

JACKSON COUNTY, MISSISSIPPI

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

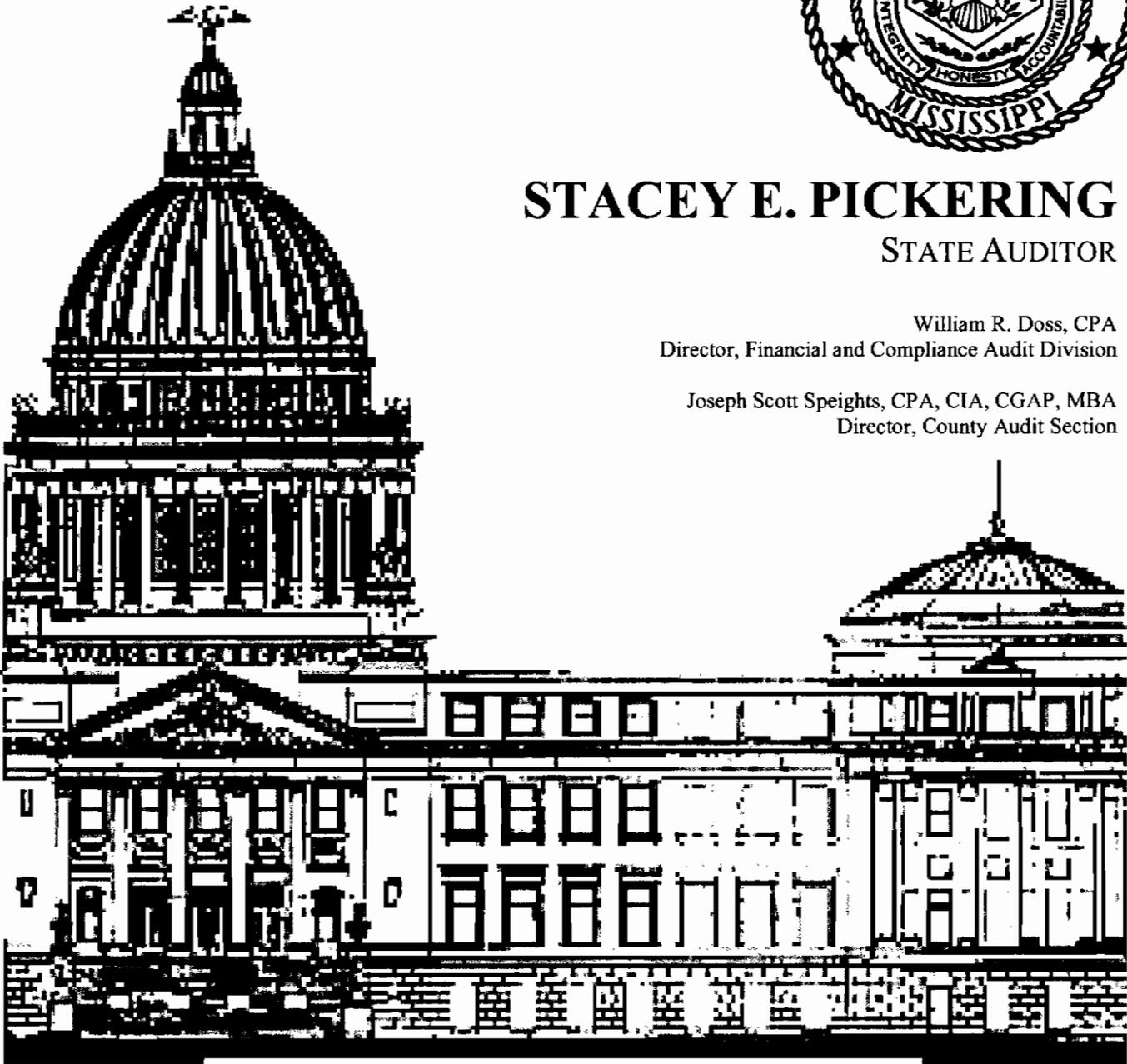


STACEY E. PICKERING

STATE AUDITOR

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

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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

March 31, 2011

Members of the Board of Supervisors
Jackson County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2009 financial and compliance audit report for Jackson 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 Jackson County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jackson County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

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

Stacey E. Pickering
State Auditor

JACKSON COUNTY

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JACKSON COUNTY

FINANCIAL SECTION

JACKSON 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
Jackson County, Mississippi

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

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

As discussed in Note 1 (I) to the financial statements, the county has not maintained adequate subsidiary records documenting the existence, completeness and valuation of capital assets and, accordingly, has not recorded the appropriate depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that adequate records be maintained to document the existence, completeness and valuation of capital assets including the county's infrastructure, and also that the depreciation on capital assets, including infrastructure, be adequately documented. The amount by which this departure would affect the assets and expenses on the governmental activities is not reasonably determinable.

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

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

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

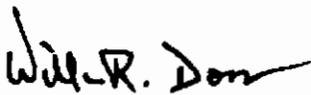
In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of September 30, 2009,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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2011, on our consideration of Jackson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



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

March 31, 2011

JACKSON COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY

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JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

INTRODUCTION

The discussion and analysis of Jackson County's (the County's) financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2009. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Jackson County is located in southeastern Mississippi along the Mississippi Gulf Coast. The population, according to the 2009 census, is 132,922. The local economic base is driven mainly by Industrial Manufacturing.

FINANCIAL HIGHLIGHTS

Jackson County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

On August 29, 2005 Hurricane Katrina struck the Mississippi, Louisiana, and Alabama gulf coast, causing catastrophic damage to the entire region. In addition to extensive damage to private property in Jackson County, a substantial amount of the County's property was damaged or destroyed. As of the date of this writing the submitted cost estimate to the Federal Emergency Management Agency totals more the \$54 million. About \$23 million of that cost estimate is related to debris removal from the County. At this time we expect most of the losses to be reimbursed through Federal or State grants. We have not determined the ultimate amount of cost to be absorbed by the County, but expect it to be in excess of \$1.5 million.

Even after the Hurricane Katrina disaster, Jackson County continues to grow both economically and in population. Although the assessments for real property decreased immediately after the storm, all other assessments increased and this has offset the losses to assessed valuation immediately after the storm. This has allowed the County to maintain a slight growth in tax revenues without a tax increase for the fiscal years 2009 and 2008. For fiscal year 2009, there was an increase in real property and personal property assessed valuation which should provide enough growth in tax revenues to preclude a tax increase.

- In 2009 and 2008, the County's total net assets amounted to \$53,243,953 and \$78,291,711, respectively. Net assets for governmental activities totaled \$53,093,717 in 2009 and \$77,194,335 in 2008; business-type activities amounting to \$150,236 in 2009 and \$1,097,376 in 2008. Total net assets decreased by approximately 32% in 2009, due to fixed asset adjustments.

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

- The County's total assets amounted to \$185,758,651 for 2009 and \$203,554,587 for 2008, representing a decrease of approximately 9% from 2008.
- General revenues for 2009 and 2008 were \$81,778,049 and \$69,626,687, equaling approximately 75% and 78% of all revenues, respectively. Program specific revenues in the form of charges for services and grants and contributions for 2009 and 2008 were \$27,239,281 and \$20,067,050, respectively, equaling approximately 25% and 22% of total revenues.
- In 2009 and 2008, the County had \$98,348,033 and \$90,418,156 in expenses, respectively; only \$27,239,281 and \$20,067,050 of these expenses were offset by program specific charges for services, grants and contributions.
- Capital assets, net of accumulated depreciation, totaled \$58,908,191 in 2009 and \$95,192,091 in 2008, representing a decrease of approximately 38%.
- In 2009 and 2008, the County had \$55,782,425 and \$59,565,018 of long-term debt, respectively. The decrease of approximately 6% was primarily due to principal payments being made on debt and additional debt incurred.

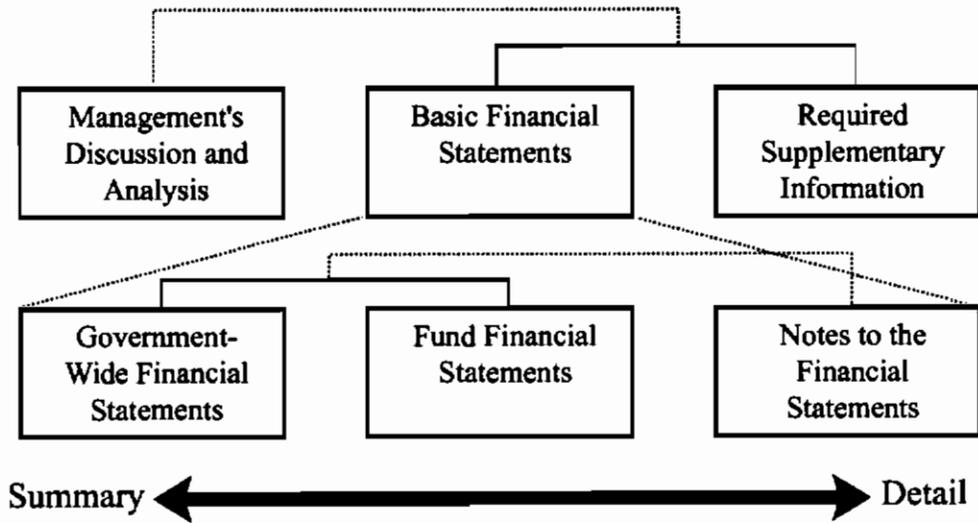
OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Primary Government Wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis
For the Year Ended September 30, 2009

Figure 1 – Required Components of the County's Annual Report



JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

		Fund Financial Statements		
	Primary Government-Wide Financial Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds)	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else's resources
Required financial statements	*Statement of net assets *Statement of activities	*Balance Sheet *Statement of revenues, expenditures and changes in fund balances	*Statement of net assets *Statement of revenues, expenses, and changes in net assets *Statement of cash flows	* Statement of fiduciary net assets *Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues, and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

Primary Government-wide Financial Statements. The primary government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these primary government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt. The business-type activities of the County include Whispering Pines Golf Course, Ocean Springs Harbor, ADC Canteen and Heinz Building.

The statements presented herein are primary government-wide financial statements only and component units are not included.

The Primary Government-Wide Financial Statements can be found on pages 21 & 22 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the primary government-wide financial statements. However, unlike the primary government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the primary government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the primary government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 25 and 27, respectively.

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 24 & 26 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the primary government-wide financial statement. The County uses enterprise funds to account for Whispering Pines Golf Course, Ocean Springs Harbor, ADC Canteen, and Heinz Building. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its self-insured Health Insurance program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the primary government-wide financial statements.

Fund financial statements for the proprietary funds provide the same type of information as the primary government-wide financial statements, only in more detail. Data from the other enterprise funds are combined into a single, aggregated presentation. The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. The proprietary funds financial statements can be found on pages 28 - 30 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the primary government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 31 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the primary government-wide and fund financial statements. The notes can be found on pages 32- 53 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 56 - 59 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on pages 63 - 65 of this report.

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

PRIMARY GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of Jackson County, assets exceeded liabilities by \$53,243,953 as of September 30, 2009.

By far, the largest portion of the County's net assets reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2009.

**Statement of Net Assets
As of September 30,**

	Governmental Activities		Business-type Activities		Total Primary	
	2009	2008	2009	2008	2009	2008
Current assets	\$ 126,669,570	\$ 108,182,401	\$ 180,890	\$ 180,095	\$ 126,850,460	\$ 108,362,496
Capital assets, net	58,855,103	94,182,377	53,088	1,009,714	58,908,191	95,192,091
Total assets	<u>185,524,673</u>	<u>202,364,778</u>	<u>233,978</u>	<u>1,189,809</u>	<u>185,758,651</u>	<u>203,554,587</u>
Current liabilities	76,510,786	65,649,132	42,356	48,726	76,553,142	65,697,858
Long-term debt outstanding	55,920,170	59,521,311	41,386	43,707	55,961,556	59,565,018
Total liabilities	<u>132,430,956</u>	<u>125,170,443</u>	<u>83,742</u>	<u>92,433</u>	<u>132,514,698</u>	<u>125,262,876</u>
Net assets:						
Invested in capital assets, net of related debt	40,689,578	58,889,558	53,088	1,009,714	40,742,666	59,899,272
Restricted	22,001,008	23,215,429	185,524	277,791	22,186,532	23,493,220
Unrestricted	(9,596,869)	(4,910,652)	(88,376)	(190,129)	(9,685,245)	(5,100,781)
Total net assets	<u>\$ 53,093,717</u>	<u>\$ 77,194,335</u>	<u>\$ 150,236</u>	<u>\$ 1,097,376</u>	<u>\$ 53,243,953</u>	<u>\$ 78,291,711</u>

The County's net assets decreased \$25,047,758, approximately 32%, during the current fiscal year. Total assets decreased by approximately 9% from last fiscal year, with total liabilities increasing by approximately 6%.

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

An additional portion of the County's net assets, restricted net assets, represents resources subject to external restrictions on how they may be used.

Changes in Net Assets – Jackson County's total revenues for the fiscal year ended September 30, 2009 was \$109,017,330. The total cost for all services provided was \$98,348,033. The increase in net assets was \$10,669,297. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2009.

Statement of Activities Years Ended September 30,

	Governmental Activities		Business-type Activities		Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charge for services	\$ 9,737,587	\$ 5,997,847	828,605	803,347	10,566,192	6,801,194
Operating grants and contributions	7,622,749	12,866,752	-	-	7,622,749	12,866,752
Capital grants and contributions	9,050,340	399,104	-	-	9,050,340	399,104
General revenues:						
Property taxes	65,542,228	55,549,790	-	-	65,542,228	55,549,790
Road and bridge privilege tax	1,813,406	1,812,162	-	-	1,813,406	1,812,162
Grants and contributions not restricted	8,207,672	7,509,495	-	-	8,207,672	7,509,495
Unrestricted investment income	2,424,420	2,056,534	12,554	13,263	2,436,974	2,069,797
Miscellaneous	3,771,552	3,890,852	6,217	(5,409)	3,777,769	3,885,443
Transfers	(39,198)	(1,200,000)	39,198	-	-	(1,200,000)
Total revenues	108,130,756	88,882,536	886,574	811,201	109,017,330	89,693,737
Expenses:						
General government	26,522,327	28,704,880	-	-	26,522,327	28,704,880
Public safety	17,940,717	18,139,001	-	-	17,940,717	18,139,001
Public works	36,854,978	29,224,424	-	-	36,854,978	29,224,424
Health and welfare	3,174,604	2,072,969	-	-	3,174,604	2,072,969
Culture and recreation	3,159,084	3,358,194	-	-	3,159,084	3,358,194
Education	897,090	935,924	-	-	897,090	935,924
Conservation of natural resources	326,217	302,858	-	-	326,217	302,858
Economic development and assistance	6,117,135	3,438,514	-	-	6,117,135	3,438,514
Interest on long-term debt	2,500,178	3,239,339	-	-	2,500,178	3,239,339
Adult detention center canteen	-	-	33,467	46,376	33,467	46,376
Harbor	-	-	134,703	123,685	134,703	123,685
Golf course	-	-	687,533	831,776	687,533	831,776
Heinz building	-	-	-	216	-	216
Total expenses	97,492,330	89,416,103	855,703	1,002,053	98,348,033	90,418,156
Increase in net assets	10,638,426	(533,567)	30,871	(190,852)	10,669,297	(724,419)
Net assets - beginning October 1	77,194,335	77,192,639	1,097,376	1,291,968	78,291,711	78,484,607
Internal service fund beginning Net Assets	-	844,333	-	-	-	844,333
Prior period adjustments	(34,739,044)	(309,070)	(978,011)	(3,740)	(35,717,055)	(312,810)
Net assets - ending September 30	\$ 53,093,717	\$ 77,194,335	150,236	1,097,376	53,243,953	78,291,711

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

Governmental Activities – The following table presents the cost of the County's governmental activities: General Government, Public Safety, Public Works, Health & Welfare, Culture and Recreation, Education, Conservation of Natural Resources, and Economic Development and Assistance.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Jackson County's taxpayers by each of these functions.

	Net Cost			
	Year Ended September 30,			
	2009		2008	
	Total Cost	Net Cost	Total Cost	Net Cost
Governmental activities:				
General government	\$ 26,522,327	\$ 16,145,765	\$ 28,704,880	\$ 23,032,266
Public safety	17,940,717	14,606,528	18,139,001	15,444,830
Public works	36,854,978	31,083,180	29,224,424	18,721,925
Health and welfare	3,174,604	947,048	2,072,969	1,838,623
Culture and recreation	3,159,084	2,915,832	3,358,194	3,337,432
Education	897,090	897,090	935,924	935,924
Conservation of natural resources	326,217	(387,895)	302,858	163,547
Economic development	6,117,135	2,373,928	3,438,514	3,438,514
Interest on debt	2,500,178	2,500,178	3,239,339	3,239,339
	\$ 97,492,330	\$ 71,081,654	\$ 89,416,103	\$ 70,152,400

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Jackson County's governmental funds reported a combined fund balance of \$43,682,379, an increase of \$3,122,385. The primary reasons for this increase are highlighted in the analysis of governmental activities.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$3,257,158. The reason for this increase was due to tax revenues higher than budgeted and the County not completing several projects.

Business-type Activities – Revenue from the all business-type activities increased by 9% to \$886,574 and expenses decreased by 15% to \$855,703. The major factor contributing to these results is higher usage at the golf course and transfers from the general fund.

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Jackson County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made throughout the year to adjust various line items.
- At the end of the fiscal year, Jackson County amended its budget to reflect actual revenues received and expenditures made.

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2009, Jackson County's total capital assets was \$58,908,191. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents a decrease from the previous year of \$36,283,900. The majority of this decrease was in infrastructure.

Total accumulated depreciation as of September 30, 2009 was \$42,887,785, including \$3,386,389 of depreciation expense for the year.

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

Capital Assets, Net of Depreciation Year Ended September 30,

	Governmental Activities		Business-type Activities		Primary Government	
	2009	2008	2009	2008	2009	2008
Land	\$ 11,647,347	\$ 10,952,735	\$ 6,478	\$ 6,478	\$ 11,653,825	\$ 10,959,213
Construction in progress	416,012	4,070,885	-	102,998	416,012	4,173,883
Buildings	16,944,699	27,581,465	-	138,691	16,944,699	27,720,156
Improvements						
other than buildings	1,253,588	3,711,687	-	726,109	1,253,588	4,437,796
Mobile equipment	5,283,251	5,300,797	10,418	16,820	5,293,669	5,317,617
Other furniture and fixtur	1,930,089	1,342,228	36,192	18,618	1,966,281	1,360,846
Capital leases	164,314	216,725	-	-	164,314	216,725
Infrastructure	21,215,803	41,005,855	-	-	21,215,803	41,005,855
	<u>\$ 58,855,103</u>	<u>\$ 94,182,377</u>	<u>\$ 53,088</u>	<u>\$ 1,009,714</u>	<u>\$ 58,908,191</u>	<u>\$ 95,192,091</u>

Additional information on Jackson County's capital assets can be found in note 8 on pages 41 - 43 of this report.

Debt Administration – At September 30, 2009, Jackson County had \$55,741,039 in long-term debt outstanding in Governmental Activities. This includes general obligation bonds, limited obligation bonds, capital leases, other loans, and compensated absences liability. Of this amount approximately \$18 million is capital related. Of the approximate \$38 million that is non-capital related, the majority was issued for assets owned by other entities or for economic development purposes.

	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 38,704,253	\$ 43,917,029
Bond premiums, net	178,742	217,169
Capital leases	536,145	533,897
Other loans	14,835,691	13,453,922
Compensated absences	1,486,208	1,399,294
	<u>\$ 55,741,039</u>	<u>\$ 59,521,311</u>

JACKSON COUNTY, MISSISSIPPI

Management's Discussion and Analysis For the Year Ended September 30, 2009

Over the previous years, Jackson County's bond rating was increased from an "A" to an "AA-" by Standard and Poor's. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is below its current limit of \$80 million dollars.

Additional information on Jackson County's long-term debt can be found in note 12 on pages 47 - 49 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

The County has been awarded a \$12,000,000 grant to build a county services complex and construction has commenced on that building.

Numerous rebuilding projects are under way county-wide, most financed with Community Development Block Grants as the County continues to recover from Hurricane Katrina.

The County is also exploring avenues for the financing of a new jail or an addition to the existing jail as overcrowding still continues to be a problem.

There are three major economic development projects in Jackson County as follows:

- Gulf Liquified National Gas project is currently under construction with about \$1 billion to be invested by completion of the project. Expected completion date is early 2011.
- Chevron's CCR (catalytic cracking recovery) project is under construction and expected to total about \$500 million. Expected completion date is early 2011.
- Leucadia Substitute Natural Gas site has secured financing for a \$2 billion project expected to be completed in 2013 or 2014.

The County has awarded a bid of approximately \$9 million to build 3 shelters within the County. This project is financed solely by Federal Emergency Management Agency and Mississippi Emergency Management Agency.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Finance Director's office at P. O. Box 998, Pascagoula, MS 39568.

JACKSON COUNTY

FINANCIAL STATEMENTS

JACKSON COUNTY

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JACKSON COUNTY
Statement of Net Assets
September 30, 2009

Exhibit I

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 48,165,759	227,854	48,393,613
Investments	683,044		683,044
Accrued interest receivable	1,392		1,392
Property tax receivable	65,651,212		65,651,212
Fines receivable (net of allowance for uncollectibles of \$8,878,937)	5,548,498		5,548,498
Loans receivable	202,942		202,942
Intergovernmental receivables	4,855,730		4,855,730
Other receivables	36,012		36,012
Internal balances	46,964	(46,964)	
Prepaid insurance	734,111		734,111
Deferred charges - issuance cost	743,906		743,906
Capital assets:			
Land and construction in progress	12,063,359	6,478	12,069,837
Other capital assets, net	46,791,744	46,610	46,838,354
Total Assets	185,524,673	233,978	185,758,651
LIABILITIES			
Claims payable	6,989,311	42,356	7,031,667
Claims and judgments payable	319,646		319,646
Intergovernmental payables	1,596,863		1,596,863
Accrued interest payable	1,398,076		1,398,076
Deferred revenue	65,651,212		65,651,212
Other payables	555,678		555,678
Long-term liabilities			
Other postemployment benefits payable	179,131		179,131
Due within one year:			
Capital debt	3,057,892		3,057,892
Non-capital debt	13,857,580		13,857,580
Due in more than one year:			
Capital debt	15,107,633		15,107,633
Non-capital debt	23,717,934	41,386	23,759,320
Total Liabilities	132,430,956	83,742	132,514,698
NET ASSETS			
Invested in capital assets, net of related debt	40,689,578	53,088	40,742,666
Restricted:			
Expendable:			
Debt service	7,327,300		7,327,300
Public safety	3,273,556	164,217	3,437,773
Public works	5,105,577		5,105,577
Health and welfare	1,449,952		1,449,952
Conservation of natural resources	1,736		1,736
Economic development	340,175	21,307	361,482
Unemployment compensation	114,198		114,198
Capital projects	4,388,514		4,388,514
Unrestricted	(9,596,869)	(88,376)	(9,685,245)
Total Net Assets	\$ 53,093,717	150,236	53,243,953

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

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

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 26,522,327	8,929,571	548,723	898,268	(16,145,765)		(16,145,765)
Public safety	17,940,717	808,016	2,175,721	350,452	(14,606,528)		(14,606,528)
Public works	36,854,978		4,293,534	1,478,264	(31,083,180)		(31,083,180)
Health and welfare	3,174,604		160,856	2,066,700	(947,048)		(947,048)
Culture and recreation	3,159,084		243,252		(2,915,832)		(2,915,832)
Education	897,090				(897,090)		(897,090)
Conservation of natural resources	326,217		123,982	590,130	387,895		387,895
Economic development and assistance	6,117,135		76,681	3,666,526	(2,373,928)		(2,373,928)
Interest on long-term debt	2,500,178				(2,500,178)		(2,500,178)
Total Governmental Activities	97,492,330	9,737,587	7,622,749	9,050,340	(71,081,654)	0	(71,081,654)
Business-type activities:							
Adult detention center canteen fund	33,467	32,579				(888)	(888)
Harbor	134,703	94,520				(40,183)	(40,183)
Golf course	687,533	700,005				12,472	12,472
Heinz building		1,501				1,501	1,501
Total Business-type Activities	855,703	828,605	0	0	0	(27,098)	(27,098)
Total Primary Government	\$ 98,348,033	10,566,192	7,622,749	9,050,340	(71,081,654)	(27,098)	(71,108,752)

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

Exhibit 2 (Continued)

	Net (Expense) Revenue and Changes in Net Assets		
	Primary Governmental Activities	Business-type Activities	Total
General revenues:			
Property taxes	\$ 65,542,228		65,542,228
Road & bridge privilege taxes	1,813,406		1,813,406
Grants and contributions not restricted to specific programs	8,207,672		8,207,672
Unrestricted interest income	2,424,420	12,554	2,436,974
Miscellaneous	3,771,552	6,217	3,777,769
Transfers	(39,198)	39,198	
Total General Revenues, Transfers	81,720,080	57,969	81,778,049
Changes in Net Assets	10,638,426	30,871	10,669,297
Net Assets - Beginning	77,194,335	1,097,376	78,291,711
Prior period adjustments	(34,739,044)	(978,011)	(35,717,055)
Net Assets - Beginning, as restated	42,455,291	119,365	42,574,656
Net Assets - Ending	\$ 53,093,717	150,236	53,243,953

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

JACKSON COUNTY
Balance Sheet - Governmental Funds
September 30, 2009

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Road Fund		
ASSETS				
Cash	\$ 15,907,894	7,617,825	23,213,179	46,738,898
Investments	683,044			683,044
Accrued interest receivable			1,392	1,392
Property tax receivable	35,804,353	14,116,964	15,729,895	65,651,212
Fines receivable (net of allowance for uncollectibles of \$8,878,937)	5,548,498			5,548,498
Loans receivable			202,942	202,942
Intergovernmental receivables	961,701		3,894,029	4,855,730
Other receivables	36,012			36,012
Due from other funds	8,221,161	266,555	159,168	8,646,884
Advances to other funds	46,964			46,964
Total Assets	\$ 67,209,627	22,001,344	43,200,605	132,411,576
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 2,251,312	1,403,614	3,075,136	6,730,062
Intergovernmental payables	1,465,722			1,465,722
Due to other funds	556,864		8,221,161	8,778,025
Deferred revenue	41,352,851	14,116,964	15,729,895	71,199,710
Other payables	555,678			555,678
Total Liabilities	46,182,427	15,520,578	27,026,192	88,729,197
Fund balances:				
Reserved for:				
Debt service			7,981,470	7,981,470
Loans receivable			202,942	202,942
Advances	46,964			46,964
Unemployment compensation			114,198	114,198
Unreserved - undesignated, reported in:				
General Fund	20,980,236			20,980,236
Special Revenue Funds		6,480,766	3,487,289	9,968,055
Capital Project Funds			4,388,514	4,388,514
Total Fund Balances	21,027,200	6,480,766	16,174,413	43,682,379
Total Liabilities and Fund Balances	\$ 67,209,627	22,001,344	43,200,605	132,411,576

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

JACKSON COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2009

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 43,682,379
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$42,708,085.	58,855,103
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	5,548,498
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(55,741,039)
Other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(179,131)
Accrued interest payable is not due and payable in the current period and, therefore, are not reported in the funds.	(1,398,076)
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	847,966
Bond issuance cost, net of amortization	743,906
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	<u>734,111</u>
Total Net Assets - Governmental Activities	\$ <u><u>53,093,717</u></u>

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

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

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Road Fund		
REVENUES				
Property taxes	\$ 36,793,367	12,487,679	16,261,182	65,542,228
Road and bridge privilege taxes		1,813,406		1,813,406
Licenses, commissions and other revenue	3,037,793			3,037,793
Fines and forfeitures	1,615,062		546,568	2,161,630
Intergovernmental revenues	9,176,367	2,012,299	13,692,095	24,880,761
Charges for services	724,069			724,069
Interest income	1,125,072	292,024	1,007,324	2,424,420
Miscellaneous revenues	887,859	276,056	2,690,196	3,854,111
Total Revenues	<u>53,359,589</u>	<u>16,881,464</u>	<u>34,197,365</u>	<u>104,438,418</u>
EXPENDITURES				
Current:				
General government	25,361,256		5,180,355	30,541,611
Public safety	14,195,652		3,879,846	18,075,498
Public works	2,747,727	19,158,255	13,827,402	35,733,384
Health and welfare	2,704,193		454,957	3,159,150
Culture and recreation	3,188,303			3,188,303
Education	897,090			897,090
Conservation of natural resources	322,546		760	323,306
Economic development and assistance	2,852,986		3,219,151	6,072,137
Debt service:				
Principal	173,724		5,777,472	5,951,196
Interest	14,283		2,016,066	2,030,349
Total Expenditures	<u>52,457,760</u>	<u>19,158,255</u>	<u>34,356,009</u>	<u>105,972,024</u>
Excess of Revenues over (under) Expenditures	<u>901,829</u>	<u>(2,276,791)</u>	<u>(158,644)</u>	<u>(1,533,606)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	499,835		1,014,323	1,514,158
Proceeds from sale of capital assets	1,540,020	647,605	13,964	2,201,589
Transfers in	58,203	2,000,000	2,632,867	4,691,070
Transfers out	(476,751)	(310,000)	(4,026,076)	(4,812,827)
Total Other Financing Sources and Uses	<u>1,621,307</u>	<u>2,337,605</u>	<u>(364,922)</u>	<u>3,593,990</u>
Net Changes in Fund Balances	<u>2,523,136</u>	<u>60,814</u>	<u>(523,566)</u>	<u>2,060,384</u>
Fund Balances - Beginning	17,770,042	6,419,952	16,370,000	40,559,994
Prior period adjustments	734,022		327,979	1,062,001
Fund Balances - Beginning, as restated	<u>18,504,064</u>	<u>6,419,952</u>	<u>16,697,979</u>	<u>41,621,995</u>
Fund Balances - Ending	\$ <u>21,027,200</u>	<u>6,480,766</u>	<u>16,174,413</u>	<u>43,682,379</u>

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

JACKSON COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 2,060,384
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$6,441,859 exceeded depreciation of \$3,377,647 in the current period.	3,064,212
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$971,238 and the proceeds from the sale of \$2,201,589 in the current period.	(3,172,827)
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.	3,814,095
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$5,951,196 exceeded debt proceeds of \$1,514,158.	4,437,038
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Bond issue cost amortization	(236,887)
Bond premium amortization	42,312
Change in accrued interest payable	(232,942)
Change in compensated absences	(86,914)
Change in other postemployment benefits payable	(179,131)
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.	394,975
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	<u>734,111</u>
Change in Net Assets of Governmental Activities	<u>\$ 10,638,426</u>

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

JACKSON COUNTY
Statement of Net Assets - Proprietary Funds
September 30, 2009

Exhibit 5

	Business-type Activities - Enterprise Funds	Governmental Activities
	Non-major Funds	Internal Service Funds
ASSETS		
Current assets:		
Cash	\$ 227,854	1,426,861
Total Current Assets	<u>227,854</u>	<u>1,426,861</u>
Noncurrent assets:		
Capital assets:		
Land and construction in progress	6,478	
Other capital assets, net	46,610	
Total Noncurrent Assets	<u>53,088</u>	<u>0</u>
Total Assets	<u>280,942</u>	<u>1,426,861</u>
LIABILITIES		
Current liabilities:		
Claims payable	42,356	259,249
Claims and judgments payable		319,646
Total Current Liabilities	<u>42,356</u>	<u>578,895</u>
Noncurrent liabilities:		
Non-capital debt:		
Advances from other funds	46,964	
Compensated absences payable	41,386	
Total Noncurrent Liabilities	<u>88,350</u>	<u>0</u>
NET ASSETS		
Invested in capital assets, net of related debt	53,088	
Restricted for:		
Inmate canteen supplies	164,217	
Economic development	21,307	
Unrestricted	(88,376)	847,966
Total Net Assets	<u>\$ 150,236</u>	<u>847,966</u>

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

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

	Business-type Activities - Enterprise Funds	Governmental Activities
	Non-major Funds	Internal Service Funds
Operating Revenues		
Sales and charges for services	\$ 828,605	
Premiums		6,336,466
Miscellaneous	6,217	197,172
Total Operating Revenues	<u>834,822</u>	<u>6,533,638</u>
Operating Expenses		
Personal services	452,432	
Contractual services	183,598	
Materials and supplies	208,967	
Depreciation expense	8,742	
Claims payments		5,779,245
Administrative		116,254
Insurance premiums		369,279
Total Operating Expenses	<u>853,739</u>	<u>6,264,778</u>
Operating Income (Loss)	<u>(18,917)</u>	<u>268,860</u>
Nonoperating Revenues (Expenses)		
Interest income	12,554	43,556
Interest expense	(1,964)	
Net Nonoperating Revenue (Expenses)	<u>10,590</u>	<u>43,556</u>
Net Income (Loss) Before Transfers	(8,327)	312,416
Transfers in	79,660	82,559
Transfers out	(40,462)	
Changes in Net Assets	<u>30,871</u>	<u>394,975</u>
Net Assets - Beginning	1,097,376	452,991
Prior period adjustment	(978,011)	
Net Assets - Beginning, as restated	<u>119,365</u>	<u>452,991</u>
Net Assets - Ending	<u>\$ 150,236</u>	<u>847,966</u>

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

JACKSON COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2009

Exhibit 7

	Business-type Activities - Enterprise Funds	Governmental Activities
	Non-major Funds	Self-insurance Internal Service Funds
Cash Flows From Operating Activities		
Receipts from customers	\$ 828,605	
Receipts for premiums		6,450,447
Payments to suppliers	(429,245)	
Payments to employees	(488,066)	
Payments for claims		(5,791,411)
Payments for insurance premiums		(373,699)
Other operating cash receipts	6,217	83,191
Other operating cash payments		(12,768)
Net Cash Provided (Used) by Operating Activities	<u>(82,489)</u>	<u>355,760</u>
Cash Flows From Noncapital Financing Activities		
Cash received from other funds:		
Operating transfers in	79,660	82,559
Cash paid to other funds:		
Operating transfers out	(40,462)	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>39,198</u>	<u>82,559</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition and construction of capital assets	(30,127)	
Principal paid on long-term debt	(34,011)	
Interest paid on debt	(1,964)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(66,102)</u>	<u>0</u>
Cash Flows From Investing Activities		
Interest on deposits	12,554	43,556
Net Cash Provided (Used) by Investing Activities	<u>12,554</u>	<u>43,556</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(96,839)	481,875
Cash and Cash Equivalents at Beginning of Year	<u>324,693</u>	<u>944,986</u>
Cash and Cash Equivalents at End of Year	<u>\$ 227,854</u>	<u>1,426,861</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (18,917)	268,860
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	8,742	
Changes in assets and liabilities:		
Increase (decrease) in claims payable	(6,245)	259,249
Increase (decrease) in claims and judgments liability		(12,166)
Increase (decrease) in compensated absences liability	(2,321)	
Increase (decrease) in other payables	(125)	(299)
Increase (decrease) in interfund payables	(63,623)	(159,884)
Total Adjustments	<u>(63,572)</u>	<u>86,900</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (82,489)</u>	<u>355,760</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,147,314
Due from other funds	<u>131,141</u>
Total Assets	\$ <u><u>1,278,455</u></u>
LIABILITIES	
Intergovernmental payables	\$ <u>1,278,455</u>
Total Liabilities	\$ <u><u>1,278,455</u></u>

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

JACKSON COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Jackson 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 Jackson County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

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

- Singing River Mental Health/Mental Retardation Services
- Jackson-George Regional Library System
- Jackson County Port Authority
- Gulf Park Estates - St. Andrews Fire District
- Singing River Hospital System
- West Jackson County Utility District
- Jackson County Emergency Communications 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
- Tax Collector
- Sheriff

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

JACKSON COUNTY

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

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

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

JACKSON COUNTY

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

The county reports the following major Governmental Funds:

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

Road Fund - This fund is used to account for revenues from specific revenue sources that are restricted for construction and maintenance of the county's roads.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

PROPRIETARY FUND TYPES

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

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The county's internal service fund reports on self-insurance programs for employee medical benefits.

FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits and Investments.

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

JACKSON COUNTY

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

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Prepaid Items.

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

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. However, the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets or records documenting the county's infrastructure. 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.

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.

JACKSON COUNTY

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

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
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.

J. Long-term Liabilities.

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets.

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

JACKSON COUNTY

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

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

(2) Changes in Accounting Standards.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pension*, are applicable to the county for the fiscal year ending September 30, 2009. See Note 11 for additional information related to other postemployment benefits offered by the county.

JACKSON COUNTY

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

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Governmental Activities	
To correct prior year errors in capital assets.	\$ (35,218,659)
To correct prior year errors in federal revenues.	1,062,001
To correct prior year errors in long-term debt.	(612,164)
To correct prior year errors in deferred charges.	29,778
Total prior period adjustments	<u>\$ (34,739,044)</u>
Business-type Activities	
To correct prior year errors in capital assets.	<u>\$ (978,011)</u>

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

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in federal revenues.	<u>\$ 1,062,001</u>

Exhibit 6 - Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in capital assets.	<u>\$ (978,011)</u>

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2009, was \$49,540,927, and the bank balance was \$50,138,085. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

JACKSON COUNTY

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

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Jackson County, Mississippi Tort Claims Trust.

Investments balances at September 30, 2009, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Hancock Horizon Treasury Securities Money Market Mutual Fund	Less than one year	\$ <u>683,044</u>	AAAm

Interest Rate Risk. The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

(5) **Interfund Transactions and Balances.**

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

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 8,221,161
Road Fund	General Fund	266,555
Other Governmental Funds	General Fund	159,168
Agency Funds	General Fund	<u>131,141</u>
Total		\$ <u>8,778,025</u>

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

B. **Advances From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Non-major Enterprise Funds	\$ <u>46,964</u>

Advances represent a loan made from the General Fund to the Golf Course Fund for \$100,089, to purchase equipment. Repayment of the loan includes 3% interest to be paid monthly over 3 years, beginning February, 2008.

JACKSON COUNTY

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

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

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 35,046	930
2011	11,918	74
Total	<u>\$ 46,964</u>	<u>1,004</u>

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 17,741
General Fund	Non-major Enterprise Funds	40,462
Road Fund	Other Governmental Funds	2,000,000
Other Governmental Funds	General Fund	314,532
Other Governmental Funds	Road Fund	310,000
Other Governmental Funds	Other Governmental Funds	2,008,335
Non-major Enterprise Funds	General Fund	79,660
Internal Service Funds	General Fund	82,559
Total		<u>\$ 4,853,289</u>

The principal purpose of interfund transfers was to provide funds for grant matches or for cash flow purposes. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 602,020
High intensity drug trafficking areas program	2,100
State and community highway safety	17,089
Public safety partnership and community policing grants	91,671
Child nutrition grants	2,593
Community development block grants/state's program (R-109-030-02-KCR)	41,355
Edward Byrne memorial justice assistance grant program (07HR5961)	20,552
Edward Byrne memorial justice assistance grant program (07HR1301)	149,881
Recovery Act - Edward Byrne memorial justice assistance (JAG) grant program/grants to units of local governments	11,885
Homeland security grant program (07LE030)	22,385
Homeland security grant program (07CC030)	170
Edward Byrne memorial justice assistance grant program (06NM1302)	50,720
Hazard mitigation grant (1604-0041)	296,953
Hazard mitigation grant (1604-0044)	2,840
Hazard mitigation grant (1604-0345)	53,340
Hazard mitigation grant (1604-0346)	2,840
Hazard mitigation grant (1604-0010)	379,579

JACKSON COUNTY

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

Description	Amount
Hazard mitigation grant (1604-0204)	1,169,357
Community development block grants/state's program (1123-06-030-ED-01)	5,200
Community development block grants/state's program (R-103-030-04-KED)	749,450
Community development block grants/state's program (R-103-030-01-KCR)	19,375
Community development block grants/state's program (1125-08-030-PF-01)	10,350
Community development block grants/state's program (R-103-030-06-KED)	220,904
Community development block grants/state's program (R-103-030-02-KED)	34,810
Community development block grants/state's program (R-103-030-01-KED)	52,574
Community development block grants/state's program (R-103-030-03-KED)	806,509
Airport improvement program	39,228
Total Governmental Activities	\$ 4,855,730

(7) Loans Receivable.

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

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Sandco Industries *	10-01-1991	4.00%	11-04-2004	\$ 50,000
Bayou Blend *	09-22-1994	4.00%	09-01-1999	86,254
Superior Optical **	09-21-1995	4.00%	10-21-1995	35,982
Lagniappe House	12-02-1997	4.00%	02-01-2007	56,960
Rapiscan	07-28-2005	0.00%	08-15-2020	110,000
Total				339,196
Less: Allowance for doubtful accounts*				<u>136,254</u>
Total (Net of allowance for doubtful accounts)				\$ <u>202,942</u>

** Loan was paid in full on March 23, 2010.

(8) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept. 30, 2009
Non-depreciable capital assets:					
Land	\$ 10,952,735	503,500	1,492,217	1,683,329	11,647,347
Construction in progress	4,070,885			(3,654,873)	416,012
Total non-depreciable capital assets	<u>15,023,620</u>	<u>503,500</u>	<u>1,492,217</u>	<u>(1,971,544)</u>	<u>12,063,359</u>

JACKSON COUNTY

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

	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept. 30, 2009
Depreciable capital assets:					
Infrastructure	68,023,724			(34,846,596)	33,177,128
Buildings	41,218,505	2,525,426	2,237,309	(12,179,037)	29,327,585
Improvements other than buildings	6,237,197	1,282,376	193,725	(2,852,190)	4,473,658
Mobile equipment	15,238,933	1,356,523	667,982	239,431	16,166,905
Furniture and equipment	5,014,325	774,034	168,308	477,752	6,097,803
Leased property under capital leases	278,863			(22,113)	256,750
Total depreciable capital assets	<u>136,011,547</u>	<u>5,938,359</u>	<u>3,267,324</u>	<u>(49,182,753)</u>	<u>89,499,829</u>
Less accumulated depreciation for:					
Infrastructure	27,017,869	776,789		(15,833,333)	11,961,325
Buildings	13,637,040	392,701	671,205	(975,650)	12,382,886
Improvements other than buildings	2,525,510	264,376	184,039	614,223	3,220,070
Mobile equipment	9,938,136	1,331,264	583,607	197,861	10,883,654
Furniture and equipment	3,672,097	566,299	147,863	77,181	4,167,714
Leased property under capital leases	62,138	46,218		(15,920)	92,436
Total accumulated depreciation	<u>56,852,790</u>	<u>3,377,647</u>	<u>1,586,714</u>	<u>(15,935,638)</u>	<u>42,708,085</u>
Total depreciable capital assets, net	<u>79,158,757</u>	<u>2,560,712</u>	<u>1,680,610</u>	<u>(33,247,115)</u>	<u>46,791,744</u>
Governmental activities capital assets, net	<u>\$ 94,182,377</u>	<u>3,064,212</u>	<u>3,172,827</u>	<u>(35,218,659)</u>	<u>58,855,103</u>
Business-type activities:					
	Balance Oct. 1, 2008	Additions	Deletions	Adjustments *	Balance Sept. 30, 2009
Non-depreciable capital assets:					
Land	\$ 6,478				6,478
Construction in progress	102,998			(102,998)	
Total non-depreciable capital assets	<u>109,476</u>	<u>0</u>	<u>0</u>	<u>(102,998)</u>	<u>6,478</u>
Depreciable capital assets:					
Buildings	232,641			(232,641)	
Improvements other than buildings	1,115,439			(1,115,439)	
Mobile equipment	168,188			(64,011)	104,177
Furniture and equipment	73,419	30,127		18,587	122,133
Total depreciable capital assets	<u>1,589,687</u>	<u>30,127</u>	<u>0</u>	<u>(1,393,504)</u>	<u>226,310</u>
Less accumulated depreciation for:					
Buildings	93,950			(93,950)	
Improvements other than buildings	389,330			(389,330)	
Mobile equipment	151,368			(57,609)	93,759
Furniture and equipment	54,801	8,742		22,398	85,941
Total accumulated depreciation	<u>689,449</u>	<u>8,742</u>	<u>0</u>	<u>(518,491)</u>	<u>179,700</u>
Total depreciable capital assets, net	<u>900,238</u>	<u>21,385</u>	<u>0</u>	<u>(875,013)</u>	<u>46,610</u>
Business-type activities capital assets, net	<u>\$ 1,009,714</u>	<u>21,385</u>	<u>0</u>	<u>(978,011)</u>	<u>53,088</u>

* Adjustments are to correct errors in the capital asset records.

JACKSON COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 982,501
Public safety	725,002
Public works	1,496,758
Health and welfare	11,259
Culture and recreation	125,974
Conservation of natural resources	2,008
Economic development & assistance	<u>34,145</u>
 Total governmental activities depreciation expense	 \$ <u><u>3,377,647</u></u>
Business-type activities:	
Adult detention center canteen fund	\$ 6,638
Golf course	<u>2,104</u>
 Total business-type activities depreciation expense	 \$ <u><u>8,742</u></u>

Commitments with respect to unfinished capital projects at September 30, 2009, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Lum Cumbest Soccer Complex	\$ 54,968	October, 2009
Gautier Soccer Complex	70,774	March, 2010
Khayat Park	1,005	January, 2010
Lum Cumbest, Khayat and St. Andrews Park	1,475	November, 2010

(9) Claims and Judgments.

Risk Financing.

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

JACKSON COUNTY

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

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in October 1990 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the county established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating public entity, including Jackson County, pays the premium on a single coverage policy for its respective employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has minimum uninsured risk retention for all participating entities, including Jackson County, to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

The county has purchased coinsurance which functions on specific stop loss coverage. The coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$125,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2009, the amount of these liabilities was \$319,646. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2007 - 2008	\$ 354,596	4,792,735	4,815,519	331,812
2008 - 2009	\$ 331,812	5,779,245	5,791,411	319,646

(10) Capital Leases.

As Lessee:

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

Classes of Property	Governmental Activities
Mobile equipment	\$ 256,750
Less: Accumulated depreciation	92,436
Leased Property Under Capital Leases	<u>\$ 164,314</u>

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

Year Ending September 30	Governmental Activities	
	Principal	Interest
2010	\$ 183,963	23,866
2011	105,500	14,940
2012	106,727	10,466
2013	111,337	5,839
2014	18,867	1,010
2015	9,751	205
Total	<u>\$ 536,145</u>	<u>56,326</u>

JACKSON COUNTY

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

(11) Other Postemployment Benefits.

Plan Description.

The Jackson County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Miss. Code Ann. (1972). The county's health insurance plan may be amended by the Jackson 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. Effective October 1, 2008, the county implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The county does not issue a publicly available financial report for the Plan.

Funding Policy.

Employees' premiums are funded by the county with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the county's health insurance plan.

Per Section 25-15-103, Miss. Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the county. For the year ended September 30, 2009, retiree premiums range from \$642 to \$891 depending on dependent coverage and Medicare eligibility.

Actuarial Valuation.

The county's health insurance plan's report of the actuary on the other postemployment benefits (OPEB) valuation was prepared as of July 1, 2010 for the years ending September 30, 2009 and 2010. The plan presently has an actuarial valuation performed biennially in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation.

The county's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC of \$213,074 is 1.01 percent of annual covered payroll.

JACKSON COUNTY

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

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2009:

Annual required contribution	\$ 213,074
Interest on prior year net OPEB obligation	0
Adjustment to annual required contribution	<u>0</u>
Annual OPEB cost	213,074
Contributions made	<u>(33,943)</u>
Increase in net OPEB obligation	179,131
Net OPEB obligation - Beginning of year	<u>0</u>
Net OPEB obligation - End of year	<u>\$ 179,131</u>

The following table provides the county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2009:

<u>Date</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2009	\$ 213,074	15.93%	\$ 179,131

Funding Status and Funding Progress.

The following table provides funding information for the most recent actuarial valuation date:

Actuarial Valuation Date	July 1, 2010
Actuarial Value of Plan Assets	\$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	\$ 1,153,576
Unfunded AAL (UAAL)	\$ 1,153,576
Funded Ratio	0.00%
Annual Covered Payroll	\$ 21,070,951
UAAL as a Percentage of Annual Covered Payroll	5.50%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

JACKSON COUNTY

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

Actuarial Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	July 1, 2010
Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed basis
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return*	4.50%
Projected salary increases**	2.00%
Healthcare cost trend rate*	10.00%
Ultimate trend rate	5.00%
Year of ultimate trend rate	2020
* Includes inflation at	0.00%
** Includes wage inflation at	2.00%

(12) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
1998 Port improvement bonds	\$ 3,640,000	5.00/6.50%	05-2018
MBIA bond, Series 1997 (HAM marine project)	964,253	2.00%	11-2011
Series 2002 refunding	7,580,000	2.00/4.00%	12-2014
Series 2003 refunding	3,850,000	1.15/5.10%	03-2014
Northrop Grumman site	2,900,000	4.00/5.00%	08-2014
Road improvements	8,245,000	3.00/5.00%	12-2016
Northrop Grumman, Series 2005A	9,200,000	3.94/5.25%	06-2020
Moss Point Industrial Park refunding, Series 2005B	2,325,000	3.94/5.04%	06-2020
Total General Obligation Bonds	<u>\$ 38,704,253</u>		
B. Capital Leases:			
Law enforcement software	\$ 350,353	4.35%	04-2013
Fort Bayou fire truck	96,662	4.22%	12-2014
2008 Ford Mustang	12,471	5.75%	01-2011
(11) 2008 Crown Victoria sedans	76,659	5.60%	04-2010
Total Capital Leases	<u>\$ 536,145</u>		

JACKSON COUNTY

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
C. Other Loans:			
Vancleave fire truck	\$ 13,002	4.10%	01-2010
Fort Bayou fire department	336,818	5.26%	01-2017
Forts Lake/Franklin Creek VFD	291,570	4.26%	03-2017
FEMA disaster loan	10,500,000	2.69%	12-2010
Vancleave fire department	101,614	3.65%	05-2013
General obligation note, Series 2008	2,163,994	3.45%	08-2013
Jackson County Airport Authority loan	619,922	2.98%	01-2014
West Jackson County fire truck	161,806	3.45%	05-2013
Latimer VFD	275,477	4.25%	07-2018
Vancleave - 2 trucks	219,088	2.25%	03-2014
3 Rivers tanker	152,400	2.88%	07-2014
Total Other Loans	\$ 14,835,691		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2010	\$ 5,217,778	1,642,549	11,513,731	1,064,909
2011	5,422,778	1,437,293	1,026,346	132,779
2012	5,623,697	1,215,347	922,680	98,234
2013	4,900,000	991,314	829,777	50,857
2014	5,180,000	770,217	173,019	22,073
2015 - 2019	11,035,000	1,710,608	370,138	30,453
2020	1,325,000	66,780		
Total	\$ 38,704,253	7,834,108	14,835,691	1,399,305

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2009, the amount of outstanding debt was equal to 2.33% of the latest property assessments.

JACKSON COUNTY

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

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

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments *	Balance Sept. 30, 2009	Amount due within one Year
Governmental Activities:						
Compensated absences	\$ 1,399,294	86,914			1,486,208	
General obligation bonds	43,917,029		5,212,776		38,704,253	5,217,778
Capital leases	533,897		173,724	175,972	536,145	183,963
Other loans	13,453,922	1,514,158	564,696	432,307	14,835,691	11,513,731
	59,304,142	1,601,072	5,951,196	608,279	55,562,297	16,915,472
Add: Bond premiums	217,169	0	42,312	3,885	178,742	0
Total	\$ 59,521,311	1,601,072	5,993,508	612,164	55,741,039	16,915,472

* Adjustments are to correct prior year errors in long-term debt.

	Balance Oct. 1, 2008	Additions	Reductions	Adjustments *	Balance Sept. 30, 2009	Amount due within one Year
Business-type Activities:						
Compensated absences	\$ 43,707	0	2,321	0	41,386	0

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

(13) 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.

The county has been named as a defendant in various lawsuits seeking unspecified damages for incidents involving the Sheriff's Department. The county has excess liability insurance coverage that it believes would cover any judgment against the county up to a limit of \$1,000,000. The policy has a \$250,000 self-insured retention. No provision has been made in the accompanying financial statements for this contingent liability since the amount of the potential loss, if any, cannot be reasonably estimated.

JACKSON COUNTY

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

General Obligation Debt Contingencies - The county issued general obligation bonds and notes to provide funds for constructing and improving capital facilities of the Jackson County Port Authority, a component unit of the county. Such debt is being retired from pledged resources of the Port Authority and, therefore, is reported as a liability of the Port Authority. However, because general obligation bonds and notes are backed by the full faith, credit and taxing power of the county, the county remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2009</u>
General obligation bonds	\$ <u>1,425,000</u>

Hospital Revenue Bond and Note Contingencies - The county issues revenue bonds and notes to provide funds for constructing and improving capital facilities of the Singing River Hospital. Revenue bonds and notes are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds and notes because the full faith, credit and taxing power of the county is secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds and notes outstanding at September 30, 2009, is \$77,228,403.

(14) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the county's own ability to borrow, the principal amount of such debt outstanding at year-end is disclosed as follows:

<u>Description</u>	<u>Balance at Sept. 30, 2009</u>
Industrial revenue bonds and notes	\$ <u>56,750,706</u>

(15) Segment Information for Enterprise Funds.

The county maintains four enterprise funds, which provide recreation and community services, rental services and food services. Summary financial information for each enterprise fund is presented for the year ended September 30, 2009.

Condensed Statement of Net Assets:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Heinz Building Fund	Total
Current assets	\$ 165,748	35,890	26,216	0	227,854
Capital assets	25,985	7,704	19,399	0	53,088
Total Assets	<u>191,733</u>	<u>43,594</u>	<u>45,615</u>	<u>0</u>	<u>280,942</u>
Current liabilities	1,531	5,785	35,040	0	42,356
Noncurrent liabilities		8,798	79,552	0	88,350
Total Liabilities	<u>1,531</u>	<u>14,583</u>	<u>114,592</u>	<u>0</u>	<u>130,706</u>

JACKSON COUNTY

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

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Heinz Building Fund	Total
Net assets:					
Invested in capital assets, net of related debt	25,985	7,704	19,399	0	53,088
Restricted	164,217	21,307		0	185,524
Unrestricted			(88,376)		(88,376)
Total Net Assets	\$ 190,202	29,011	(68,977)	0	150,236

Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Heinz Building Fund	Total
Operating revenues	\$ 32,579	94,520	706,222	1,501	834,822
Operating expenses	(26,829)	(132,599)	(685,569)		(844,997)
Depreciation expense	(6,638)	(2,104)			(8,742)
Operating Income (Loss)	(888)	(40,183)	20,653	1,501	(18,917)
Interest income	7,452	2,455	1,300	1,347	12,554
Interest expense			(1,964)		(1,964)
Transfers in			79,660		79,660
Transfers out				(40,462)	(40,462)
Change in Net Assets	6,564	(37,728)	99,649	(37,614)	30,871
Net Assets - Beginning	183,638	155,630	720,494	37,614	1,097,376
Prior period adjustment		(90,866)	(887,145)		(978,011)
Net Assets - Beginning, as restated	183,638	64,764	(166,651)	37,614	119,365
Net Assets - Ending	\$ 190,202	27,036	(67,002)	0	150,236

Condensed Statement of Cash Flows:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Heinz Building Fund	Total
Net cash provided (used) by:					
Operating activities	\$ 2,180	(38,656)	(47,514)	1,501	(82,489)
Noncapital financing activities			79,660	(40,462)	39,198
Capital and related financing activities	(30,127)		(35,975)		(66,102)
Investing activities	7,452	2,455	1,300	1,347	12,554
Net increase (decrease) in cash	(20,495)	(36,201)	(2,529)	(37,614)	(96,839)
Cash - Beginning of Year	186,243	72,091	28,745	37,614	324,693
Cash - End of Year	\$ 165,748	35,890	26,216	0	227,854

JACKSON COUNTY

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

(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 governing body is a 27-member board of directors, one appointed by the Board of Supervisors of each member county, one from each of the six participating cities and six appointed at large by minority members. The county appropriated \$32,855 for support of Southern Mississippi Planning and Development District in fiscal year 2009.

Jackson County Civic Action is jointly governed by various public entities, as well as by certain corporations and civic groups. The Jackson County Board of Supervisors appoints two of the 15 members of the board of directors. The county appropriated \$156,000 for support of the Jackson County Civic Action in fiscal year 2009.

Gulf Regional Planning and Development District operates in a district composed of the Counties of Hancock, Harrison and Jackson. The governing body is a nine-member board of directors; three appointed by the Board of Supervisors of each member county. The county appropriated \$12,470 for support of Gulf Regional Planning and Development District in fiscal year 2009.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of the Counties of Harrison and Jackson. The district is presently composed of the following five members: the Counties of Harrison and Jackson and the Cities of Biloxi, Gulfport and Ocean Springs. The district's board is composed of five members, one appointed by each government. The county provided no financial support to Harrison-Jackson County Emergency Medical Service District in fiscal year 2009.

Mississippi Gulf Coast Community College operates in a district composed of the Counties of George, Harrison, Jackson and Stone. The college's board of trustees is composed of 23 members; three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The county appropriated \$7,793,852 for maintenance and support of the college in fiscal year 2009.

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

(17) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2009 was 12% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2009, 2008 and 2007 were \$2,745,468, \$2,490,026 and \$2,182,354, respectively, equal to the required contributions for each year.

JACKSON COUNTY

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

(18) Subsequent Events.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
03-02-2010	2.97%	\$ 330,000	Other loan	Tax revenue
04-20-2010	2.57%	8,000,000	General obligation bond	Tax revenue
04-20-2010	3.00%	325,080	Capital lease	Tax revenue

JACKSON COUNTY

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JACKSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 35,901,648	36,902,052	36,902,057	5
Licenses, commissions and other revenue	2,672,800	3,064,535	3,064,536	1
Fines and forfeitures	1,407,000	1,489,175	1,489,177	2
Intergovernmental revenues	7,696,533	9,750,968	9,750,961	(7)
Charges for services	415,000	771,359	771,359	
Interest income	693,841	1,117,902	1,117,917	15
Miscellaneous revenues	1,333,362	1,110,144	1,110,149	5
Total Revenues	<u>50,120,184</u>	<u>54,206,135</u>	<u>54,206,156</u>	<u>21</u>
EXPENDITURES				
Current:				
General government	26,601,307	25,782,966	25,384,087	398,879
Public safety	14,642,434	14,707,890	14,500,870	207,020
Public works	2,832,999	2,814,520	2,678,828	135,692
Health and welfare	2,612,661	2,619,209	2,598,040	21,169
Culture and recreation	3,382,133	3,275,369	3,218,959	56,410
Education	905,500	1,186,296	892,919	293,377
Conservation of natural resources	336,014	323,918	307,754	16,164
Economic development and assistance	3,164,278	2,992,950	2,965,908	27,042
Debt service:				
Principal		173,724	173,724	
Interest		14,283	14,283	
Total Expenditures	<u>54,477,326</u>	<u>53,891,125</u>	<u>52,735,372</u>	<u>1,155,753</u>
Excess of Revenues over (under) Expenditures	<u>(4,357,142)</u>	<u>315,010</u>	<u>1,470,784</u>	<u>1,155,774</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			499,835	499,835
Proceeds from sale of capital assets			1,540,020	1,540,020
Compensation for loss of capital assets			17,074	17,074
Transfers in			58,203	58,203
Transfers out		(3,127,723)	(476,752)	2,650,971
Other financing sources	3,002,000	7,583,816		(7,583,816)
Total Other Financing Sources and Uses	<u>3,002,000</u>	<u>4,456,093</u>	<u>1,638,380</u>	<u>(2,817,713)</u>
Net Change in Fund Balance	(1,355,142)	4,771,103	3,109,164	(1,661,939)
Fund Balances - Beginning	<u>8,502,516</u>	<u>8,064,014</u>	<u>19,105,019</u>	<u>11,041,005</u>
Fund Balances - Ending	<u>\$ 7,147,374</u>	<u>12,835,117</u>	<u>22,214,183</u>	<u>9,379,066</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 13,743,860	12,477,895	12,477,895	
Road and bridge privilege taxes		1,815,444	1,815,444	
Intergovernmental revenues	1,750,000	2,012,299	2,012,299	
Interest income		292,024	292,024	
Miscellaneous revenues		276,056	276,056	
Total Revenues	<u>15,493,860</u>	<u>16,873,718</u>	<u>16,873,718</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	<u>19,130,777</u>	<u>19,943,378</u>	<u>18,739,503</u>	<u>1,203,875</u>
Total Expenditures	<u>19,130,777</u>	<u>19,943,378</u>	<u>18,739,503</u>	<u>1,203,875</u>
Excess of Revenues over (under) Expenditures	<u>(3,636,917)</u>	<u>(3,069,660)</u>	<u>(1,865,785)</u>	<u>1,203,875</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		647,605	647,605	
Compensation for loss of capital assets		2,000,000	2,000,000	
Transfers out		(310,000)	(310,000)	
Other financing sources	<u>2,500,000</u>			
Total Other Financing Sources and Uses	<u>2,500,000</u>	<u>2,337,605</u>	<u>2,337,605</u>	<u>0</u>
Net Change in Fund Balance	(1,136,917)	(732,055)	471,820	1,203,875
Fund Balances - Beginning	<u>2,870,458</u>	<u>7,146,004</u>	<u>7,146,004</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,733,541</u>	<u>6,413,949</u>	<u>7,617,824</u>	<u>1,203,875</u>

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

JACKSON COUNTY

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

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Road Fund</u>
Budget (Cash Basis)	\$ 3,109,164	471,820
Increase (Decrease)		
Net adjustments for revenue accruals	(863,641)	7,747
Net adjustments for expenditure accruals	<u>277,613</u>	<u>(418,753)</u>
GAAP Basis	<u>\$ 2,523,136</u>	<u>60,814</u>

JACKSON COUNTY
 Schedule of Funding Progress - Other Postemployment Benefits
 September 30, 2009

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Percent Funded (a / b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Annual Covered payroll ((b-a) / c)
July 1, 2010	\$ 0	\$ 1,153,576	\$ 1,153,576	0.00%	\$ 21,070,951	5.50%

JACKSON COUNTY

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JACKSON COUNTY

SUPPLEMENTAL INFORMATION

JACKSON COUNTY

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

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed-through the Mississippi Department of Education			
Child Nutrition Cluster:			
School breakfast program	10.553	N/A	\$ 11,495
National school lunch program	10.555	N/A	16,308
Total Child Nutrition Cluster			<u>27,803</u>
Passed-through the Mississippi State Treasurer's Office			
Schools and roads - grants to states	10.665	N/A	<u>76,663</u>
Total U.S. Department of Agriculture			<u>104,466</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-109-030-02-KCR	275,358
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-06-KED	230,904
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	1123-06-030-ED-01	312,313
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-01-KCR	397,187
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-01-KED	781,433
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-01-KP	181,538
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-02-KED	758,650
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	1125-08-030-PF-01	54,800
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-03-KED	1,334,521
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-04-KED	1,100,147
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-05-KED	<u>10,000</u>
Total U.S. Department of Housing and Urban Development			<u>5,436,851</u>
U.S. Department of the Interior/Office of the Bureau of Ocean Energy Management, Regulation and Enforcement			
Coastal Impact Assistance Program (Direct Award)	15.426	N/A	<u>242,670</u>
U.S. Department of Justice/Office of Community Oriented Policing Services/ Public safety partnership and community policing grants (Direct Award)			
	16.710	N/A	<u>210,443</u>
U.S. Department of Justice/Office of Justice Programs/ Passed-through the Mississippi Department of Public Safety			
Edward Byrne memorial justice assistance grant program	16.738	06NM1302	189,037
Edward Byrne memorial justice assistance grant program	16.738	07HR5961	20,552
Edward Byrne memorial justice assistance grant program	16.738	07HR1301	149,881
Suhtotal			<u>359,470</u>

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

(Continued)

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Support for Adam Walsh Act implementation grant program (Direct Award)	16.750	N/A	8,890
(ARRA) Recovery Act - Edward Byrne memorial justice assistance Grant (JAG) program/Grants to units of local government (Direct Award)	16.804	N/A	11,885
Total U.S. Department of Justice			590,688
U.S. Department of Transportation - Federal Aviation Administration/ Airport improvement program (Direct Award)	20.106	N/A	157,673
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS 070B	2,000
Highway planning and construction	20.205	MS13400301B	115,823
Subtotal			117,823
National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety Division of Public Safety Planning Highway Safety Cluster			
State and community highway safety	20.600	09TA1301	70,747
Total U.S. Department of Transportation			188,570
U.S. Department of Health and Human Services/ Passed-through the Mississippi Department of Human Services			
Social services block grant	93.667	801VD91	147,514
Passed-through the Mississippi Department of Rehabilitation Services			
Social services block grant	93.667	N/A	232,564
Total U.S. Department of Health and Human Services			380,078
U.S. Department of Homeland Security/ Passed-through the Mississippi Department of Public Safety			
High intensity drug trafficking areas program	95.001	17PGCP540Z	3,204
High intensity drug trafficking areas program	95.001	15PGCP518Z	10,000
High intensity drug trafficking areas program	95.001	17PGCP5182	5,682
High intensity drug trafficking areas program	95.001	17PGCP5182	3,755
High intensity drug trafficking areas program	95.001	18PGCP5182	2,100
Subtotal			24,741
Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance	97.036	1604-DR-MS	4,482,945

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

(Continued)

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Hazard mitigation grant*	97.039	1604-0041	296,953
Hazard mitigation grant*	97.039	1604-0044	2,840
Hazard mitigation grant*	97.039	1604-0345	40,005
Hazard mitigation grant*	97.039	1604-0346	2,130
Hazard mitigation grant (Note B)*	97.039	1604-0080	3,586,141
Hazard mitigation grant*	97.039	1604-0010	38,700
Hazard mitigation grant*	97.039	1604-0204	1,107,812
Subtotal			5,074,581
Passed-through the Mississippi Department of Public Safety			
Homeland security grant program	97.067	07CC030	170
Homeland security grant program	97.067	07LE030	22,385
Subtotal			22,555
Buffer zone protection program (BZPP)	97.078	06BZ030	178,186
Total U.S. Department of Homeland Security			9,783,008
Total Expenditures of Federal Awards			\$ 16,884,004

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 - Hazard mitigation grant

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$3,586,141 to subrecipients during the year ended September 30, 2009.

* Denotes major federal award program

JACKSON COUNTY

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JACKSON COUNTY

SPECIAL REPORTS

JACKSON 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
Jackson County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of and for the year ended September 30, 2009, which collectively comprise the county's basic financial statements and have issued our report thereon dated March 31, 2011. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 09-1, 09-2, 09-3 and 09-4 to be significant deficiencies in internal control over financial reporting.

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

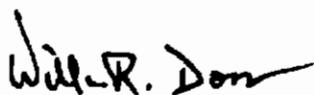
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-1, 09-2, 09-3 and 09-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jackson County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 09-3. Also, we noted certain matters that we reported to the management of Jackson County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and the Purchase Clerk Schedules and in the Limited Internal Control and Compliance Review Management Report dated March 31, 2011, included within this document.

Jackson County's responses to the findings identified in our audit are described in their Corrective Action Plan. We did not audit Jackson County's responses and, accordingly, we express no opinion on them.

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



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

March 31, 2011



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Jackson County, Mississippi

Compliance

We have audited the compliance of Jackson County, Mississippi with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. Jackson County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jackson County, Mississippi's management. Our responsibility is to express an opinion on Jackson County, Mississippi's compliance based on our audit.

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

In our opinion, Jackson County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 09-5 and 09-6.

Internal Control Over Compliance

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

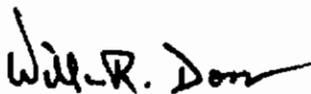
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the county's internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified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

A control deficiency in a county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the county's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09-5 and 09-6 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 09-5 and 09-6 to be material weaknesses.

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

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



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

March 31, 2011



State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

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

Members of the Board of Supervisors
Jackson County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Jackson County, Mississippi, as of and for the year ended September 30, 2009. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Jackson County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Jackson 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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

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

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an accurate inventory system. As reported in the prior year's audit report, capital asset control procedures were inadequate for maintaining subsidiary records documenting the existence, completeness and valuation of capital assets, including the county's infrastructure. Accordingly, the appropriate depreciation expense has not been recorded on the capital assets. The county's lack of documentation indicates material weaknesses in the county's internal control related to capital assets. Therefore, the Independent Auditor's Report includes a qualified opinion on the governmental activities. Failure to properly address these issues could result in the loss or misappropriation of public funds as well as potential misstatements of financial statement amounts.

Recommendation

The Inventory Control Clerk should implement policies and procedures to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets, including the county's infrastructure. To ensure that records are accurate and complete, the Inventory Control Clerk should work with all involved department managers and other individuals as necessary to perform a comprehensive physical inventory on an annual basis.

Inventory Control Clerk's Response

Infrastructure is currently being brought up to date in the inventory system. Disposed assets will be scrutinized to determine accuracy, particularly regarding auction items.

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

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

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

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



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

March 31, 2011

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

Schedule 1

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

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
04-08-09	Repairs to alarm system	\$ 3,825	Hiller Systems	Alarm system was not working properly at the Adult Detention Center.
09-08-09	Repair to pool at exceptional school	3,080	Fabulous Pools	Pool liner was leaking.

JACKSON COUNTY

Schedule 3Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2009

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
12-15-08	FATS Computer training system	\$ 74,191	Meggitt Training Systems
03-09-09	Remote thermal image camera system	49,840	Industrial Video & Control
03-16-09	Selector switches for portable generators	33,918	Power Systems of MS
04-20-09	Historical conversion of jail data	17,250	PTS Solutions, Inc.
05-11-09	Identification card system	22,385	ID Group, Inc.
05-18-09	Tasers	5,744	Barney's, Inc.
06-15-09	Voting machines	8,800	Premier Election Solutions
08-17-09	Appraisal field software	31,785	D&S Computer Services
09-08-09	IBM Cognos powerhouse software	9,733	IBM, Inc.

JACKSON COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jackson County, Mississippi

In planning and performing our audit of the financial statements of Jackson County, Mississippi for the year ended September 30, 2009, we considered Jackson 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 Jackson 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 March 31, 2011, on the financial statements of Jackson 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.

I. Finding

An effective system of internal control over federal grants includes properly identifying all revenues and expenditures, including accruals, on the federal grant activity schedule. The county did not complete the federal grant activity schedule for the fiscal year ended September 30, 2009. As a result, the auditors assisted the county in completing the Schedule of Expenditures of Federal Awards. The failure to properly complete the federal grant activity schedule increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of excluding a federal grant on the Schedule of Expenditures of Federal Awards.

Recommendation

The county should properly complete the federal grant activity schedule.

Board of Supervisors' Response

Jackson County will properly complete the federal grant activity schedule.

2. Finding

An effective system of internal control over self-insurance should include an agreement with the plan administrator. The county failed to provide a written agreement with the plan administrator. Without proper internal controls over self-insurance, the county could be held liable for unauthorized claim amounts.

Recommendation

The county should have a written agreement with its self-insurance plan administrator.

Board of Supervisors' Response

Lockard & Williams (L&W) has been the county's plan administrator for over 10 consecutive years. During that time, the county and L&W have agreed to substantially the same terms and conditions. The county solicited proposals in May 2008 for plan administrator services. On May 20, 2008, Lockard & Williams submitted a proposal which included rates and standard terms and conditions for the previous years. On June 9, 2008, the Board accepted L&W's proposal and awarded it for two years (including FY 09-10). So, our "written" agreement consisted of L&W's proposal and the minutes where the Board awarded the services to L&W.

Auditor's Note:

A written agreement should be entered into with the county in addition to having the proposal from Lockard & Williams.

Chancery Clerk.

3. Finding

Section 7-7-221, Miss. Code Ann. (1972), requires the Clerk of the Board to publish a synopsis of the annual report as soon as possible after receipt of the report. The Clerk of the Board shall forward a copy of the published synopsis to the State Auditor's Office. The Chancery Clerk did not publish the synopsis for the 2008 audit report.

Recommendation

The Chancery Clerk should publish a synopsis of the annual audit report when the report is received, and forward a copy of the published synopsis to the State Auditor's Office, as required by law.

Chancery Clerk's Response

I concur with the finding. The September 30, 2008 report was published September 15, 2010.

4. Finding

An effective system of internal control over the Chancery Clerk's fee journal should consist of properly processing certain statutory amounts through payroll and not as vendor payments. During the 2009 audit of the Chancery Clerk's fee journal, we noted many statutory amounts were being paid through vendor payments instead of being processed through payroll. Failure to process certain statutory amounts through payroll could result in inaccurate reporting of income.

Recommendation

The Chancery Clerk should ensure that certain statutory fees be processed through payroll instead of through the claims docket as vendor payments.

Chancery Clerk's Response

I concur with this recommendation. The county payroll department effective January 1, 2011 will pay these fees with a county paycheck.

Sheriff.

5. Finding

An effective system of internal control over the accounting for Sheriff's Office funds should include making deposits on a timely basis. During our audit, we noted that deposits were not being made in a timely manner. The failure to implement controls over making timely deposits could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should implement proper controls to ensure that deposits are made in a timely manner.

Sheriff's Response

We will make deposits in more of a timely manner consistent with the recommendations of the auditor.

Tax Collector.

6. Finding

An effective system of internal control over the county payroll should include proper authorization of payroll. During the fiscal year 2009 audit, we noted a deficiency in controls in the Tax Collector's Office over authorizing timesheets. Timesheets were not authorized by both the employee and their immediate supervisor in the Tax Collector's Office. Without proper controls, unauthorized or inaccurate payroll checks could be processed.

Recommendation

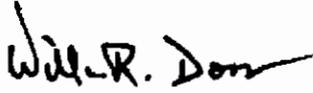
The Tax Collector should ensure that employees initial their timesheets that are turned in to payroll for processing.

Tax Collector's Response

The Auditor's Office approved for me to let the Ocean Springs office personnel sign their time cards and the Pascagoula personnel sign their time cards. This process was immediately put into place after talking with the auditor.

Jackson 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.

A handwritten signature in black ink that reads "Will. R. Doss". The signature is written in a cursive style with a long horizontal stroke at the end.

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

March 31, 2011

JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY

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JACKSON COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Qualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Road Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. Community development block grants/state's program, CFDA #14.228 | |
| | b. Hazard mitigation grant, CFDA #97.039 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$506,520 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | No |

JACKSON COUNTY

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

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

09-1. Finding

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

Recommendation

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

Significant Deficiency - Material Weakness

09-2. Finding

An effective system of internal control over the Ocean Springs Harbor consists of maintaining proper records and having them readily available for review, keeping receipt books in triplicate, making timely deposits, maintaining accounts receivable and cash transactions properly and having proper segregation of duties. During the fiscal year 2009 audit, duties were not segregated, records were missing, copies of receipts were used for making settlements instead of the originals, accounts receivable records were not maintained and cash was not properly safeguarded. The failure to properly segregate duties, maintain records, make timely deposits and safeguard cash transactions could result in the loss or misappropriation of public funds.

Recommendation

Controls should be in place to maintain all records, make timely deposits, keep receipt books with triplicate copies and safeguard cash transactions at the Ocean Springs Harbor.

Significant Deficiency - Material Weakness

Other Matter

09-3. Finding

An effective system of internal control over accounts payable should include proper segregation of duties. Inadequate controls exist in the accounts payable department. One employee is solely responsible for opening all utility bills, paying the invoices for the utilities and disbursing the payments to the utility companies. Failure to have adequate internal controls in place could allow an embezzlement by a county employee.

JACKSON COUNTY

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

Recommendation

The Board of Supervisors should establish an adequate system of internal control over accounts payable, which includes proper segregation of duties. Also, the Board of Supervisors should perform a detailed review of all claims to help ensure that proper payment is being made.

Inventory Control Clerk.

Significant Deficiency – Material Weakness

09-4. Finding

An effective system of internal controls over capital assets includes the maintenance of an accurate inventory system. As reported in the prior year's audit report, capital asset control procedures were inadequate for maintaining subsidiary records documenting the existence, completeness and valuation of capital assets, including the county's infrastructure. Accordingly, the appropriate amount for depreciation expense has not been recorded on the capital assets. The county's lack of documentation indicates material weaknesses in the county's internal control related to capital assets. Therefore, the Independent Auditor's Report includes a qualified opinion on the governmental activities. Failure to properly address these issues could result in the loss or misappropriation of public funds, as well as potential misstatements of financial statement amounts.

Recommendation

The Inventory Control Clerk should implement policies and procedures to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets, including the county's infrastructure. To ensure that records are accurate and complete, the Inventory Control Clerk should work with all involved department managers and other individuals as necessary to perform a comprehensive physical inventory on an annual basis.

Section 3: Federal Award Findings and Questioned Costs

09-5. Finding

CFDA #97.039 Hazard Mitigation Grant
Grant Number - 1604-0080
U.S. Department of Homeland Security

Significant Deficiency - Material Weakness

Compliance Requirement: Subrecipient Monitoring – Controls Over Subrecipient Monitoring Should Be Strengthened.

The OMB *Circular A-133 Compliance Supplement* specifies that a pass-through entity is responsible for monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements. The county did not ensure that the St. Martin Project was administered in compliance with federal requirements. The county's lack of adequate internal controls could result in the misappropriation of federal funds.

Recommendation

The Board of Supervisors should establish policies and procedures to ensure the compliance with subrecipient monitoring.

JACKSON COUNTY

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

09-6. Finding

CFDA #97.039 Hazard Mitigation Grant
Grant Number - 1604-0204
U.S. Department of Homeland Security

Significant Deficiency - Material Weakness

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

The OMB *Circular A-133 Compliance Supplement* specifies that title to equipment acquired by a non-federal entity with federal awards vests with the non-federal entity. Furthermore, subrecipients of states who are local governments shall use, manage and dispose of equipment acquired under a subgrant from a state in accordance with state laws and procedures. During our audit testing procedures, we noted that five parcels of land, and the buildings located on them, were not included in the county's inventory system. As a result, the land, and the homes located on the land, was not properly accounted for as land and buildings of the county.

Recommendation

The Jackson County Board of Supervisors should take steps to ensure that controls are in place to make certain that all equipment and real property acquired with federal funds are properly accounted for in the county's capital assets records, as required.

JACKSON COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

JACKSON COUNTY

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BOARD OF SUPERVISORS

Jackson County, Mississippi

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Pascagoula, MS 39568-0998

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patty_hammons@co.jackson.ms.us
www.co.jackson.ms.us

CORRECTIVE ACTION PLAN

January 19, 2011

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

To Whom It May Concern:

Jackson County respectfully submits the following corrective action plan for the year ended September 30, 2009.

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

SECTION 2: FINANCIAL STATEMENT FINDINGS

09-1_Corrective Action Planned:

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

Anticipated Completion Date: September 2011

Name of Contact Person Responsible for Corrective Action:

Finance Director

09-2. Corrective Action Planned:

Controls were immediately put in place to maintain financial records. We are making timely deposits. We have appropriate receipt books and have essentially eliminated cash transactions at the Harbor. Furthermore, the employee who was responsible for the internal controls at the Harbor during the relevant time period is no longer an employee with the County.

Anticipated Completion Date: October 2010

Name of Contact Person Responsible for Corrective Action:

Alan Sudduth, County Administrator

09-03. Corrective Action Planned:

Controls were immediately put in place when the embezzlement was discovered. Many of these controls were related to proper segregation of duties. The list of all controls put into place were given to the auditors.

Anticipated Completion Date: November 2009

Name of Contact Person Responsible for Corrective Action:

Finance Director

Inventory Control Clerk.

09-04. Corrective Action Planned:

Inventory Control Clerk is working diligently to correct this problem and bring all infrastructure into the county's financial statements

Anticipated Completion Date: September 2011

Name of Contact Person Responsible for Corrective Action:

Wayne Heidelberg, Inventory Control Clerk

SECTION 3: FEDERAL AWARD FINDINGS

09-5. Corrective Action Planned:

Future projects will be monitored correctly. Funding will be released upon presentation of proper documentation by subrecipient.

Anticipated Completion Date: November 9, 2010

Name of Contact Person Responsible for Corrective Action:

Barbara Dumas, Grant Administrator

09-6. Corrective Action Planned:

Planning department will forward to inventory control all relevant information to accomplish this task upon receipt of closing documents.

Anticipated Completion Date: November 9, 2010

Name of Contact Person Responsible for Corrective Action:

Wayne Heidelberg, Inventory Control Clerk and Michele Coats, Planning Director

Sincerely yours,

A handwritten signature in black ink that reads "Melton Harris". The signature is written in a cursive style with a large, looped initial "M" and a distinct "H".

Melton Harris
Board President
228-769-3170