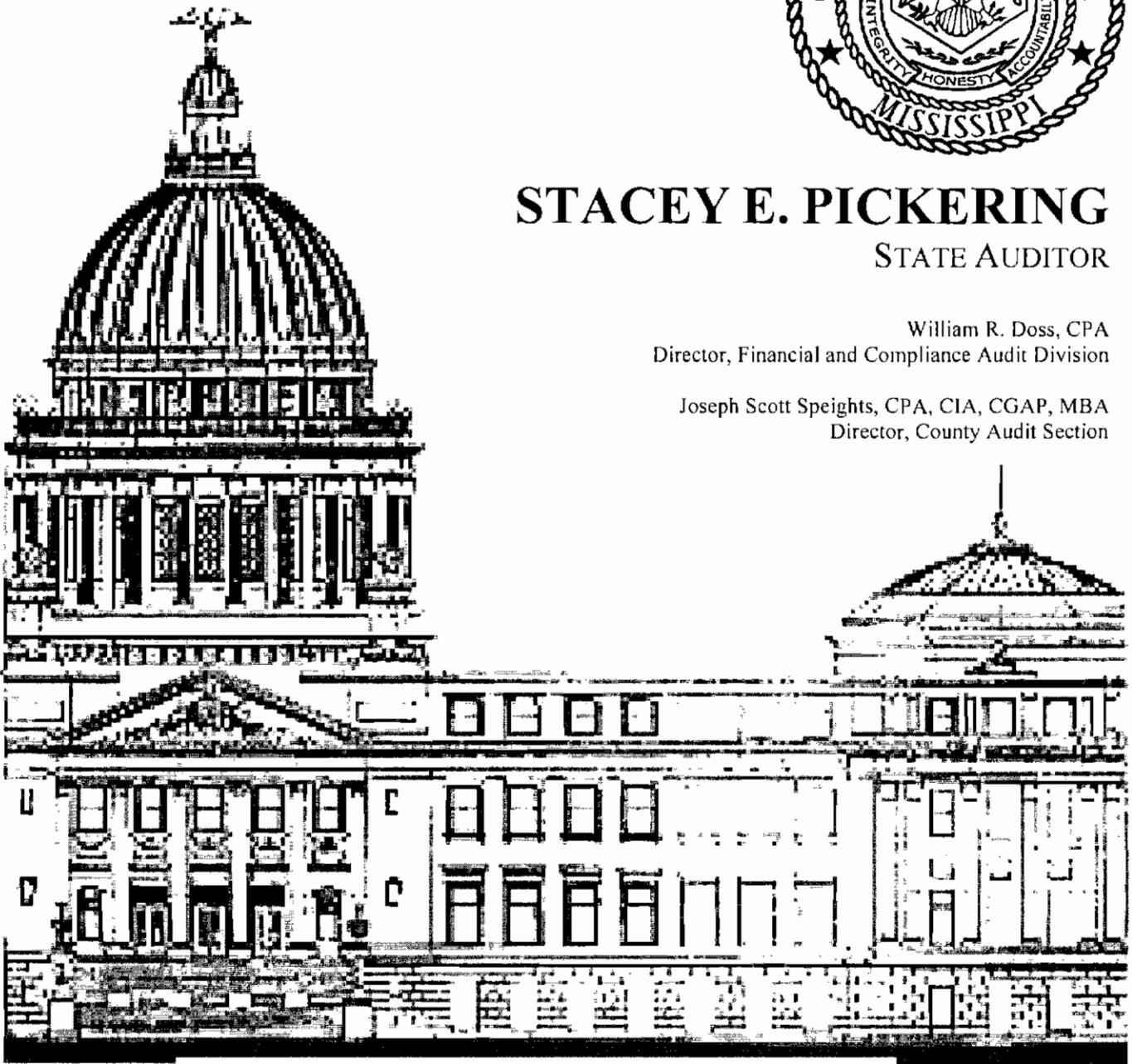


STACEY E. PICKERING

STATE AUDITOR

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

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



A Report from the County Audit Section

www.osa.state.ms.us

*The Office of the State Auditor does not discriminate on the basis of
race, religion, national origin, sex, age or disability*



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

October 18, 2010

Members of the Board of Supervisors
Jones County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Jones County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering".

Stacey E. Pickering
State Auditor

JONES COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION..... 1

INDEPENDENT AUDITOR’S REPORT..... 3

FINANCIAL STATEMENTS..... 5

 Statement of Net Assets 7

 Statement of Activities 8

 Balance Sheet - Governmental Funds 9

 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets 10

 Statement of Revenues, Expenditures and Changes in Fund Balances -
 Governmental Funds 11

 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities..... 12

 Statement of Net Assets - Proprietary Fund 13

 Statement of Revenues, Expenses and Changes in Fund Net Assets -
 Proprietary Fund 14

 Statement of Cash Flows - Proprietary Fund 15

 Statement of Fiduciary Assets and Liabilities 16

 Notes to Financial Statements 17

REQUIRED SUPPLEMENTARY INFORMATION 35

 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund..... 37

 Howard Industries Fund..... 38

 Notes to the Required Supplementary Information 39

SUPPLEMENTAL INFORMATION 41

 Schedule of Expenditures of Federal Awards 43

SPECIAL REPORTS 45

 Independent Auditor’s Report on Internal Control Over Financial Reporting and on
 Compliance and Other Matters Based on an Audit of the Financial Statements
 Performed in Accordance with *Government Auditing Standards* 47

 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 49

 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)) 51

 Limited Internal Control and Compliance Review Management Report 57

SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... 61

CORRECTIVE ACTION PLAN..... 67

JONES COUNTY

FINANCIAL SECTION

JONES COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jones County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In our opinion, because of the omission of the discretely presented component units, as discussed in the third paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Jones County, Mississippi, as of September 30, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the fourth paragraph, the financial statements referred to previously present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Jones County, Mississippi, as of September 30, 2009, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of September 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

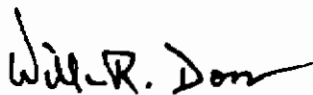
As discussed in Note 2, the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* are applicable to the county for the fiscal year ending September 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2010, on our consideration of Jones County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

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



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

October 18, 2010

JONES COUNTY

FINANCIAL STATEMENTS

JONES COUNTY

(This page left blank intentionally)

JONES COUNTY
Statement of Net Assets
September 30, 2009

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 14,297,675	69,543	14,367,218
Cash with fiscal agent	15,996		15,996
Prepaid interest held by trustee	592,824		592,824
Property tax receivable	13,718,731		13,718,731
Accounts receivable (net of allowance for uncollectibles of \$589,131)		229,106	229,106
Fines receivable (net of allowance for uncollectibles of \$3,487,194)	1,764,122		1,764,122
Loans receivable	2,377,100		2,377,100
Capital leases receivable	15,800,000		15,800,000
Intergovernmental receivables	291,479		291,479
Other receivables	19,182		19,182
Internal balances	90,987	(90,987)	
Deferred charges - issuance cost	385,995		385,995
Capital assets:			
Land and construction in progress	952,616		952,616
Other capital assets, net	71,138,476	415,199	71,553,675
Total Assets	121,445,183	622,861	122,068,044
LIABILITIES			
Claims payable	520,607	89,189	609,796
Intergovernmental payables	670,729		670,729
Accrued interest payable	315,287	6,373	321,660
Deferred revenue	13,718,731		13,718,731
Unearned revenue		44,401	44,401
Amounts held in custody for others	588,545		588,545
Long-term liabilities			
Due within one year:			
Capital debt	3,895,723	451,835	5,697,558
Non-capital debt	1,350,000		
Due in more than one year:			
Capital debt	26,169,008		42,769,008
Non-capital debt	17,114,770	28,021	542,791
Total Liabilities	64,343,400	619,819	64,963,219
NET ASSETS			
Invested in capital assets, net of related debt	42,026,361	(36,636)	24,039,725
Restricted:			
Expendable:			
General government	382,482		382,482
Debt service	61,916		61,916
Public safety	194,872		194,872
Public works	10,455,049	39,678	10,494,727
Economic development	880,000		880,000
Unemployment compensation	34,352		34,352
Capital projects	1,244,421		1,244,421
Unrestricted	1,822,330		19,772,330
Total Net Assets	\$ 57,101,783	3,042	57,104,825

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

JONES COUNTY
Statement of Activities
For the Year Ended September 30, 2009

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
					Primary Governmental Activities	Business-type Activities
Primary government:						
Governmental activities:						
General government	\$ 10,010,608	465,407	1,752,474	14,000	(7,778,727)	(7,778,727)
Public safety	7,481,494	1,705,343	395,719		(5,380,432)	(5,380,432)
Public works	9,875,432		3,436,980	237,495	(6,200,957)	(6,200,957)
Health and welfare	932,503		228,252		(704,251)	(704,251)
Culture and recreation	1,023,242			8,505	(1,014,737)	(1,014,737)
Education	108,653				(108,653)	(108,653)
Conservation of natural resources	121,997				(121,997)	(121,997)
Economic development and assistance	460,047				(460,047)	(460,047)
Interest on long-term debt	1,189,184				(1,189,184)	(1,189,184)
Total Governmental Activities	31,203,160	2,170,750	5,813,425	260,000	(22,958,985)	(22,958,985)
Business-type activities:						
Solid Waste	1,921,095	1,796,844			(124,251)	(124,251)
Total Business-type Activities	1,921,095	1,796,844	0	0	(124,251)	(124,251)
Total Primary Government	\$ 33,124,255	3,967,594	5,813,425	260,000	(22,958,985)	(23,083,236)
General revenues:						
Property taxes					\$ 16,396,075	16,396,075
Road & bridge privilege taxes					810,582	810,582
Grants and contributions not restricted to specific programs					2,230,243	2,230,243
Unrestricted interest income					288,033	289,890
Miscellaneous					1,188,887	1,242,674
Total General Revenues					20,913,820	20,969,464
Changes in Net Assets					(2,045,165)	(2,113,772)
Net Assets - Beginning					59,146,948	59,218,597
Net Assets Ending					\$ 57,101,783	57,104,825

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

JONES COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2009

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Howard Industries Fund		
ASSETS				
Cash	\$ 2,166,722		12,130,953	14,297,675
Cash with fiscal agent	15,996			15,996
Prepaid interest held by trustee	592,824			592,824
Property tax receivable	9,475,389		4,243,342	13,718,731
Fines receivable (net of allowance for uncollectibles of \$3,487,194)	1,764,122			1,764,122
Loans receivable		2,150,000	227,100	2,377,100
Capital lease receivable		15,800,000		15,800,000
Intergovernmental receivables	261,872		29,607	291,479
Other receivables	19,182			19,182
Due from other funds	32,460		576,750	609,210
Advances to other funds	58,527		142,500	201,027
Total Assets	\$ 14,387,094	17,950,000	17,350,252	49,687,346
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 282,170		238,437	520,607
Intergovernmental payables	631,454			631,454
Due to other funds	409,345		206,680	616,025
Advances from other funds	142,500			142,500
Deferred revenue	11,239,511	15,800,000	4,243,342	31,282,853
Amounts held in custody for others	588,545			588,545
Total Liabilities	13,293,525	15,800,000	4,688,459	33,781,984
Fund balances:				
Reserved for:				
Debt service			265,736	265,736
Loans receivable		2,150,000	227,100	2,377,100
Advances	58,527		142,500	201,027
Unemployment compensation			34,352	34,352
Unreserved - undesignated, reported in:				
General Fund	1,035,042			1,035,042
Special Revenue Funds			10,747,684	10,747,684
Capital Project Funds			1,244,421	1,244,421
Total Fund Balances	1,093,569	2,150,000	12,661,793	15,905,362
Total Liabilities and Fund Balances	\$ 14,387,094	17,950,000	17,350,252	49,687,346

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, 2009

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 15,905,362
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$115,012,548.	72,091,092
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,764,122
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(48,529,501)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(315,287)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	15,800,000
Bond issuance costs are deferred in the Statement of Net Assets and amortized over the term of the bonds.	<u>385,995</u>
Total Net Assets - Governmental Activities	\$ <u><u>57,101,783</u></u>

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

JONES COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2009

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Howard Industries Fund		
REVENUES				
Property taxes	\$ 10,788,164		5,607,911	16,396,075
Road and bridge privilege taxes			810,582	810,582
Licenses, commissions and other revenue	693,977		63,975	757,952
Fines and forfeitures	1,041,982			1,041,982
Intergovernmental revenues	2,093,693		6,209,975	8,303,668
Charges for services	399,289		720,475	1,119,764
Interest income	164,361	19,200	104,472	288,033
Miscellaneous revenues	710,835		535,451	1,246,286
Total Revenues	<u>15,892,301</u>	<u>19,200</u>	<u>14,052,841</u>	<u>29,964,342</u>
EXPENDITURES				
Current:				
General government	9,080,159		1,169,107	10,249,266
Public safety	5,252,501		2,266,389	7,518,890
Public works	232,583		10,688,631	10,921,214
Health and welfare	926,725			926,725
Culture and recreation	1,151,256		370,696	1,521,952
Education	108,653			108,653
Conservation of natural resources	121,430			121,430
Economic development and assistance	403,565			403,565
Debt service:				
Principal	250,383	1,620,000	4,091,685	5,962,068
Interest	13,569	19,200	814,576	847,345
Bond issue costs	418,944			418,944
Total Expenditures	<u>17,959,768</u>	<u>1,639,200</u>	<u>19,401,084</u>	<u>39,000,052</u>
Excess of Revenues over (under) Expenditures	<u>(2,067,467)</u>	<u>(1,620,000)</u>	<u>(5,348,243)</u>	<u>(9,035,710)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	9,830,998		1,301,221	11,132,219
Proceeds from sale of capital assets	41,034		50,722	91,756
Premiums on bonds issued	76,768			76,768
Transfers in	64,866		8,189,170	8,254,036
Transfers out	(8,000,690)		(253,346)	(8,254,036)
Lease principal payments		1,270,000		1,270,000
Total Other Financing Sources and Uses	<u>2,012,976</u>	<u>1,270,000</u>	<u>9,287,767</u>	<u>12,570,743</u>
Net Changes in Fund Balances	(54,491)	(350,000)	3,939,524	3,535,033
Fund Balances - Beginning	<u>1,148,060</u>	<u>2,500,000</u>	<u>8,722,269</u>	<u>12,370,329</u>
Fund Balances - Ending	<u>\$ 1,093,569</u>	<u>2,150,000</u>	<u>12,661,793</u>	<u>15,905,362</u>

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

JONES COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2009

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 3,535,033
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$4,665,886, exceeded depreciation of \$2,732,852 in the current period.	1,933,034
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 \$57,399 and the proceeds from the sale of \$91,756 in the current period.	(149,155)
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.	(748,948)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt proceeds of \$11,132,219 exceeded debt repayments of \$5,962,068.	(5,170,151)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The increase in compensated absences	(175,315)
The increase in accrued interest payable	(315,287)
The unamortized premium on bonds	(70,371)
The unamortized bond issuance cost	385,995
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.	<u>(1,270,000)</u>
Change in Net Assets of Governmental Activities	\$ <u><u>(2,045,165)</u></u>

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

JONES COUNTY
Statement of Net Assets - Proprietary Fund
September 30, 2009

Exhibit 5

	Business-type Activities - Enterprise Fund Garbage Fund
ASSETS	
Current assets:	
Cash	\$ 69,543
Accounts receivable (net of allowance for uncollectibles of \$589,131)	229,106
Total Current Assets	<u>298,649</u>
Noncurrent assets:	
Land and construction in progress	
Other capital assets, net	415,199
Total Noncurrent Assets	<u>415,199</u>
Total Assets	<u>713,848</u>
LIABILITIES	
Current liabilities:	
Claims payable	89,189
Due to other funds	32,460
Advances from other funds	58,527
Accrued interest payable	6,373
Unearned revenue	44,401
Capital debt:	
Capital leases payable	451,835
Total Current Liabilities	<u>682,785</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	28,021
Total Noncurrent Liabilities	<u>28,021</u>
NET ASSETS	
Invested in capital assets, net of related debt	(36,636)
Restricted for:	
Public works	39,678
Total Net Assets	<u>\$ 3,042</u>

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

JONES COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Fund
For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Fund
	<u>Garbage Fund</u>
Operating Revenues	
Charges for services	\$ 1,796,844
Miscellaneous	10,845
Total Operating Revenues	<u>1,807,689</u>
Operating Expenses	
Personal services	1,015,681
Contractual services	526,689
Materials and supplies	196,646
Depreciation expense	125,128
Indirect administrative cost	32,460
Total Operating Expenses	<u>1,896,604</u>
Operating Loss	<u>(88,915)</u>
Nonoperating Revenues (Expenses)	
Interest income	1,857
Gain on sale of capital assets	42,942
Interest expense	(24,491)
Net Nonoperating Revenue	<u>20,308</u>
Changes in Net Assets	(68,607)
Net Assets - Beginning	<u>71,649</u>
Net Assets - Ending	<u>\$ 3,042</u>

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

JONES COUNTY
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2009

Exhibit 7

	Business-type Activities - Enterprise Funds
	<u>Garbage Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,749,889
Payments to suppliers	(809,113)
Payments to employees	(1,002,886)
Other operating cash receipts	10,845
Net Cash Provided (Used) by Operating Activities	<u>(51,265)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	69,376
Principal paid on long-term debt	(140,063)
Interest paid on debt	(18,118)
Interest earned	1,857
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(86,948)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(138,213)
Cash and Cash Equivalents at Beginning of Year	<u>207,756</u>
Cash and Cash Equivalents at End of Year	<u>\$ 69,543</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(88,915)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	125,128
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(49,202)
Increase (decrease) in claims payable	(85,778)
Increase (decrease) in compensated absences liability	12,795
Increase (decrease) in unearned revenue	2,247
Increase (decrease) in interfund payables	32,460
Total Adjustments	<u>37,650</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (51,265)</u>

Noncash Capital Financing Activity:

Jones County lease-purchased mobile equipment for \$480,630 for 2 years at 2.85% interest. Principal payments of \$85,469 were made on the lease during the year.

Jones County lease-purchased mobile equipment for \$111,268 for 4 years at 3.81% interest. Principal payments of \$54,594 were made on the lease during the year.

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

JONES COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2009

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 140,441
Due from other funds	39,275
Other receivables	40,423
Total Assets	\$ <u>220,139</u>
LIABILITIES	
Amounts held in custody for others	\$ 21,806
Intergovernmental payables	198,333
Total Liabilities	\$ <u>220,139</u>

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

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Jones County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jones County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

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

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

JONES COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2009

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

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

JONES COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2009

The county reports the following major Governmental Funds:

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

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

The county reports the following major Proprietary Fund:

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPE

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

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

JONES COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2009

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Prepaid Items.

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

I. Capital Assets.

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

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

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

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

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

J. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and issuance cost are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

JONES COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2009

Fund Financial Statements:

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

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

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

(2) Changes in Accounting Standards.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* are applicable to the county for the fiscal year ending September 30, 2009. See Note 10 for additional information related to other postemployment benefits offered by the county.

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$14,507,659, and the bank balance was \$15,210,032. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2009:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General	Garbage Fund	\$ 32,460
Other Governmental Funds	Other Governmental Funds	206,680
Other Governmental Funds	General	370,070
Agency Funds	General	39,275
Total		\$ 648,485

The receivables represent the tax revenue collected but not settled until October 2009 and operating loans between the governmental funds. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

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

The advances represent interfund loans relating to the purchase of a building totaling \$142,500 and indirect costs associated with garbage collection totaling \$58,527. All advances are not expected to be repaid within one year from the date of the financial statements.

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

C. Transfers In/Out:

General Fund	Other Governmental Funds	\$ 64,866
Other Governmental Funds	Other Governmental Funds	188,480
Other Governmental Funds	General Fund	8,000,690
Total		\$ 8,254,036

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

Governmental Activities:	
Legislative tax credit	\$ 249,132
Safe and drug-free schools and communities, state grants	2,546
State and community highway safety	10,194
Hazard mitigation grant	29,607
Total Governmental Activities	\$ 291,479

(6) Loans Receivable.

Loans receivable balances at September 30, 2009, are as follows:

Debar Construction CDBG Loan	05-01-95	5.25	07-01-06	\$ 27,004
Debar Construction CDBG Loan	09-30-98	5.50	09-30-09	200,096
Howard Industries MBIA Loan	02-01-98	-	02-01-13	850,000
Howard Industries MBIA Loan	12-01-98	-	12-01-18	1,300,000
Total Loans Receivable				\$ 2,377,100

The loans receivable from Debar Construction, Inc., are impaired and may not be fully collectible due to the bankruptcy of the company in December 2004. As listed in Note 11, the county has obtained two loans on behalf of this company from Mississippi Development Authority. As of September 30, 2009, the combined balance of these loans was \$227,100. As a result of the bankruptcy proceedings, a judgment was received entitling the county to the remaining amount of the loans, and the county expects to recover at least a portion of the funds. Although, efforts are ongoing to collect this debt, a reasonable estimate of an amount to be recovered cannot currently be made.

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

Governmental activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept. 30, 2009
<u>Non-depreciable capital assets:</u>					
Land	\$ 622,616	330,000			952,616
Construction in progress	396,556			(396,556)	
Total non-depreciable capital assets	<u>1,019,172</u>	<u>330,000</u>	<u>0</u>	<u>(396,556)</u>	<u>952,616</u>
<u>Depreciable capital assets:</u>					
Infrastructure	146,548,471	1,366,680			147,915,151
Buildings	18,044,960	644,031		396,556	19,085,547
Mobile equipment	7,646,595	543,110	564,366	1,961,101	9,586,440
Furniture and equipment	2,039,634	28,469	16,752	108,860	2,160,211
Leased property under capital leases	7,973,002	1,753,596	252,962	(2,069,961)	7,403,675
Total depreciable capital assets	<u>182,252,662</u>	<u>4,335,886</u>	<u>834,080</u>	<u>396,556</u>	<u>186,151,024</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	96,539,799	497,572			97,037,371
Buildings	5,534,950	436,447			5,971,397
Mobile equipment	5,901,131	616,675	495,269	1,273,046	7,295,583
Furniture and equipment	1,534,630	160,262	7,517	83,980	1,771,355
Leased property under capital leases	3,454,111	1,021,896	182,139	(1,357,026)	2,936,842
Total accumulated Depreciation	<u>112,964,621</u>	<u>2,732,852</u>	<u>684,925</u>	<u>0</u>	<u>115,012,548</u>
Total depreciable capital assets, net	<u>69,288,041</u>	<u>1,603,034</u>	<u>149,155</u>	<u>396,556</u>	<u>71,138,476</u>
Governmental activities capital assets, net	<u>\$ 70,307,213</u>	<u>1,933,034</u>	<u>149,155</u>	<u>0</u>	<u>72,091,092</u>

Business-type activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Depreciable capital assets:</u>					
Mobile equipment	\$ 714,496		264,343		450,153
Furniture and equipment	14,724				14,724
Leased property under capital leases	695,148				695,148
Total depreciable capital assets	<u>1,424,368</u>	<u>0</u>	<u>264,343</u>	<u>0</u>	<u>1,160,025</u>

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments	Balance Sept. 30, 2009
<u>Less accumulated depreciation for:</u>					
Mobile equipment	641,463		237,909		403,554
Furniture and equipment	13,790				13,790
Leased property under capital leases	<u>202,354</u>	<u>125,128</u>			<u>327,482</u>
Total accumulated Depreciation	<u>857,607</u>	<u>125,128</u>	<u>237,909</u>	<u>0</u>	<u>744,826</u>
Total depreciable capital assets, net	<u>566,761</u>	<u>(125,128)</u>	<u>26,434</u>	<u>0</u>	<u>415,199</u>
Business-type activities capital assets, net	<u>\$ 566,761</u>	<u>(125,128)</u>	<u>26,434</u>	<u>0</u>	<u>415,199</u>

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

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 171,637
Public safety	628,800
Public works	1,652,626
Health and welfare	5,778
Culture and recreation	217,529
Economic Development	<u>56,482</u>
Total governmental activities depreciation expense	<u>\$ 2,732,852</u>
Business-type Activities:	
Solid waste	<u>\$ 125,128</u>

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2009, to January 1, 2010. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

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 \$15,996, reported on the balance sheet.

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2009:

Classes of Property	Amount
Industrial Facilities for Howard Industries	\$ 4,000,000
Industrial Facilities for Howard Industries	14,000,000
Industrial Facilities for Howard Industries	6,000,000
Total	\$ 24,000,000

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2009, are as follows:

Year Ended September 30	Principal
2010	\$ 1,000,000
2011	1,000,000
2012	1,000,000
2013	1,000,000
2014	5,000,000
2015 - 2019	5,150,000
2020 - 2024	1,650,000
Total	\$ 15,800,000

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

Classes of Property	Governmental Activities	Business-type Activities
Mobile equipment	\$ 6,844,242	695,148
Furniture and equipment	559,433	
Total	7,403,675	695,148
Less: Accumulated depreciation	2,936,842	327,482
Leased Property Under Capital Leases	\$ 4,466,833	367,666

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

The following is a schedule by years of the total payments due as of September 30, 2009:

Year Ending September 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 1,839,810	183,578	451,835	14,299
2011	1,352,693	115,453		
2012	1,189,560	66,824		
2013	755,004	22,552		
2014	15,352	2,255		
2015 - 2019	41,530	3,051		
Total	\$ 5,193,949	393,713	451,835	14,299

(10) Other Postemployment Benefits.

Plan Description.

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

(11) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Enterprise bonds for Howard Industries	\$ 150,000	0.00%	04-2014
Multi-purpose center construction	895,000	4.00/6.00%	12-2011
Juvenile center construction	1,140,000	4.35/5.25%	10-2015
Justice Court Building and road improvements	2,150,000	1.75/4.25%	06-2012
MBIA bonds for Tech Park	3,465,000	3.00%	03-2021
2004 Construction bond	2,920,000	3.32%	04-2019
2008 Road bonds	4,750,000	3.00/4.25%	06-2023
MBIA bonds for Howard Industries	800,000	0.00%	12-2013
MBIA bonds for Howard Industries	1,350,000	0.00%	12-2018

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
MBIA bonds for Tech Park	10,500,000	0.00%	10-2023
MBIA bonds for Tech Park	5,300,000	0.00%	04-2025
Series 2009 (A) bond	5,670,000	3.00/4.00%	09-2021
Series 2009 (B) bond	<u>3,265,000</u>	5.50/6.10%	09-2024
Total General Obligation Bonds	\$ <u><u>42,355,000</u></u>		
B. Capital Leases:			
IBM AS400 computer system	\$ 77,507	3.40%	08-2010
3 2008 Ford F-150 trucks	56,353	3.20%	03-2012
2008 Tahoe	31,725	3.20%	05-2012
2008 Ford F-150 truck	17,334	3.00%	06-2012
Mahindra tractor	7,246	4.36%	02-2011
Gator & 3 mowers	13,630	4.24%	03-2011
E-911 emergency equipment	77,323	3.15%	08-2011
Fire tanker	27,911	5.23%	10-2010
Fire truck	25,778	3.79%	07-2011
2006 Ford rescue truck	61,545	4.24%	06-2017
Western Star fire truck	6,303	3.40%	03-2010
Caterpillar paver	126,455	4.29%	10-2010
Caterpillar asphalt compactor	55,834	4.10%	11-2010
2008 Ford F-150 truck	16,716	3.00%	06-2012
Caterpillar 430D backhoe	44,700	3.89%	03-2011
2006 Durapatcher	15,268	3.79%	05-2010
2006 Ford F-750 truck	12,079	3.79%	05-2010
Leeboy broom	35,995	3.24%	09-2012
5 Diamond mowers	93,516	4.23%	07-2011
2 2007 Volvo motor graders	288,434	4.01%	11-2009
6 2007 dump trucks	154,131	3.99%	09-2010
Caterpillar 924GZ wheel loader	24,471	3.60%	10-2009
Caterpillar excavator	99,594	4.09%	11-2011
2 2008 Ford F-150 trucks	30,258	3.14%	05-2012
3 Diamond mowers	56,052	4.12%	03-2011
2 Caterpillar 140M motor graders	393,373	3.07%	05-2012
4 Caterpillar backhoes	166,029	3.97%	01-2011
2006 GMC Sierra truck	2,974	3.99%	10-2009
Leeboy motor grader	115,600	3.18%	10-2012
2 International trucks	125,981	3.20%	10-2012
2 tractors and 2 mowers	86,940	3.20%	03-2012
Caterpillar backhoe loader	53,684	3.20%	03-2012
4 2008 Ford F-150 trucks	44,514	3.20%	02-2012
2 2007 dump trucks	26,426	4.18%	08-2010
Broce self-propelled broom	8,904	3.79%	05-2010
2006 International truck and loader	22,127	3.81%	01-2010
2 Kubota tractors and mowers	46,994	4.23%	06-2011
2 Volvo drum rollers	59,686	3.21%	07-2012

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
3 bushhogs	18,541	4.23%	06-2011
2007 Caterpillar excavator	81,940	4.15%	11-2010
Caterpillar 313D excavator	161,672	3.17%	09-2011
2 used trucks	17,907	3.79%	01-2010
2 F-450 trucks	23,105	4.28%	07-2011
3 F-450 trucks	34,213	4.29%	08-2011
2006 Ford F-350 truck	5,403	3.79%	05-2010
2008 Ford F-150 truck	17,189	3.20%	03-2012
1997 Ford F-150 truck	9,525	4.22%	11-2010
WAN equipment	76,830	3.22%	11-2012
Motorola radios	77,592	3.37%	02-2013
4 Tahoes, 2 Impalas, K-9 Transport, etc.	233,560	3.32%	02-2013
21 Ford Crown Victorias & pickup	475,456	3.41%	11-2012
E-One protector fire truck	36,190	4.23%	05-2011
2 2009 Ford F-150 trucks	32,560	3.18%	04-2013
2006 Ford mini-pumper	51,165	3.60%	11-2015
Caterpillar D-6 Dozer	202,184	3.27%	07-2013
2 Ford dump trucks	116,794	3.31%	01-2013
2 Caterpillar motor graders	195,740	3.25%	01-2012
Lee Roy (Roscoe) broom	35,995	3.34%	02-2013
Diamond side broom mower	31,146	3.32%	03-2013
Used 2000 Freightliner truck	14,000	3.35%	04-2013
Used 2004 Ford F-350 truck	12,000	3.35%	05-2013
Used 1999 Sterling truck	29,500	3.47%	06-2013
4 Caterpillar backhoes	322,360	3.20%	10-2012
Case mini excavator	46,997	3.32%	03-2013
Caterpillar D-5 dozer	113,341	3.07%	10-2011
Caterpillar 312DL trackhoe	111,654	3.23%	11-2012
Total Capital Leases	\$ 5,193,949		
C. Other Loans:			
MS Development Authority - Debar	\$ 27,003	5.50%	07-2006
MS Development Authority - Debar	200,096	5.50%	07-2010
State of MS - volunteer fire department	168,312	3.70%	07-2011
Total Other Loans	\$ 395,411		
Business-type Activities:			
A. Capital Leases:			
3 2008 garbage trucks	\$ 395,161	2.85%	06-2010
2 2006 International garbage trucks	56,674	3.81%	01-2010
Total Capital Leases	\$ 451,835		

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

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
2010	\$ 3,285,000	571,231	120,913	13,767
2011	3,355,000	465,309	125,195	8,970
2012	3,405,000	685,513	46,712	4,770
2013	3,030,000	612,335	36,235	2,839
2014	2,890,000	558,004	66,356	806
2015 - 2019	14,125,000	1,962,907		
2020 - 2024	11,765,000	592,484		
2025 - 2029	500,000			
Total	\$ 42,355,000	5,447,783	395,411	31,152

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

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

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2009, the amount of outstanding debt was equal to 6.63% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2009:

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept. 30, 2009	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 339,455	175,315			514,770	
General obligation bonds	37,390,000	8,935,000	3,970,000		42,355,000	3,285,000
Premium on bonds		76,768	6,397		70,371	
Capital leases	4,909,714	2,197,219	1,912,984		5,193,949	1,839,810
Other loans	474,495		79,084		395,411	120,913
Total	\$ 43,113,664	11,384,302	5,968,465		48,529,501	5,245,723

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments	Balance Sept. 30, 2009	Amount due within one year
Business-type Activities:						
Compensated absences	\$ 15,226	12,795			28,021	
Capital leases	591,898		140,063		451,835	451,835
Total	\$ 607,124	12,795	140,063		479,856	451,835

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

(12) Contingencies.

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

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

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the South Central Regional Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds 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, 2009 is \$30,748,117.

(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 \$341,071 in fiscal year 2009. Complete financial statements for the Laurel-Jones County Library can be obtained from 530 Commerce Street, Laurel, MS 39440.

Jones County is a participant with Forrest County, the cities of Hattiesburg and Laurel, and the State of Mississippi in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Hattiesburg-Laurel Regional Airport Authority. The joint venture was created to develop and maintain the airport for the members of the board of commissioners. The Jones County Board of Supervisors appoints one of the five members of the board of commissioners. By contractual agreement, the county's appropriation to the joint venture was \$232,583 in fiscal year 2009. Complete financial statements for the Hattiesburg-Laurel Regional Airport Authority can be obtained from 1002 Terminal Drive, Moselle, MS 39459.

JONES COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2009

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

Jones County is a participant with the Cities of Laurel, Ellisville, Soso and Sandersville in a joint venture, authorized by Section 19-9-11, Miss. Code Ann. (1972), to operate the Jones County Economic Development Authority. The joint venture was created to foster, encourage and facilitate economic development in the county. The Jones County Board of Supervisors appoints six of the 22 members of the board of trustees. By contractual agreement, the county's appropriation to the joint venture was \$227,000 in the fiscal year 2009. Complete financial statements for the Jones County Economic Development Authority can be obtained from P.O. Box 527, Laurel, MS 39441.

(14) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jones County Board of Supervisors appoints one of the 34 members of the board of directors. The county appropriated \$65,240 for support of the district in fiscal year 2009.

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 2009.

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 \$1,920,754 for maintenance and support of the college in fiscal year 2009.

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

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

South Mississippi Fair operates in a district composed of Jones County and the City of Laurel. The Jones County Board of Supervisors appoints five of the ten members of the fair commission. The county issued general obligation bonds for the construction of a multi-purpose building to be used by the South Mississippi Fair. The county appropriated \$137,475 for support of the fair in fiscal year 2009.

JONES COUNTY

Notes to the Financial Statements
For the Year Ended September 30, 2009

(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, 2009 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2009, 2008 and 2007 were \$1,245,448, \$1,164,569 and \$1,029,253, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Subsequent to September 30, 2009, Jones County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
10/2009	3.00%	\$ 77,500	Capital lease	Property tax revenue
11/2009	3.00%	122,338	Capital lease	Property tax revenue
11/2009	3.22%	96,900	Capital lease	Property tax revenue
1/2010	3.34%	36,027	Capital lease	Property tax revenue
1/2010	3.34%	7,500	Capital lease	Property tax revenue
1/2010	3.34%	38,322	Capital lease	Property tax revenue
1/2010	3.24%	113,985	Capital lease	Property tax revenue
1/2010	3.19%	46,500	Capital lease	Property tax revenue
1/2010	3.19%	100,528	Capital lease	Property tax revenue
1/2010	3.19%	102,437	Capital lease	Property tax revenue
4/2010	3.15%	126,580	Capital lease	Property tax revenue
4/2010	3.13%	12,500	Capital lease	Property tax revenue
4/2010	3.10%	42,000	Capital lease	Property tax revenue
5/2010	3.13%	91,647	Capital lease	Property tax revenue
7/2010	3.28%	29,000	Capital lease	Property tax revenue
8/2010	3.14%	44,526	Capital lease	Property tax revenue
8/2010	3.05%	314,739	Capital lease	Property tax revenue
9/2010	3.20%	26,700	Capital lease	Property tax revenue
9/2010	3.10%	83,400	Capital lease	Property tax revenue
10/2010	3.34%	39,500	Capital lease	Property tax revenue

JONES COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JONES COUNTY

(This page left blank intentionally)

JONES COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 11,300,245	11,228,665	11,228,665	
Licenses, commissions and other revenue	535,000	649,771	649,771	
Fines and forfeitures	595,000	885,923	1,010,601	124,678
Intergovernmental revenues	1,808,503	2,504,269	2,313,474	(190,795)
Charges for services	360,000	399,289	399,289	
Interest income	202,500	166,517	166,517	
Miscellaneous revenues	454,000	569,752	569,752	
Total Revenues	<u>15,255,248</u>	<u>16,404,186</u>	<u>16,338,069</u>	<u>(66,117)</u>
EXPENDITURES				
Current:				
General government	8,574,817	9,116,552	9,116,552	
Public safety	3,714,520	4,300,399	4,241,363	59,036
Public works	232,583	232,583	232,583	
Health and welfare	932,134	936,316	936,316	
Culture and recreation	867,459	1,161,551	1,150,438	11,113
Education	42,000	108,653	108,653	
Conservation of natural resources	125,187	123,493	123,493	
Economic development and assistance	393,240	403,565	403,565	
Debt service:				
Principal	119,235	190,961	247,541	(56,580)
Interest			13,569	(13,569)
Total Expenditures	<u>15,001,175</u>	<u>16,574,073</u>	<u>16,574,073</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>254,073</u>	<u>(169,887)</u>	<u>(236,004)</u>	<u>(66,117)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			50,840	50,840
Transfers in			213,627	213,627
Transfers out			(497,155)	(497,155)
Other financing sources		565,849	200,000	(365,849)
Other financing uses	(303,000)	(495,556)		495,556
Total Other Financing Sources and Uses	<u>(303,000)</u>	<u>70,293</u>	<u>(32,688)</u>	<u>(102,981)</u>
Net Change in Fund Balance	(48,927)	(99,594)	(268,692)	(169,098)
Fund Balances - Beginning	<u>1,545,823</u>	<u>987,579</u>	<u>987,579</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,496,896</u>	<u>887,985</u>	<u>718,887</u>	<u>(169,098)</u>

The accompanying notes to the required supplementary information are an integral part of this statement.

JONES COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Howard Industries Fund
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$ 1,600,000	1,639,200	1,639,200	
Total Revenues	<u>1,600,000</u>	<u>1,639,200</u>	<u>1,639,200</u>	<u>0</u>
EXPENDITURES				
Current:				
Economic development and assistance	1,600,000			
Debt service:				
Principal		1,620,000	1,620,000	
Interest		19,200	19,200	
Total Expenditures	<u>1,600,000</u>	<u>1,639,200</u>	<u>1,639,200</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

The accompanying notes to the required supplementary information are an integral part of this statement.

JONES COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2009

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:

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Howard Industries Fund</u>
Budget (Cash Basis)	\$ (268,692)	0
Increase (Decrease)		
Net adjustments for revenue accruals	9,103,431	(350,000)
Net adjustments for expenditure accruals	<u>(8,889,230)</u>	<u> </u>
GAAP Basis	<u>\$ (54,491)</u>	<u>(350,000)</u>

JONES COUNTY

(This page left blank intentionally)

JONES COUNTY

SUPPLEMENTAL INFORMATION

JONES COUNTY

(This page left blank intentionally)

JONES COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2009

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Passed-through the Mississippi State Treasurer's Office School and roads-grants to states	10.665	N/A	\$ <u>153,109</u>
U.S. Department of Justice/Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Passed -through the Mississippi Department of Public Safety Juvenile accountability block grants	16.523	2008-DJ-BX-0631	15,305
Edward Byrne memorial justice assistance program	16.738	06-IIR-1342	<u>32,182</u>
Total U.S. Department of Justice			<u>47,487</u>
U.S. Department of Transportation/Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction *	20.205	BR NBIS 070 B (34)	10,400
Highway planning and construction *	20.205	STP-2170-00(006)	909,956
Highway planning and construction *	20.205	BR-2170-00-(008)	<u>649,078</u>
Subtotal			<u>1,569,434</u>
National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety State and community highway safety	20.600	09-PT-134-1	<u>128,510</u>
Total U.S. Department of Transportation			<u>1,697,944</u>
U.S. Department of Education/ Office of Safe and Drug-free Schools/ Passed-through the Mississippi Department of Public Safety Safe and drug-free schools and communities, state grant	84.186	08-DF-657-1	<u>30,555</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Hazard mitigation grant *	97.039	DR-1604-MS-0108	153,285
Hazard mitigation grant *	97.039	DR-1604-MS-0010	<u>234,368</u>
Total U.S. Department of Homeland Security			<u>387,653</u>
Total Expenditures of Federal Awards			\$ <u><u>2,316,748</u></u>

Note A - Significant Accounting Policies

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

*Denotes major federal award program.

JONES COUNTY

(This page left blank intentionally)

JONES COUNTY

SPECIAL REPORTS

JONES COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Jones County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jones County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated October 18, 2010. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the county did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs 09-1 through 09-3 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-1 and 09-2 to be material weaknesses.

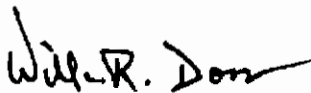
Compliance and Other Matters

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

However, we noted certain matters that we reported to the management of Jones County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated October 18, 2010, included within this document.

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

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



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

October 18, 2010



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

We have audited the compliance of Jones County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. 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 its major federal program is the responsibility of Jones County, Mississippi's management. Our responsibility is to express an opinion on Jones County, Mississippi's compliance based on our audit.

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

In our opinion, Jones County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with a requirement which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 09-4.

Internal Control Over Compliance

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

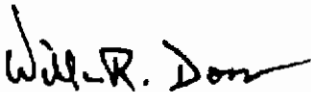
Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the county's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 09-4 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 09-4 to be a material weakness.

Jones County's response to the finding identified in our audit is described in the accompanying Corrective Action Plan following the Schedule of Findings and Questioned Costs. We did not audit Jones County's response and accordingly, we express no opinion on it.

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



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

October 18, 2010



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Jones County, Mississippi

We have 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, 2009. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of 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.

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

Inventory Control Clerk.

Finding

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

Recommendation

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

Inventory Control Clerk's Response

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

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

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

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

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



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

October 18, 2010

JONES COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2009

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
09-08-2009	2009 Tahoe	\$ 24,852	Holiday Chevrolet	\$ 22,830	State contractor did not have it available.
11-18-2008	2008 Motorcycle	18,608	Chunky River Harley Davidson	18,572	Closer for repairs to motorcycle.
01-07-2009	Asphalt	60.50 ton	Dunn Road Builders	60.00 ton	Hauling distance.

JONES COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2009

Schedule 2

Our test results did not identify any emergency purchases.

JONES COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
 For the Year Ended September 30, 2009

Date	Item Purchased		Amount Paid	Vendor
10-06-2008	2008 tax statements	\$	12,465	Lawrence Printing
04-30-2009	Outdoor sirens		153,285	Federal Signal
08-17-2009	German Shepherd dog		10,500	Hoover Police Department
09-08-2009	Muffin Monster Cutter		6,840	JWC Environmental

JONES COUNTY

(This page left blank intentionally)



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jones County, Mississippi

In planning and performing our audit of the financial statements of Jones County, Mississippi for the year ended September 30, 2009, we considered Jones County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jones County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated October 18, 2010, on the financial statements of Jones County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations and your responses are disclosed below:

Board of Supervisors.

1. Finding

As stated in the prior two years' audit reports, the county has interfund loans outstanding that are over a year old. These interfund loans totaled \$201,027 as of September 30, 2009. The interfund loans include \$142,500 related to the purchase of a building and \$58,527 related to indirect costs associated with garbage collection. The Mississippi Code is silent regarding the authority of the county to make these loans and failure to repay these loans constitutes a diversion of legally restricted funds.

Recommendation

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

Board of Supervisors' Response

The \$142,500 interfund loan was repaid in April 2010. The \$58,527 of overhead costs related to garbage operations will be paid back to the General Fund as soon as garbage fee collections allow us to.

2. Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. At September 30, 2009, the Circuit Clerk payroll clearing fund had a negative cash balance of \$40,423. Failure to have sufficient cash balances in county funds prior to writing checks could result in other funds' cash being used for purposes other than their intended purpose. These types of transactions could result in the Board of Supervisors being held personally liable for such amounts.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

We have informed the Circuit Clerk that we must have his payment of his employees salaries before the checks are sent out in the future or we will be forced to hold the checks until the payment is made.

3. Finding

An effective system of internal control over federal grants includes properly identifying all revenues and expenditures, including accruals, on the federal grant activity schedule. Management did not effectively document all federal monies on the county's subsidiary records. The county did not properly complete the federal grant activity schedule for the fiscal year September 30, 2009. Failure to properly complete the federal grant activity schedule increases the possibility of excluding a federal grant on the Schedule of Expenditures of Federal Awards.

Recommendation

The county should properly complete the federal grant activity schedule and ensure that the grant activity schedule includes all federal programs of the county.

Board of Supervisors' Response

In past audits, the auditor has always compiled this information themselves. In the future, we will provide the information to the auditor in the form they request.

Auditor's Note

OMB Circular A-133 requires this information to be prepared by the auditee. Relying on the auditor to prepare this schedule represents an internal control deficiency.

Tax Collector.

4. Finding

The Tax Collector must prepare a report at September 30 of each year identifying the distribution of all funds held by the respective official in order to include these funds in the financial statements of the county. This report should specify the revenues that are due to the General Fund, other governmental funds, state governments or others and should be submitted to the Chancery Clerk by October 31 of each year. This report was not prepared for September 30, 2009. By not preparing this report properly, there could be a risk of funds being misclassified in the financial statements.

Recommendation

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

Tax Collector's Response

In past audits, the private auditors prepared this report on behalf of the Tax Collector. In the future, the September 30 report will be prepared by the Tax Collector and made available for the auditors.

Auditor's Note

The distribution of funds should be prepared by the Tax collector as a control over all funds received. The auditor cannot be part of internal controls.

Circuit Clerk.

5. Finding

The Circuit Clerk employs deputies whose payroll is processed with the county's payroll. The Circuit Clerk has been reimbursing the county for his deputies' salaries after the actual payroll date, instead of paying in advance. At September 30, 2009, the Circuit Clerk Clearing Account had a negative cash balance of \$40,423. Failure to collect the Circuit Clerk's payroll in advance has caused a misuse of public funds.

Recommendation

The Circuit Clerk should pay for deputies' salaries, including benefits, to the county in advance of the payroll period, and reimburse the county any outstanding reimbursements at September 30, 2009. In the future, if payment is not made in advance, the county should not issue a payroll check for the deputy clerks.

Circuit Clerk's Response

The Clerk was in Circuit Court and lost track of the date. The County was paid the balance of \$40,423 on October 2, 2009. The Clerk will be sure to pay all payroll before the end of the payroll date.

Sheriff.

6. Finding

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

Recommendation

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

Sheriff's Response

The Sheriff's Office agrees with the finding of the Audit Department in that a checking account will be opened, depositing process and bond fees only. At the end of each month, the account will be reconciled and a check written to the county.

Solid Waste Clerk.

7. Finding

An effective system of internal control over solid waste receivable records should include maintaining adequate subsidiary records to substantiate the total solid waste receivable balance. Management did not prepare a complete aged accounts receivable report at September 30, 2009; instead, only the first and last pages were retained. Failure to retain a complete solid waste aged accounts receivable listing could increase the risk of misappropriation.

Recommendation

The Solid Waste Clerk should retain a complete copy of the aged accounts receivable listing at September 30 of each fiscal year.

Solid Waste Clerk's Response

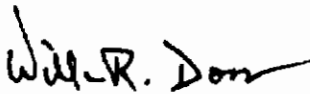
In past years we only had to provide the auditors recaps of the aged account receivable reports so we really did not know this was required by the auditor. However, in the future, we will print a complete aged receivables report for review.

Auditor's Note

A complete copy of the aged accounts receivable listing is necessary for effective internal control and in order to perform required audit testwork.

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

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



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

October 18, 2010

JONES COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JONES COUNTY

(This page left blank intentionally)

JONES COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental Activities | Qualified |
| | Business-type Activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Howard Industries | Unqualified |
| | Garbage Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|---|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as a major programs: | |
| | a. Highway planning and construction, CFDA #20.205 | |
| | b. Hazard mitigation grant, CFDA, #97.039 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit 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 |

JONES COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2009

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1. Finding

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

Recommendation

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

Board of Supervisors' Response

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

Significant Deficiency – Material Weakness

09-2. Finding

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

Recommendation

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

JONES COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Board of Supervisors' Response

We understand this is a new requirement placed on counties to provide this information. Therefore, we will ask our local insurance agent representing us for health coverage to provide us with this actuary information in the future.

Inventory Control Clerk.

Significant Deficiency

09-3. Finding

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

Recommendation

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

Inventory Control Clerk's Response

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

Section 3: Federal Award Findings and Questioned Costs

Significant Deficiency

09-4. Finding

Program: CFDA#97.039 DR-1604-MS-0108 & DR-1604-MS-0010, Hazard Mitigation Grant
U.S. Department of Homeland Security/Passed-through Mississippi Emergency
Management Agency

Compliance Requirement: Equipment and Real Property Management/Controls Over Equipment and Real Property Management Should Be Strengthened

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

JONES COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2009

Questioned Cost

None

Recommendation

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

JONES COUNTY

CORRECTIVE ACTION PLAN

JONES COUNTY

(This page left blank intentionally)



MISSISSIPPI

JONES COUNTY BOARD OF SUPERVISORS

P. O. BOX 1468
LAUREL, MS 39441

Telephone: (601) 428-3139
Fax: (601) 399-4727

CORRECTIVE ACTION PLAN

September 9, 2010

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

To whom it may concern:

The Jones County Board of Supervisors respectfully submits the following corrective action plan for the year ended September 30, 2009.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

09-1 Corrective Action Planned:

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

Anticipated Completion Date: undecided

Name of Contact Person Responsible for Corrective Action: Charles Miller, County Administrator

09-2 Corrective Action Planned:

We understand this a new requirement placed on counties to provide this information. Therefore, we will ask our local insurance agent representing us for health coverage to provide us with this actuary information in the future.

Anticipated Completion Date: September 13, 2010

JOHNNY BURNETT
DISTRICT 1

DANNY SPRADLEY
DISTRICT 2

BARRY SAUL
DISTRICT 3

CHARLES A. DIAL
DISTRICT 4

JEROME WYATT
DISTRICT 5

LARRY D. ISHEE
CLERK

Name of Contact Person Responsible for Corrective Action: Charles Miller, County Administrator

09-3 Corrective Action Planned:

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

Anticipated Completion Date: September 30, 2010

Name of Contact Person Responsible for Corrective Action: Charles Miller, County Administrator

SECTION 3: FEDERAL AWARD FINDINGS


09-4 Corrective Action Planned:

We changed inventory assistants during this time period and the information unfortunately was not properly relayed to the new assistant. We have now added all the generators and sirens and will strive to keep our inventory properly updated in the future.

Anticipated Completion Date: September 13, 2010

Name of Contact Person Responsible for Corrective Action: Charles Miller, County Administrator

Sincerely yours,



Charles Miller
County Administrator, Jones County