

JONES COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

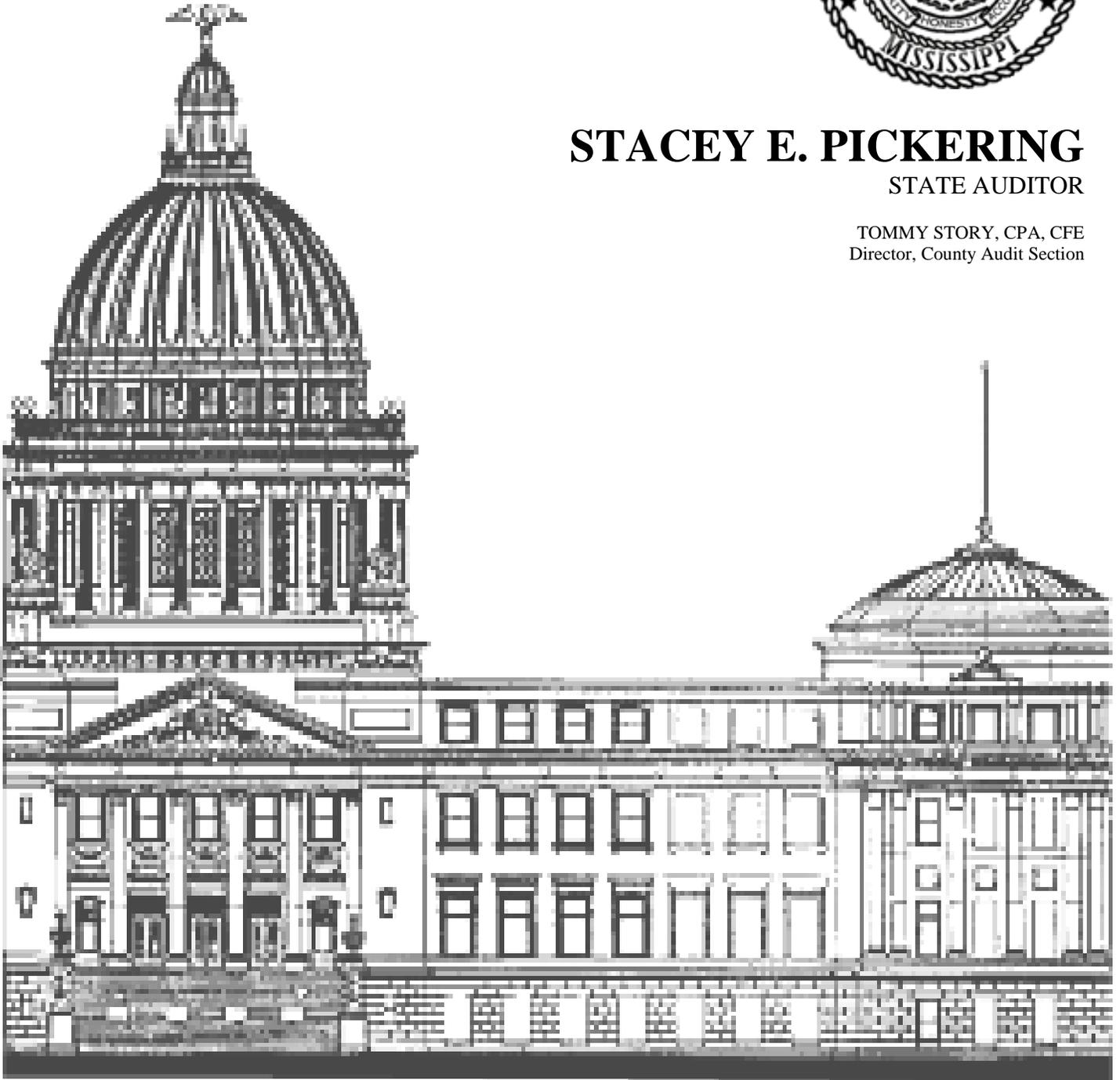
For the Year Ended September 30, 2014



STACEY E. PICKERING

STATE AUDITOR

TOMMY STORY, CPA, CFE
Director, County Audit Section



A Report from the County Audit Section

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

October 23, 2015

Members of the Board of Supervisors
Jones County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2014 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 Tom Story of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, written over a white background.

Stacey E. Pickering
State Auditor

JONES COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION 1

INDEPENDENT AUDITOR’S REPORT 3

FINANCIAL STATEMENTS 7

 Statement of Net Position 9

 Statement of Activities 10

 Balance Sheet – Governmental Funds 11

 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position..... 12

 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds..... 13

 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities..... 14

 Statement of Net Position – Proprietary Fund 15

 Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund 16

 Statement of Cash Flows – Proprietary Fund 17

 Statement of Fiduciary Assets and Liabilities 18

 Notes to Financial Statements 19

REQUIRED SUPPLEMENTARY INFORMATION 41

 Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund 43

 Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Howard Industries
 Fund 44

SUPPLEMENTAL INFORMATION 47

 Schedule of Expenditures of Federal Awards..... 49

OTHER INFORMATION 51

 Schedule of Surety Bonds for County Officials 53

SPECIAL REPORTS..... 55

 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* 57

 Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control
 Over Compliance Required by OMB Circular A-133..... 59

 Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase
 Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))..... 61

 Limited Internal Control and Compliance Review Management Report 67

SCHEDULE OF FINDINGS AND QUESTIONED COSTS 71

JONES COUNTY

FINANCIAL SECTION

JONES COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jones County, Mississippi

Report on the Financial Statements

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, (the County) as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Jones County, Mississippi, as of September 30, 2014, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Governmental Activities, Business-Type Activities, and Garbage Fund

As discussed in Note 11 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities, the business-type activities and the Garbage Fund 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 position and change the expenses of the governmental activities, the business-type activities, and the Garbage Fund. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities, the business-type activities and the Garbage Fund is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, and the Garbage Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, and the Garbage Fund of Jones County, Mississippi, as of September 30, 2014, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, the Howard Industries Fund, the Countywide Bond and Interest Sinking Fund and the aggregate remaining fund information of Jones County, Mississippi, as of September 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Jones County, Mississippi, has omitted the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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 as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jones County, Mississippi's internal control over financial reporting and compliance.



TOMMY STORY, CPA, CFE
Director, County Audit Section

October 23, 2015

JONES COUNTY

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JONES COUNTY

FINANCIAL STATEMENTS

JONES COUNTY

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JONES COUNTY
Statement of Net Position
September 30, 2014

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 12,812,426	13,817	12,826,243
Property tax receivable	16,392,202		16,392,202
Accounts receivable (net of allowance for uncollectibles of \$1,520,420)		281,179	281,179
Fines receivable (net of allowance for uncollectibles of \$5,521,992)	1,894,876		1,894,876
Loans receivable (net of allowance for uncollectibles of \$227,099)	600,000		600,000
Capital leases receivable	10,800,000		10,800,000
Intergovernmental receivables	951,877		951,877
Other receivables	883,170		883,170
Internal balances	75,960	(75,960)	
Capital assets:			
Land and construction in progress	1,046,279	30,000	1,076,279
Other capital assets, net	86,586,057	735,229	87,321,286
Total Assets	<u>132,042,847</u>	<u>984,265</u>	<u>133,027,112</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	69,514		69,514
Total deferred outflows of resources	<u>69,514</u>	<u>0</u>	<u>69,514</u>
LIABILITIES			
Claims payable	1,214,717	89,785	1,304,502
Intergovernmental payables	673,045		673,045
Accrued interest payable	512,245	6,334	518,579
Unearned revenue		162,507	162,507
Amounts held in custody for others	170,123		170,123
Long-term liabilities			
Due within one year:			
Capital debt	6,294,904	232,787	6,527,691
Non-capital debt	1,150,000		1,150,000
Due in more than one year:			
Capital debt	48,320,746	482,263	48,803,009
Non-capital debt	15,823,868	32,813	15,856,681
Total Liabilities	<u>74,159,648</u>	<u>1,006,489</u>	<u>75,166,137</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax for future reporting period	16,392,202		16,392,202
Total deferred inflows of resources	<u>16,392,202</u>	<u>0</u>	<u>16,392,202</u>
NET POSITION			
Net investment in capital assets	33,086,200	50,179	33,136,379
Restricted for:			
Expendable:			
General government	68,725		68,725
Public safety	2,690,069		2,690,069
Public works	8,903,476		8,903,476
Culture and recreation	37,387		37,387
Unemployment compensation	71,709		71,709
Unrestricted	(3,297,055)	(72,403)	(3,369,458)
Total Net Position	<u>\$ 41,560,511</u>	<u>(22,224)</u>	<u>41,538,287</u>

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

JONES COUNTY
Statement of Activities
For the Year Ended September 30, 2014

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 9,408,627	521,512	246,323		(8,640,792)		(8,640,792)
Public safety	7,882,118	3,354,518	898,615	6,041	(3,622,944)		(3,622,944)
Public works	13,988,710		2,030,291	53,463	(11,904,956)		(11,904,956)
Health and welfare	1,543,254		308,828		(1,234,426)		(1,234,426)
Culture and recreation	937,186	33,324			(903,862)		(903,862)
Education	114,231		54,037		(60,194)		(60,194)
Conservation of natural resources	125,899				(125,899)		(125,899)
Economic development and assistance	174,376		116,000		(58,376)		(58,376)
Interest on long-term debt	1,139,766				(1,139,766)		(1,139,766)
Bond Issue Costs	147,500				(147,500)		(147,500)
Total Governmental Activities	<u>35,461,667</u>	<u>3,909,354</u>	<u>3,654,094</u>	<u>59,504</u>	<u>(27,838,715)</u>		<u>(27,838,715)</u>
Business-type activities:							
Solid Waste	2,223,663	2,074,526				(149,137)	(149,137)
Total Business-type Activities	<u>2,223,663</u>	<u>2,074,526</u>	<u>0</u>	<u>0</u>		<u>(149,137)</u>	<u>(149,137)</u>
Total Primary Government	<u>\$ 37,685,330</u>	<u>5,983,880</u>	<u>3,654,094</u>	<u>59,504</u>	<u>(27,838,715)</u>	<u>(149,137)</u>	<u>(27,987,852)</u>
General revenues:							
Property taxes					\$ 20,581,652		20,581,652
Road & bridge privilege taxes					820,971		820,971
Grants and contributions not restricted to specific programs					2,702,152		2,702,152
Unrestricted interest income					27,839	957	28,796
Miscellaneous					928,173	46,791	974,964
Rental Income					794,149		794,149
Total General Revenues					<u>25,854,936</u>	<u>47,748</u>	<u>25,902,684</u>
Changes in Net Position					<u>(1,983,779)</u>	<u>(101,389)</u>	<u>(2,085,168)</u>
Net Position - Beginning, as previously reported					53,267,448	79,165	53,346,613
Prior period adjustments					<u>(9,723,158)</u>		<u>(9,723,158)</u>
Net Position - Beginning, as restated					<u>43,544,290</u>	<u>79,165</u>	<u>43,623,455</u>
Net Position - Ending					<u>\$ 41,560,511</u>	<u>(22,224)</u>	<u>41,538,287</u>

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

JONES COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2014

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Howard Industries Fund	Countywide Bond & Interest Sinking Fund	Other Governmental Funds	
ASSETS					
Cash	\$ 1,948,694		86	10,863,646	12,812,426
Property tax receivable	9,822,639		3,047,972	3,521,591	16,392,202
Fines receivable (net of allowance for uncollectibles of \$5,521,992)	1,894,876				1,894,876
Loans receivable (net of allowance for uncollectibles of \$227,099)		600,000			600,000
Capital lease receivable		10,800,000			10,800,000
Intergovernmental receivables	441,800			510,077	951,877
Other receivables	63,513			819,657	883,170
Due from other funds	146,937		87,043	840,869	1,074,849
Advances to other funds	51,949			146,000	197,949
Total Assets	\$ 14,370,408	11,400,000	3,135,101	16,701,840	45,607,349
LIABILITIES					
Liabilities:					
Claims payable	\$ 339,119			875,598	1,214,717
Intergovernmental payables	641,065			9,771	650,836
Due to other funds	418,260			654,787	1,073,047
Advances from other funds				146,000	146,000
Amounts held in custody for others	170,123				170,123
Total Liabilities	\$ 1,568,567	0	0	1,686,156	3,254,723
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	9,822,639		3,047,972	3,521,591	16,392,202
Unavailable revenue - fines	1,894,876				1,894,876
Unavailable revenue - capital lease receivable		10,800,000			10,800,000
Total deferred inflows of resources	\$ 11,717,515	10,800,000	3,047,972	3,521,591	29,087,078
Fund balances:					
Nonspendable:					
Advances	51,949				51,949
Loans receivable		600,000			600,000
Restricted for:					
General government				68,725	68,725
Public safety				2,690,069	2,690,069
Public works				8,903,476	8,903,476
Culture and recreation				37,387	37,387
Debt service			87,129		87,129
Unemployment compensation				71,709	71,709
Committed to:					
General government				155,059	155,059
Public safety				60,506	60,506
Culture and recreation				101,660	101,660
Assigned to:					
Public safety				106,183	106,183
Unassigned	1,032,377			(700,681)	331,696
Total Fund Balances	\$ 1,084,326	600,000	87,129	11,494,093	13,265,548
Total Liabilities and Fund Balances	\$ 14,370,408	11,400,000	3,135,101	16,701,840	45,607,349

JONES COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2014

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 13,265,548
Amounts reported for governmental activities in the statement of net position 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 \$122,821,086.	87,632,336
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,894,876
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(71,589,518)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(512,245)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	10,800,000
Deferred amount on refunding	<u>69,514</u>
Total Net Position - Governmental Activities	\$ <u><u>41,560,511</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, 2014

	Major Funds				Total Governmental Funds
	General Fund	Howard Industries Fund	Countywide Bond & Interest Sinking Fund	Other Governmental Funds	
REVENUES					
Property taxes	\$ 12,752,472		3,157,103	4,672,077	20,581,652
Road and bridge privilege taxes				820,971	820,971
Licenses, commissions and other revenue	512,033			48,178	560,211
Fines and forfeitures	482,272			2,267,233	2,749,505
Intergovernmental revenues	1,554,104		26,454	4,835,192	6,415,750
Charges for services	283,620			710,010	993,630
Interest income	4,973			22,866	27,839
Rental income	179,680		614,469		794,149
Miscellaneous revenues	391,732			536,441	928,173
Total Revenues	16,160,886	0	3,798,026	13,912,968	33,871,880
EXPENDITURES					
Current:					
General government	8,445,767			996,345	9,442,112
Public safety	6,073,985			2,674,257	8,748,242
Public works	271,660			13,451,638	13,723,298
Health and welfare	1,181,135			116,000	1,297,135
Culture and recreation	180,936			687,651	868,587
Education	114,231				114,231
Conservation of natural resources	125,899				125,899
Economic development and assistance	174,376				174,376
Debt service:					
Principal	31,303	1,150,000	2,959,446	1,290,420	5,431,169
Interest	1,492		1,021,794	107,629	1,130,915
Bond issue costs				147,500	147,500
Total Expenditures	16,600,784	1,150,000	3,981,240	19,471,440	41,203,464
Excess of Revenues over (under) Expenditures	(439,898)	(1,150,000)	(183,214)	(5,558,472)	(7,331,584)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	1,277,679			7,753,997	9,031,676
Proceeds from sale of capital assets	440			379,431	379,871
Compensation for loss of capital assets				22,064	22,064
Transfers in				700,922	700,922
Transfers out	(605,000)			(95,922)	(700,922)
Lease principal payments		1,000,000			1,000,000
Total Other Financing Sources and Uses	673,119	1,000,000	0	8,760,492	10,433,611
Net Changes in Fund Balances	233,221	(150,000)	(183,214)	3,202,020	3,102,027
Fund Balances - Beginning	851,105	750,000	270,343	8,292,073	10,163,521
Fund Balances - Ending	\$ 1,084,326	600,000	87,129	11,494,093	13,265,548

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, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 3,102,027
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 position differs from the change in fund balances by the amount that capital outlays of \$4,218,054 exceeded depreciation of \$3,929,720 in the current period.	288,334
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 position differs from the change in fund balances by the amount of the net loss of \$35,551 and the proceeds from the sale of \$379,871 and compensation for loss of \$22,064 in the current period.	(437,486)
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.	(393,992)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$9,031,676 exceeded debt repayments of \$5,431,169.	(3,600,507)
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 position differs from the change in fund balances by a combination of the following items:	
The decrease in compensated absences	66,696
The increase in accrued interest payable	(7,747)
The amortization of general obligation bond discount	(4,563)
The amortization of general obligation bond premium	20,837
The amortization of deferred refunding charges	(17,378)
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 position differs from change in fund balances by the principal collections on the capital leases.	<u>(1,000,000)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,983,779)</u></u>

JONES COUNTY
Statement of Net Position - Proprietary Fund
September 30, 2014

Exhibit 5

	Business-type Activities - <u>Enterprise Fund</u> Garbage <u>Fund</u>
ASSETS	
Current assets:	
Cash	\$ 13,817
Accounts receivable (net of allowance for uncollectibles of \$1,520,420)	<u>281,179</u>
Total Current Assets	<u>294,996</u>
Noncurrent assets:	
Capital assets:	
Land and construction in progress	30,000
Other capital assets, net	<u>735,229</u>
Total Noncurrent Assets	<u>765,229</u>
Total Assets	<u>1,060,225</u>
LIABILITIES	
Current liabilities:	
Claims payable	89,785
Due to other funds	24,011
Advances from other funds	51,949
Accrued interest payable	6,334
Unearned revenue	162,507
Capital debt:	
Capital leases payable	<u>232,787</u>
Total Current Liabilities	<u>567,373</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	482,263
Non-capital debt:	
Compensated absences payable	<u>32,813</u>
Total Noncurrent Liabilities	<u>515,076</u>
NET POSITION	
Net investment in capital assets	50,179
Unrestricted	<u>(72,403)</u>
Total Net Position	<u>\$ (22,224)</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 Net Position - Proprietary Fund
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Fund
	<u>Garbage Fund</u>
Operating Revenues	
Charges for services	\$ 2,074,526
Miscellaneous	48,168
Total Operating Revenues	<u>2,122,694</u>
Operating Expenses	
Cost of sales	
Personal services	1,212,400
Contractual services	644,117
Materials and supplies	103,505
Depreciation expense	228,317
Indirect administrative cost	24,011
Total Operating Expenses	<u>2,212,350</u>
Operating Income (Loss)	<u>(89,656)</u>
Nonoperating Revenues (Expenses)	
Interest income	957
Gain (loss) on sale of capital assets	(1,377)
Interest expense	(11,313)
Net Nonoperating Revenue (Expenses)	<u>(11,733)</u>
Changes in Net Position	<u>(101,389)</u>
Net Position - Beginning	<u>79,165</u>
Net Position - Ending	<u>\$ (22,224)</u>

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

JONES COUNTY

Exhibit 7

Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2014

	Business-type Activities - Enterprise Fund
	<u>Garbage Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 2,064,802
Payments to suppliers	(719,281)
Payments to employees	(1,214,561)
Other operating cash receipts	48,168
Net Cash Provided (Used) by Operating Activities	<u>179,128</u>
Cash Flows From Noncapital Financing Activities	
Cash paid to other funds:	
Interfund loan repayments	(22,167)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(22,167)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds of long-term debt	450,602
Acquisition and construction of capital assets	(540,982)
Principal paid on long-term debt	(160,690)
Interest paid on debt	(9,926)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(260,996)</u>
Cash Flows From Investing Activities	
Interest on deposits	957
Net Cash Provided (Used) by Investing Activities	<u>957</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(103,078)
Cash and Cash Equivalents at Beginning of Year	<u>116,895</u>
Cash and Cash Equivalents at End of Year	<u>\$ 13,817</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (89,656)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	228,317
Provision for uncollectible accounts	149,781
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(153,539)
Increase (decrease) in claims payable	28,137
Increase (decrease) in compensated absences liability	(1,957)
Increase (decrease) in unearned revenue	(5,966)
Increase (decrease) in interfund payables	24,011
Total Adjustments	<u>268,784</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 179,128</u>

Noncash Capital Financing Activity:

Jones County lease purchased mobile equipment for \$122,120 for 5 years at 1.74% interest.
No principal payments were made on the lease during the year.

Jones County lease purchased mobile equipment for \$49,900 for 5 years at 2.32% interest.
No principal payments were made on the lease during the year.

Jones County lease purchased mobile equipment for \$278,582 for 3 years at 1.58% interest.
No principal payments were made on the lease during the year.

JONES COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 381,330
Due from other funds	37,300
Other receivables	<u>15,091</u>
Total Assets	<u>\$ 433,721</u>
LIABILITIES	
Amounts held in custody for others	\$ 12,739
Intergovernmental payables	405,891
Due to other funds	<u>15,091</u>
Total Liabilities	<u>\$ 433,721</u>

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

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Jones County, Mississippi (the 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 accordance 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 Position 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 Position 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.

The Statement of Net Position 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

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

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

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

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

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.

Countywide Bond and Interest Sinking Fund - This fund is used to account for retirement of long-term debt of the County.

The County reports the following major Enterprise Fund:

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

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 2012 by the Government Finance Officers Association.

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the County did not invest in any 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 nonspendable fund balance account in the General Fund, if applicable, to indicate that they are

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

H. Capital Assets.

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

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

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

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
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

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

I. Deferred Outflows/Inflows of Resources.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – fines – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Unavailable revenue – capital lease – When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

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 Position. Bond premiums and discounts 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.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - 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.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Restricted net position - Consists of net position 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 position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Nonspendable fund balance includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County’s highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

Assigned fund balance includes amounts that are constrained by the County’s intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. Assignments of fund balance are created by the County Administrator pursuant to authorization established by County.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

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.

O. Changes in Accounting Standards

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(2) Prior Period Adjustment.

A summary of significant fund equity adjustment is as follows:

Exhibit 2 - Statement of Activities.

Explanation	Amount
Implementation of GASB Statement 65, <i>Items Previously Reported as Assets and Liabilities</i>	\$ (954,253)
To add long-term liabilities to financial statements	(8,768,905)
Total prior period adjustment	\$ (9,723,158)

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$13,207,573, and the bank balance was \$13,120,381. 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 a 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, 2014:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 107,835
General Fund	Garbage Fund	24,011
General Fund	Agency Funds	15,091
Countywide Bond & Interest Sinking Fund	General Fund	87,043
Other Governmental Funds	General Fund	293,917
Other Governmental Funds	Other Governmental Funds	546,952
Agency Funds	General Fund	37,300
Total		\$ 1,112,149

The receivables represent the tax revenue collected in September 2014, but not settled until October, 2014, short-term loans, an error in posting revenue during the year, and indirect cost from the Solid Waste Fund. All interfund balances are expected to be repaid within one year from the date of the financial statements.

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Garbage Fund	\$ 51,949
Other Governmental Funds	Other Governmental Funds	<u>146,000</u>
Total		\$ <u><u>197,949</u></u>

The advances represent interfund loans relating to indirect cost associated with solid waste operations and an interfund loan relating to reimbursable grant funds. The advance is not expected to be repaid within one year from the date of financial statements.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 605,000
Other Governmental Funds	Other Governmental Funds	<u>95,922</u>
Total		\$ <u><u>700,922</u></u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 389,348
Public safety partnership and community policing grant	29,700
Youth court reimbursement	9,739
Crime victim assistance	9,419
Anti-litter reimbursement	3,594
HOME grant	106,500
Drug court reimbursement	15,596
Triad grant	5,000
Emergency management performance grant	53,284
State aid road reimbursement	27,634
Emergency watershed protection program	<u>302,063</u>
Total Governmental Activities	\$ <u><u>951,877</u></u>

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(6) Loans Receivable.

Loans receivable balances at September 30, 2014, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Debar Construction CDBG Loan	5/1/1995	5.25%	7/1/2006	\$ 27,003
Debar Construction CDBG Loan	9/30/1998	5.50%	9/30/2009	200,096
Howard Industries MBIA Loan	12/1/1998	N/A	12/1/2018	<u>600,000</u>
Total				<u>827,099</u>
Less: Allowance for doubtful accounts*				<u>227,099</u>
Net Loans Receivable				<u>\$ 600,000</u>

*The two Debar Construction CDBG loans receivables were determined to be uncollectible in fiscal year 2011.

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2014:

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
Non-depreciable capital assets:					
Land	\$ 1,046,279				1,046,279
Total non-depreciable capital assets	<u>1,046,279</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,046,279</u>
Depreciable capital assets:					
Infrastructure	150,300,860	115,000			150,415,860
Buildings	29,649,905	91,176			29,741,081
Improvements other than buildings	45,257				45,257
Mobile equipment	14,581,797	1,137,782	1,383,578	451,834	14,787,835
Furniture and equipment	3,248,493	92,000	394,184	242,825	3,189,134
Leased property under capital leases	9,520,735	2,782,096	380,196	(694,659)	11,227,976
Total depreciable capital assets	<u>207,347,047</u>	<u>4,218,054</u>	<u>2,157,958</u>	<u>0</u>	<u>209,407,143</u>
Less accumulated depreciation for:					
Infrastructure	99,170,211	571,433			99,741,644
Buildings	6,516,178	559,555		(58,136)	7,017,597
Improvements other than buildings	3,620	1,810			5,430
Mobile equipment	10,229,699	1,012,554	1,233,269	359,037	10,368,021
Furniture and equipment	2,543,524	313,798	350,931	119,517	2,625,908
Leased property under capital leases	2,148,606	1,470,570	136,272	(420,418)	3,062,486
Total accumulated depreciation	<u>120,611,838</u>	<u>3,929,720</u>	<u>1,720,472</u>	<u>0</u>	<u>122,821,086</u>
Total depreciable capital assets, net	<u>86,735,209</u>	<u>288,334</u>	<u>437,486</u>	<u>0</u>	<u>86,586,057</u>

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
Governmental activities capital assets, net	\$ 87,781,488	288,334	437,486	0	87,632,336
Business-type activities:					
	Balance Oct. 1, 2013	Additions	Deletions	Adjustments*	Balance Sept. 30, 2014
<u>Non-depreciable capital assets:</u>					
Land	\$	30,000			30,000
Total non-depreciable capital assets	0	30,000	0	0	30,000
<u>Depreciable capital assets:</u>					
Buildings		60,380			60,380
Mobile equipment	154,641			209,826	364,467
Furniture and equipment	27,893		19,144		8,749
Leased property under capital leases	742,613	450,602		(209,826)	983,389
Total depreciable capital assets	925,147	510,982	19,144	0	1,416,985
<u>Less accumulated depreciation for:</u>					
Buildings		1,208			1,208
Mobile equipment	97,686	50,099		151,074	298,859
Furniture and equipment	25,641		17,767		7,874
Leased property under capital leases	347,879	177,010		(151,074)	373,815
Total accumulated depreciation	471,206	228,317	17,767	0	681,756
Total depreciable capital assets, net	453,941	282,665	1,377	0	735,229
Business-type activities capital assets, net	\$ 453,941	312,665	1,377	0	765,229

*Adjustments to capital assets were for transfers of completed capital leases to the proper classification.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 207,308
Public safety	1,098,547
Public works	2,261,235
Health and welfare	246,274
Culture and recreation	116,356
Total governmental activities depreciation expense	\$ 3,929,720
Business-type activities:	
Solid waste	\$ 228,317

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(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, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Until August 31, 2002, the County financed its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the County was exposed. Premium payments to the pool were determined on an actuarial basis. The County purchased commercial insurance to cover all claims in excess of premium contributions. Claims expenses and liabilities were reported when it was probable that a loss had occurred and the amount of that loss could be reasonably estimated.

The County had no year end liability because the Mississippi Public Entity Employee Benefit Trust officially closed the County's public entity risk pool on January 11, 2013.

(9) Operating Leases.

As Lessor:

On April 21, 2011, Jones County entered into a non-cancellable operating lease agreement with South Central Regional Medical Center for the lease of Jones County Rest Home owned by the County for the purpose of operation of the home and to provide care for its residents. The operating lease stipulated that the lessee would pay approximately \$14,640 per month in lease payments commencing January 1, 2011 for a term of 20 years. Also, it stated additional debt service rental payments for the amount of principal and interest associated with the \$5,800,000 Special Obligation Bonds, Series 2011 and \$4,335,000 Special Obligation Bonds, Series 2012.

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$790,149 for the year ended September 30, 2014. The future minimum lease receivables for these leases are as follows:

Year Ending September 30	Amount
2015	\$ 990,092
2016	989,042
2017	987,742
2018	984,968
2019	984,518
2020 – 2024	4,938,400
2025 – 2029	4,932,423
2030 – 2031	1,842,451
Total Minimum Payments Required	\$ 16,649,636

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(10) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2014:

<u>Classes of Property</u>	<u>Amount</u>
Industrial Facilities for Howard Industries	\$ 7,000,000
Industrial Facilities for Howard Industries	<u>3,800,000</u>
Total	\$ <u><u>10,800,000</u></u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2014, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>
2015	\$ 1,000,000
2016	1,000,000
2017	1,000,000
2018	1,000,000
2019	1,000,000
2020 – 2024	5,300,000
2025 – 2029	<u>500,000</u>
Total	\$ <u><u>10,800,000</u></u>

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Buildings	\$ 2,906,801	
Mobile equipment	6,786,105	983,389
Furniture and equipment	<u>1,535,070</u>	
Total	11,227,976	983,389
Less: Accumulated depreciation	<u>3,062,486</u>	<u>373,815</u>
Leased Property Under Capital Leases	\$ <u><u>8,165,490</u></u>	<u><u>609,574</u></u>

The following is a schedule by years of the total payments due as of September 30, 2014:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 3,074,904	616,511	232,787	13,548
2016	2,384,473	396,490	331,826	8,475
2017	2,495,693	384,495	106,206	2,870
2018	1,438,060	331,234	44,231	844
2019	810,502	289,051		
2020 – 2024	4,366,156	964,378		
2025 – 2029	<u>2,317,415</u>	<u>151,333</u>		
Total	\$ <u><u>16,887,203</u></u>	<u><u>3,133,492</u></u>	<u><u>715,050</u></u>	<u><u>25,737</u></u>

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(11) Other Postemployment Benefits.

Plan Description

The Jones County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Jones County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the 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.

(12) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
MBIA bonds for Tech Park	\$ 2,160,000	3.00%	03-2021
2008 Road bonds	3,345,000	3.00/4.25%	06-2023
Series 2009(A) bond	4,410,000	3.00/4.00%	09-2021
Series 2009(B) bond	3,265,000	5.50/6.10%	09-2024
MBIA bonds for Howard Industries	600,000	0.00%	06-2018
MBIA bonds for Tech Park	7,000,000	0.00%	11-2023
MBIA bonds for Tech Park	3,800,000	0.00%	04-2025
Series 2010 Construction Bond	2,520,000	2.50/3.50%	12-2025
Series 2012 Road Bond	2,225,000	2.00%	06-2027
Series 2012 Refunding Bond	2,065,000	2.00%	10-2018
2013 Road Bond	5,675,000	2.00%	05-2028
2014 Road Bond	<u>7,000,000</u>	1.87/2.50%	06-2029
Total General Obligation Bonds	<u>\$ 44,065,000</u>		
B. Special Obligation Bonds:			
Series 2011 Bond – Co. Rest Home	\$ 5,575,000	2.50/5.50%	04-2031
Series 2012 Bond – Co. Rest Home	<u>4,140,000</u>	2.50/3.50%	04-2031
Total Special Obligation Bonds	<u>\$ 9,715,000</u>		
C. Capital Leases:			
35PPM Digital BW Copier	\$ 2,555	2.25%	11-2015
2006 Ford rescue truck	25,583	4.24%	06-2017
2006 Ford mini-pumper	15,932	3.60%	11-2015
2 Ford F750 trucks	25,626	3.08%	01-2015
Five Position CC 5500 consoles	299,235	3.26%	01-2018
2 2011 International dump trucks	36,848	2.91%	04-2015
2 dump trucks	36,774	2.77%	07-2015
Kubota tractor	9,432	3.17%	12-2014
Road Hog milling machine	12,929	3.00%	06-2015

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
3 Diamond side mowers	16,162	3.00%	05-2015
E911 Dispatching work station	153,752	2.83%	06-2019
2 Tahoes and 1 Ford F150	41,075	2.34%	03-2016
Skid Steer and Backhoe	92,583	2.19%	05-2016
Kubota Tractor and Broom Sweeper	38,268	2.11%	07-2016
Dump Truck	24,489	2.04%	09-2016
John Deere Bulldozer and Forestry Pkge	87,740	2.25%	12-2015
2011 Ford F150	13,799	2.12%	01-2016
2005 Mack Pull Truck	22,973	2.12%	01-2016
Used 2003 Ford F350 Dump Truck	9,726	2.41%	02-2016
2007 Vermeer Wood Chipper	13,821	2.41%	02-2016
John Deere 160 DLC	111,309	2.29%	04-2015
2003 International and 2012 Ford F150	31,582	2.29%	05-2016
2012 Chevrolet Tahoe	21,029	2.08%	07-2016
2000 Ford F350	8,137	2.38%	07-2016
2002 International Dump Truck	13,717	2.40%	06-2016
(2) 2013 Ford Taurus	33,644	2.00%	07-2016
DHS Building	2,318,239	3.89%	04-2026
2013 Ford trucks	32,752	1.82%	09-2017
Lee Boy force feed loader	127,939	1.89%	03-2017
2002 Sterling grapple truck and 1996 Ford truck	54,772	1.89%	03-2017
John Deere trackhoe and (2) 310SK backhoes	333,757	1.74%	04-2016
2013 Dodge Ram 1500 truck	17,982	1.93%	04-2017
(6) 2013 John Deere tractors with boom & side mowers	489,134	1.67%	09-2017
2012 Mack tandem dump truck & Vermeer wood chipper	117,963	1.89%	03-2017
John Deere compact excavator	56,408	1.74%	04-2016
2000 Sterling pot hole patcher	30,291	1.97%	04-2017
2013 Mack dump truck with ox body	105,308	1.87%	10-2016
2013 John Deere excavator	142,448	1.68%	07-2016
2013 Kubota tractor with diamond boom	83,534	1.67%	09-2017
2005 Caterpillar tractor with side boom	37,777	1.82%	09-2017
2013 Kubota diesel tractor with diamond boom	111,837	1.67%	10-2017
2004 John Deere dozer and asphalt truck	69,269	1.89%	03-2017
2013 Mack Tandem dump truck	96,036	1.69%	05-2016
3 Kubota tractor with boom	181,820	1.68%	06-2017
2013 Caterpillar backhoe	85,877	1.91%	10-2017
2005 Sterling pull truck	37,474	1.82%	09-2017
2003 Sterling pot hole patcher	37,752	2.19%	05-2017
Caterpillar mini excavator	37,565	1.97%	11-2016
2013 Mack tandem dump truck	106,293	1.73%	02-2016
John Deere backhoe 210SK	78,927	1.74%	04-2016
2006 Chevrolet C6500 dump truck	30,841	2.09%	06-2017
2006 Chevrolet bucket truck & 2007 Chevrolet Dump Truck	71,965	2.04%	07-2017
IBM Mainframe computer	145,856	1.95%	02-2018
19 2014 Ford Taurus	553,717	1.66%	11-2017
5 2014 Ford Taurus & 2014 Chevrolet Tahoe	158,917	1.95%	02-2018
30 In-car Cameras with software	144,950	1.87%	03-2018
5 2014 Ford F150 & 2014 Ford F350	274,239	1.89%	06-2018
2015 Chevrolet Tahoe	38,905	1.94%	07-2018
2005 Chevrolet C7500 & 2005 Ford F450	69,500	1.90%	01-2017
2013 Kubota tractor with 2015 Diamond mower	74,963	1.74%	11-2017
2014 Mack truck	90,531	1.61%	12-2016
2013 Superior sweeper	36,494	1.74%	01-2018
Kubota 4WD Diesel tractor	39,643	1.89%	05-2018
2014 Ford F150 truck	26,254	1.89%	05-2018
2015 Mack truck with Pac-Mac loader	138,185	1.89%	06-2018
2005 International 8600 Pull truck	18,842	1.82%	02-2017
2002 International dump truck & 2005 Bush hog	60,850	1.90%	01-2017

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
2013 Superior sweeper	36,494	1.95%	02-2018
2005 Ford F750 Pot Hole Patch truck	49,800	2.32%	04-2018
2 Scag Zero Turn mowers	18,878	1.66%	11-2017
2006 Freightliner truck	48,600	2.57%	05-2017
Radio Equipment	8,768,905	3.87%	03-2027
Total Capital Leases	\$ <u>16,887,203</u>		
D. Other Loans:			
MS Development Authority – Debar*	\$ 27,003	5.50%	07-2006
MS Development Authority – Debar*	<u>200,096</u>	5.50%	07-2010
Total Other Loans	\$ <u>227,099</u>		

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

Business-type Activities:

A. Capital Leases:

Garbage truck	\$ 23,039	3.05%	01-2015
2001 Ford Sterling garbage truck	9,696	3.23%	02-2015
Pac-Mac RL20H garbage truck	27,147	3.01%	02-2015
2002 Sterling garbage truck	11,238	3.00%	09-2015
2012 Ford truck	8,423	2.08%	08-2016
(2) 2013 Freightliner trucks	184,905	1.89%	03-2017
2014 Freightliner truck	122,123	1.74%	11-2017
2004 GMC T7500 truck	49,900	2.32%	04-2018
(2) 2015 Mack trucks	<u>278,579</u>	1.58%	06-2016
Total Capital Leases	\$ <u>715,050</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Special Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 3,935,000	850,510	435,000	379,413
2016	4,015,000	778,527	445,000	368,363
2017	3,895,000	706,508	455,000	357,062
2018	3,980,000	632,682	465,000	344,287
2019	3,930,000	552,589	480,000	328,837
2020 – 2024	18,100,000	1,629,727	2,670,000	1,390,000
2025 – 2029	6,210,000	331,394	3,250,000	804,025
2030 – 2034			1,515,000	107,850
Total	\$ <u>44,065,000</u>	<u>5,481,937</u>	<u>9,715,000</u>	<u>4,079,837</u>

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Year Ending September 30	Other Loans	
	Principal	Interest
2015	\$ 227,099	23,351

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, 2014, the amount of outstanding debt was equal to 7.65% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014:

	Balance Oct. 1, 2013	Additions	Reductions	Adjustments	Balance Sept. 30, 2014	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 735,030		66,696		668,334	
General obligation bonds	40,605,000	7,000,000	3,540,000		44,065,000	3,935,000
Add:						
Premiums	116,980		20,837		96,143	
Special obligation bonds	10,135,000		420,000		9,715,000	435,000
Less:						
Deferred amt on refunding	(86,892)		(17,378)	69,514	0	
Discounts	(73,824)		(4,563)		(69,261)	
Capital leases	7,557,791	2,031,676	1,471,169	8,768,905	16,887,203	3,074,904
Other loans	227,099				227,099	
Total	\$ 59,216,184	9,031,676	5,496,761	8,838,419	71,589,518	7,444,904
Business-type Activities:						
Compensated absences	\$ 34,770		1,957		32,813	
Capital leases	425,138	450,602	160,690		715,050	232,787
Total	\$ 459,908	450,602	162,647	0	747,863	232,787

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.

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(13) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances or net position at September 30, 2014:

Fund	Deficit Amount
Emergency Operations Center Fund	\$ 217,035
2014 District 3 Road Bond Fund	6,104
Countywide Road & Bridge Fund	292,132
District 3 Road Fund	173,964
District 5 Road Fund	11,446
Garbage Fund	72,403

(14) Contingencies.

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

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

Hospital Revenue Bond Contingencies - The County issues revenue bonds to provide funds for constructing and improving capital facilities of the South Central Regional Medical Center. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2014, is \$24,070,000.

(15) Joint Ventures.

The County participates in the following joint ventures:

Jones County is 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 \$357,035 in fiscal year 2014. 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 \$271,660 in fiscal year 2014. Complete financial statements for the Hattiesburg-Laurel Regional Airport Authority can be obtained from 1002 Terminal Drive, Moselle, MS 39459.

JONES COUNTY

Notes to Financial Statements For the Year Ended September 30, 2014

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 directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statement 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 \$148,023 in fiscal year 2014. Complete financial statements for the Jones County Economic Development Authority can be obtained from P.O. Box 527, Laurel, MS 39441.

(16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jones County Board of Supervisors appoints one of the 34 members of the board of directors. The County appropriated \$49,000 for support of the district in fiscal year 2014.

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 2014.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith, and Wayne. The Jones County Board of Supervisors appoints six of the 20 members of the college board of trustees. The County appropriated \$2,217,772 for maintenance and support of the college in fiscal year 2014.

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-members 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 \$60,500 for support of the fair in fiscal year 2014.

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

(17) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2014, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013 and 2012 were \$2,003,979, \$1,680,217 and \$1,552,091, respectively, equal to the required contributions for each year.

(18) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Jones County evaluated the activity of the County through October 23, 2015, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, the County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
01/05/2015	1.84%	\$ 216,057	Capital lease	Ad valorem taxes
01/05/2015	1.84%	93,595	Capital lease	Ad valorem taxes
01/05/2015	1.85%	34,500	Capital lease	Ad valorem taxes
01/05/2015	2.05%	109,450	Capital lease	Ad valorem taxes
01/05/2015	1.84%	189,440	Capital lease	Ad valorem taxes
01/15/2015	3.37%	3,120,000	General Obligation Refunding bond	Ad valorem taxes
01/20/2015	2.32%	49,500	Capital lease	Ad valorem taxes
01/20/2015	2.32%	26,000	Capital lease	Ad valorem taxes
01/20/2015	2.08%	86,010	Capital lease	Ad valorem taxes
02/02/2015	2.65%	49,750	Capital lease	Ad valorem taxes
02/02/2015	2.04%	182,300	Capital lease	Ad valorem taxes
02/17/2015	2.06%	178,016	Capital lease	Ad valorem taxes
03/16/2015	2.75%	41,500	Capital lease	Ad valorem taxes
03/16/2015	2.19%	22,915	Capital lease	Ad valorem taxes
04/06/2015	2.59%	145,438	Capital lease	Ad valorem taxes
04/06/2015	2.12%	27,500	Capital lease	Ad valorem taxes
04/06/2015	2.65%	49,500	Capital lease	Ad valorem taxes
04/20/2015	2.06%	10,873	Capital lease	Ad valorem taxes
04/20/2015	2.59%	49,800	Capital lease	Ad valorem taxes
05/18/2015	2.07%	121,454	Capital lease	Ad valorem taxes

JONES COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2014

Subsequent to September 30, 2014, the County issued the following debt obligations (cont'd):

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
05/18/2015	2.07%	146,016	Capital lease	Ad valorem taxes
07/06/2015	1.85%	167,413	Capital lease	Ad valorem taxes
07/06/2015	2.29%	33,500	Capital lease	Ad valorem taxes
08/03/2015	1.90%	189,075	Capital lease	Ad valorem taxes
08/03/2015	1.75%	79,400	Capital lease	Ad valorem taxes
09/21/2015	2.39%	49,600	Capital lease	Ad valorem taxes
09/21/2015	2.06%	49,800	Capital lease	Ad valorem taxes
10/19/2015	2.04%	78,500	Capital lease	Ad valorem taxes
10/19/2015	2.04%	79,750	Capital lease	Ad valorem taxes

JONES COUNTY

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JONES COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JONES COUNTY

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JONES COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,808,196	12,739,111	12,739,111	
Licenses, commissions and other revenue	445,000	488,718	488,718	
Fines and forfeitures	510,000	484,596	484,596	
Intergovernmental revenues	1,819,870	1,832,085	1,832,085	
Charges for services	235,000	249,070	249,070	
Interest income	15,000	4,972	4,972	
Miscellaneous revenues	490,000	1,753,866	1,753,866	
Total Revenues	<u>16,323,066</u>	<u>17,552,418</u>	<u>17,552,418</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	8,351,301	8,484,622	8,484,622	
Public safety	4,790,849	6,111,371	6,111,371	
Public works	244,855	271,660	271,660	
Health and welfare	1,187,829	1,176,687	1,176,687	
Culture and recreation	521,000	453,170	453,170	
Education	99,000	111,299	111,299	
Conservation of natural resources	122,047	127,880	127,880	
Economic development and assistance	174,963	174,376	174,376	
Debt service:				
Principal	32,794	31,304	31,304	
Interest		1,490	1,490	
Total Expenditures	<u>15,524,638</u>	<u>16,943,859</u>	<u>16,943,859</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>798,428</u>	<u>608,559</u>	<u>608,559</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Premiums on bonds issued		440	440	
Transfers in		22,167	22,167	
Transfers out		(330,700)	(330,700)	
Other financing uses	(590,000)			
Total Other Financing Sources and Uses	<u>(590,000)</u>	<u>(308,093)</u>	<u>(308,093)</u>	<u>0</u>
Net Change in Fund Balance	208,428	300,466	300,466	0
Fund Balances - Beginning	<u>2,939,814</u>	<u>558,499</u>	<u>658,799</u>	<u>100,300</u>
Fund Balances - Ending	<u>\$ 3,148,242</u>	<u>858,965</u>	<u>959,265</u>	<u>100,300</u>

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

JONES COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Howard Industries Fund
 For the Year Ended September 30, 2014
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$ 1,350,000	1,150,000	1,150,000	
Total Revenues	<u>1,350,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>0</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	1,350,000	1,150,000	1,150,000	
Total Expenditures	<u>1,350,000</u>	<u>1,150,000</u>	<u>1,150,000</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance				
Fund Balances - Beginning	<u>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 schedule.

JONES COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2014

UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types	
	General Fund	Howard Industries Fund
Budget (Cash Basis)	\$ 300,466	0
Increase (Decrease)		
Net adjustments for revenue accruals	(136,020)	
Net adjustments for expenditure accruals	68,775	(150,000)
GAAP Basis	\$ 233,221	(150,000)

JONES COUNTY

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JONES COUNTY

SUPPLEMENTAL INFORMATION

JONES COUNTY

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JONES COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

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 Schools and roads - grants to states	10.665	N/A	\$ <u>88,796</u>
U.S. Department of Agriculture/ Natural Resources Conservation Service (Direct) Emergency watershed protection program*	10.923	68-4423-14-2412	<u>302,063</u>
Total U.S Department of Agriculture			<u>390,859</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority Home investment partnerships program*	14.239	1221-M09-SG-280-114	<u>116,000</u>
U.S. Department of Justice/ Passed-through the Mississippi Department of Public Safety Crime victim assistance	16.575	12-VA-134-1	28,229
Crime victim assistance	16.575	13-VA-134-1	<u>9,419</u>
Subtotal			<u>37,648</u>
Passed-through the Mississippi Office of Homeland Security Public safety partnership and community policing grants	16.710	2011-UM-WX-0104	<u>89,100</u>
U.S. Department of Justice - Bureau of Justice Assistance/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	2012-DJ-BX-1024	<u>6,041</u>
Total U.S Department of Justice			<u>132,789</u>
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 079 B(34)	<u>53,380</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	N/A	<u>103,387</u>
Total Expenditures of Federal Awards			<u>\$ <u>796,415</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

Note B - CFDA #10.665 School and roads-grants to states

Of the federal expenditures presented in the schedule, the County provided federal awards totaling \$54,037 to subrecipients during the year ended September 30, 2014.

* Denotes major federal award program

JONES COUNTY

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JONES COUNTY

OTHER INFORMATION

JONES COUNTY

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JONES COUNTY Y
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

Name	Position	Company	Bond
John Burnett	Supervisor District 1	Brierfield Insurance Company	\$100,000
Danny Spradley	Supervisor District 2	Brierfield Insurance Company	\$100,000
Barry Saul	Supervisor District 3	Brierfield Insurance Company	\$100,000
Charles A. Dial	Supervisor District 4	Brierfield Insurance Company	\$100,000
Jerome Wyatt	Supervisor District 5	Brierfield Insurance Company	\$100,000
Jan Hughes	County Administrator	Travelers Casualty and Surety Company	\$100,000
Larry Ishee	Chancery Clerk	Brierfield Insurance Company	\$100,000
Concetta Brooks	Chancery Clerk	Travelers Casualty and Surety Company	\$100,000
Debbie Spalding	Purchase Clerk	Travelers Casualty and Surety Company	\$75,000
Several Clerks	Assistant Purchase Clerk	Western Surety Company	\$50,000
Debbie Knotts	Receiving Clerk	Travelers Casualty and Surety Company	\$75,000
Several Clerks	Assistant Receiving Clerk	Western Surety Company	\$50,000
Charles Miller	Inventory Control Clerk	Travelers Casualty and Surety Company	\$75,000
Shelia Godard (blanket bonded)	Assistant Inventory Control Clerk	Travelers Casualty and Surety Company	\$50,000
Brian Pace	Constable	Brierfield Insurance Company	\$50,000
Samuel Mitch Sumrall	Constable	Brierfield Insurance Company	\$50,000
Larry Strickland	Constable	Lexon Insurance Company	\$50,000
Bart Gavin	Circuit Clerk	Brierfield Insurance Company	\$100,000
Joyce Eleanor Bush	Deputy Circuit Clerk	Brierfield Insurance Company	\$100,000
Rhonda S. Dietz	Deputy Circuit Clerk	Brierfield Insurance Company	\$100,000
Charlotte Holifield	Deputy Circuit Clerk	Brierfield Insurance Company	\$100,000
Wanda Robinson	Deputy Circuit Clerk	Brierfield Insurance Company	\$100,000
Colenia Ross	Deputy Circuit Clerk	Brierfield Insurance Company	\$100,000
Lisa Smith	Deputy Circuit Clerk	Brierfield Insurance Company	\$100,000
Jennifer Marie Walker	Deputy Circuit Clerk	Brierfield Insurance Company	\$100,000
Tonya R. Weatherby	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Charlotte Ishee	Deputy Circuit Clerk	Brierfield Insurance Company	\$100,000
Alex Hodge	Sheriff	Brierfield Insurance Company	\$100,000
Billie Graham	Justice Court Judge	Brierfield Insurance Company	\$50,000
David Lyons	Justice Court Judge	Brierfield Insurance Company	\$50,000
Wilbur Howell Beech	Justice Court Judge	Brierfield Insurance Company	\$50,000
Stacy Walls	Justice Court Clerk	Western Surety Company	\$50,000
Brenda Tillman	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Jennifer Yanez	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Janice Glenn	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Samantha Lynn Garner	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Cynthia Bush	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Debra Sumrall	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Lacey Nicole Norris	Deputy Justice Court Clerk	Travelers Casualty and Surety Company	\$50,000
Bonnie Jean Pilgrim	Deputy Justice Court Clerk	Travelers Casualty and Surety Company	\$50,000
Patricia Doggett	Deputy Justice Court Clerk	Travelers Casualty and Surety Company	\$50,000
Ramona Blackledge	Tax Collector-Assessor	Brierfield Insurance Company	\$100,000
Myra Emmons	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Brandy Hearn	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Edward Holifield	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Mark Mackey	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Virginia Myrick	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000

JONES COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014
UNAUDITED

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Rachel Rogers	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Sallie Rustin	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Janet West	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Wanda Parrish Welch	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Jackie Colon	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Rickey Hammonda	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Shelia Gibson	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Anna Emmons	Deputy Tax Assessor	Travelers Casualty and Surety Company	\$10,000
Judy Beard	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Bettye Boyd	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Tina Byrd	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Sue Jernigan	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Rebecca Ann Jones	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Deborah Martin	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Wilda MuCullum	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Carolyn Moody	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Edna Murphy	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Connie Shoemake	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Reanee Tanner	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Wendy Walters	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Alanna Knotts-Green	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000
Lacey B. Hargrove	Deputy Tax Collector	Travelers Casualty and Surety Company	\$50,000

JONES COUNTY

SPECIAL REPORTS

JONES COUNTY

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

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

Members of the Board of Supervisors
Jones County, Mississippi

We have audited, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 23, 2015. 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, the business-type activities and the Garbage Fund 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 .

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jones County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-001, 2014-002, and 2014-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2014-004 and 2014-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jones County, Mississippi's financial statements are free from 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*.

We noted certain matters that we reported to the management of Jones County, Mississippi, in the Independent Accountant'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 23, 2015, included within this document.

Jones County's Responses to Findings

Jones County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Jones County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



TOMMY STORY, CPA, CFE
Director, County Audit Section

October 23, 2015



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Jones County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Jones County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jones County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Jones County, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, Jones County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of Jones County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jones County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Tommy Story". The signature is written in black ink and is positioned above the printed name and title.

TOMMY STORY, CPA, CFE
Director, County Audit Section

October 23, 2015



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

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

Members of the Board of Supervisors
Jones County, Mississippi

We have examined Jones County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Jones County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jones County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

Inventory Control Clerk.

1. Inventory reports should be filed timely.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15th of each fiscal year. The required inventory reports prepared by the Inventory Control Clerk were filed late with the Office of the State Auditor on November 5, 2014. Failure to prepare the annual reports timely increases the possibility of the loss or misappropriation of public funds and could result in the reporting of inaccurate amounts.

Recommendation

The Inventory Control Clerk should prepare inventory reports and file with the Board of Supervisors and forward copies to the Office of the State Auditor no later than October 15th of each fiscal year.

Inventory Control Clerk's Response

It's almost impossible to have the Inventory Report approved by the Board of Supervisors by October 15th as we only meet on the 1st and 3rd Mondays of each month and the 3rd Monday is almost always after the 15th. Furthermore, the Inventory Report is through September 30th and there is not time to finish and review the report by the first meeting of October. The Board of Supervisors approved the Inventory Report at its first meeting in November and a copy was promptly sent to Jackson. We feel we met the spirit of the law and this finding is not warranted.

Board of Supervisors, Purchase Clerk, and Assistant Purchase Clerks.

2. Purchase Clerk and Assistant Purchase Clerks should be bonded as required by state statute.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires Purchase Clerk to execute a bond in a penalty equal to \$75,000, and the Assistant Purchase Clerks to execute a bond in a penalty no less than \$50,000, to be payable, conditioned and approved as provided by law. As reported in the prior year's audit report, the Purchase Clerk and Assistant Purchase Clerks have bonds that were written as an "indefinite" and were not adequately bonded for the fiscal year 2014. Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The County should implement additional procedures to ensure the Purchase Clerk and Assistant Purchase Clerks are bonded as required by state statute.

Board of Supervisors', Purchase Clerk's, and Assistant Purchase Clerks' Response

The Purchase Clerk now has an individual bond for a specific period. However, the Assistant Purchase Clerks are still under a unified blanket bond due to the number of Assistant Purchase Clerks we have. We plan to pare down the number and then get individual bonds for each.

Board of Supervisors, Receiving Clerk, and Assistant Receiving Clerks.

3. Receiving Clerk and Assistant Receiving Clerks should be bonded as required by state statute.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires Receiving Clerk to execute a bond in a penalty equal to \$75,000, and the Assistant Receiving Clerks to execute a bond in a penalty no less than \$50,000, to be payable, conditioned and approved as provided by law. As reported in the prior year's audit report, the Receiving Clerk and Assistant Receiving Clerks have bonds that were written as an "indefinite" and were not adequately bonded for the fiscal year 2014. Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The County should implement additional procedures to ensure the Receiving Clerk and Assistant Receiving Clerks are bonded as required by state statute.

Board of Supervisors', Receiving Clerk's, and Assistant Receiving Clerks' Response

The Receiving Clerk now has an individual bond for a specific period. However, the Assistant Receiving Clerks are still under a unified blanket bond due to the number of Assistant Receiving Clerks we have. We plan to pare down the number and then get individual bonds for each.

Board of Supervisors, Inventory Control Clerk, and Assistant Inventory Control Clerk.

4. Inventory Control Clerk and Assistant Inventory Control Clerk should be bonded as required by state statute.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires Inventory Control Clerk to execute a bond in a penalty equal to \$75,000, and the Assistant Inventory Control Clerk to execute a bond in a penalty no less than \$50,000, to be payable, conditioned and approved as provided by law. As reported in the prior year's audit report, the Inventory Control Clerk and Assistant Inventory Control Clerk have bonds that were written as an "indefinite" and were not adequately bonded for the fiscal year 2014. Failure to comply with the statutes would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The County should implement additional procedures to ensure the Inventory Control Clerk and Assistant Inventory Control Clerk are bonded as required by state statute.

Board of Supervisors', Inventory Control Clerk's, and Assistant Inventory Control Clerks' Response

The Inventory Control Clerk now has an individual bond for a specific period. However, the Assistant Inventory Control Clerk is still under a unified blanket bond. We will comply and get the Assistant Inventory Control Clerk an individual bond.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Jones County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

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

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

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.



TOMMY STORY, CPA, CFE
Director, County Audit Section

October 23, 2015

JONES COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2014

<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>
12/16/2013	Regular Gasoline	\$ 2.7820 per gallon	Pine Belt Oil Co. Inc.	\$ 2.7271 per gallon	Not able to haul gasoline to barn's tank.
12/19/2013	(5) 2014 Ford F150 Trucks	29,919	Laurel Ford	29,819	Local dealer
09/09/2014	Highway Diesel	3.0604 per gallon	Ramco Inc.	3.0598 per gallon	Not able to haul gasoline to barn's tank.

JONES COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2014

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
08/04/2014	Repair to electrical pole	\$ 1,249	Elkins Electric Corp	Damage to electrical pole at barn

JONES COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Date	Item Purchased	Amount Paid	Vendor
10/21/2013	Rear axle on John Deere Tractor	\$ 6,886	Southern Tractor
10/04/2013	2013 Tax Statements	14,680	Lawrence Printing
11/06/2013	Digital Video System/CopVu wearable camera system	144,950	Watch Guard Video
01/06/2014	Custom Training System	23,656	Laser Shot
07/21/2014	Firehouse CAD monitor/software	25,273	Affiliated Computer Service



**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, 2014, 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 23, 2015, 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. Board of Supervisors should spread on the minutes, the claim numbers being approved.

Finding

Section 19-13-31, Miss. Code Ann. (1972), states the board shall enter an order on its minutes approving the demands and accounts allowed, but it shall only be necessary to refer to such demands and accounts by the numbers as they appear on the claims docket. As reported in the prior year's audit report, the Board of Supervisor did not spread on its minutes the claim numbers being approved on the claim docket. Failure to spread the claim numbers being approved on the Board of Supervisor's minutes could result in the misappropriation of public funds.

Recommendation

The Board of Supervisors should spread on the minutes the claim numbers being approved as they appear on the claims docket.

Board of Supervisors' Response

We are now complying by placing a copy of the claims docket in the board minutes.

2. Jones County should strengthen passwords.

Finding

As reported in the prior year's audit report, during our review, we noted that Jones County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for Jones County Information Assets.

Recommendation

We recommend that Jones County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

Board of Supervisors' Response

We are using what is set up and provided through Delta Computers. We will inform them of this finding and work toward improving password strength for our employees.

3. National Forestry funds should be properly allocated between roads and schools.

Finding

Section 49-19-23, Miss. Code Ann. (1972), requires that 50% of the funds received by the County be expended for the benefit of the public schools, and the remaining 50% be expended for the benefit of the public roads. The County failed to properly settle national forestry funds totaling \$46,628.06 to the various road funds and \$13,675.50 to the schools. The failure to properly settle national forestry funds could result in the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should promptly settle national forestry funds to the various road funds and the appropriate school districts.

Board of Supervisors' Response

We try to comply with this recommendation, however; the problem we are having is that we get many sources of revenue from the State for both State and Federal purposes and it's sometimes difficult to distinguish what each source of revenue is. A better description for the State would help us greatly in properly settling these funds.

Board of Supervisors and Tax Collector/Assessor.

4. Deputy Tax Collectors should be bonded as required by state statute.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), states that each Deputy Tax Collector shall give bond to be payable, conditioned and approved as provided by law in an amount not less than \$50,000 for the faithful discharge of his duties. As reported in the prior year's audit report, the Deputy Tax Collectors have bonds that do not state the employee's position and specific beginning and ending effective dates for the fiscal year 2014. Failure to execute bonds for a definite period as required would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Tax Collector should ensure that Deputy Tax Collectors obtain a bond which states the employee's position and specific beginning and ending effective dates.

Board of Supervisors' and Tax Collector/Assessor's Response

We now have individual bonds for each deputy for specific period. However, once these bonds expired, a continuation certificate was issued by the bonding company extending them for an additional year. We will ask the bonding company to issue a completely new bond instead if this is what the statute requires.

5. Deputy Tax Assessors should be bonded as required by state statute.

Finding

Section 27-1-3, Miss. Code Ann. (1972), states that each Deputy Tax Assessor shall give bond in an amount not less than \$10,000 for the faithful discharge of his duties. The Deputy Tax Assessors were not adequately bonded for the fiscal year 2014. Failure to comply with the statute would limit the amount available for recovery if a loss occurred.

Recommendation

The Tax Assessor should ensure that Deputy Tax Assessors are adequately bonded as required by state statute.

Board of Supervisors' and Tax Collector/Assessor's Response

We now have individual bonds for each deputy for specific period. However, once these bonds expired, a continuation certificate was issued by the bonding company extending them for an additional year. We will ask the bonding company to issue a completely new bond instead if this is what the statute requires.

Board of Supervisors and Circuit Clerk.

6. Deputy Circuit Clerks should be bonded as required by state statute.

Finding

Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks be bonded for three percent of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000. As reported in the prior year's audit report, it was determined that Deputy Circuit Clerks' bonds did not adequately state beginning and ending effective dates for the fiscal year 2014. Failure to execute bonds for a definite period as required would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Circuit Clerk should ensure that Deputy Circuit Clerks obtain a bond which state specific beginning and ending effective date for the duration of the current term.

Board of Supervisors' and Circuit Clerk's Response

Bonding agency is working to fix the problem.

Circuit Clerk.

7. Circuit Clerk should implement proper internal controls obtaining a separate cash drawer for each deputy clerk.

Finding

An effective system of internal control over the collection, recording, and disbursement of funds includes maintaining separate cash drawers for the clerk and each deputy clerk. As reported in the prior year's audit report, during our test of internal controls of the Circuit Clerk's offices, in the District One office it was noted that one cash drawer was being used for receipting and making change by two deputy clerks. In the District Two office, one cash drawer was noted for receipting and making change by the Clerk and six deputies. Inadequate controls surrounding the collections and disbursement of funds could result in the loss of misappropriation of public funds.

Recommendation

Circuit Clerk should implement an effective system of internal controls by maintaining separate cash drawers for each deputy clerk.

Circuit Clerk's Response

Measures will be taken to assign cash drawers to individuals receiving cash.

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.



TOMMY STORY, CPA, CFE
Director, County Audit Section

October 23, 2015

JONES COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JONES COUNTY

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JONES COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued:	
	Governmental activities	Qualified
	Business-type activities	Qualified
	Aggregate discretely presented component units	Adverse
	General Fund	Unmodified
	Howard Industries Fund	Unmodified
	Countywide Bond and Interest Sinking Fund	Unmodified
	Aggregate remaining fund information	Unmodified
	Garbage Fund	Qualified
2.	Internal control over financial reporting:	
	a. Material weaknesses identified?	Yes
	b. Significant deficiencies identified?	Yes
3.	Noncompliance material to financial statements noted?	No

Federal Awards:

4.	Internal control over major federal programs:	
	a. Material weakness identified?	No
	b. Significant deficiency identified?	None Reported
5.	Type of auditor's report issued on compliance for major federal programs:	Unmodified
6.	Any audit finding(s) disclosed that are required to be reported in accordance with Section __.510(a) of OMB Circular A-133?	No
7.	Identification of major federal programs:	
	a. CFDA #10.923, Emergency watershed protection program	
	b. CFDA #14.239, HOME investment partnership program	
8.	Dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as low-risk auditee?	No

JONES COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2014-001. Financial Data for component units should be included in the financial statements.

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 statement for the financial reporting entity that included the financial data of the County's legally separate component units. As reported in the last five years' audit reports, the financial statements do not include the financial data for the County's legally separate component units. Failure to follow generally accepted account principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

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

Board of Supervisors' Response

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

Material Weakness

2014-002. The County should comply with GASB Statement 45 and report on postemployment health care benefits.

Finding

Jones County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined health care plan. GASB Statement 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. The County does not issue publicly available financial report for its health insurance plan. As reported in the last four years' audit reports, 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, Business-type activities, and the Garbage Fund.

JONES COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Recommendation

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

Board of Supervisors' Response

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

Material Weakness

2014-003. The County should establish controls to ensure accurate presentation of the financial statements.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with general accepted accounting principles should include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustment to these balance and transactions, proper accrual of revenues and expenditures, proper classification of funds, proper classification of revenues and expenditures/expenses, proper classification of restricted net assets and the inclusion of all required disclosures in the notes to the financial statements. During our audit, we noted an amount representing a capital lease was not reported on the compiled financial statements. An adjustment in the amount of \$8,768,905 was proposed in order to correctly record the issuance of the debt. This error resulted in long term liabilities being understated by \$8,768,905 for Governmental Activities. Audit adjustment to correct this error were proposed to management and made to the financial statements with management's approval.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper classification of funds, proper accrual of revenues and expenditures, proper classification of revenues and expenditures/expense, proper classification of restricted net assets and the inclusion of all required disclosures in the notes to the financial statements.

Board of Supervisors' Response

The reason this capital lease was not reported in the financial statements was because this lease had not been finalized by September 30, 2014. This was a lease of radio equipment from Motorola for the Jones County Emergency Operations Center. This lease was for equipment not only for Jones County but also for all cities and schools in Jones County and emergency responders in Jones County too, such as fire, ambulance, JCJC and the airport. This was a very complicated lease and equipment had originally been ordered in 2013 but a portion of the equipment had been determined to not being needed and had been returned to Motorola. At September 30, 2014 we were still waiting to receive revised lease amounts, therefore, the total amount of the lease had not been determined as of the end of this audit year.

JONES COUNTY

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

Significant Deficiency

2014-004. Jones County should establish and test a disaster recovery process.

Finding

As reported in the prior year's audit report, during our review of the information systems controls of Jones County, we noted that the County has not established a disaster recovery process. As a result, Jones County cannot fully ensure that the County's Information Systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobIT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the agency's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to re-create.

In the specific case of Jones County, there seems to be some confusion about the responsibilities of various IT vendors, as well as the responsibilities of Jones County personnel in relation to such matters as backup procedures. These responsibilities include items such as removing tapes from backup units, taking backup tapes offsite, rotating tapes onsite, etc. In addition, there is confusion as to the types of backups that should be created and the frequency that these various backups should be created.

Jones County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Jones County develop, implement, and test a plan to insure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including Jones County personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that Jones County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

JONES COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

Board of Supervisors' Response

We have contacted EDP of the State Auditor's Office for assistance in establishing a disaster recovery plan for Jones County.

Significant Deficiency

2014-005. Jones County should implement a formal information security policy.

Finding

As reported in the prior year's audit report, Jones County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and Internet protocol.

Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for Jones County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that Jones County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

We have contacted EDP of the State Auditor's Office for assistance to meet this compliance.

Section 3: Federal Award Findings and Questioned Costs

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