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FINANCIAL SECTION



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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, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Jackson County, Mississippi's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require 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 above 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, 2008, or the changes in financial position thereof for the year then ended.

Membership in:

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Independent Auditor's Report

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In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of September 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2009, 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 and Budgetary Comparison Schedules 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 financial statements taken as a whole.

Wolfe M. Huff & Opie

Pascagoula, Mississippi

October 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

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, 2008. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the financial statements and the notes to the basic financial statements and 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 2008 census, is 130,694. 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.

Even after the Hurricane Katrina disaster in 2005, 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 2008 and 2007. For fiscal year 2008, there is an increase in real property and personal property assessed valuation which should provide enough growth in tax revenues to preclude a tax increase.

- In 2008 and 2007, the County's total net assets amounted to \$78,291,711 and \$78,484,607, respectively. Net assets for governmental activities totaled \$77,194,335 in 2008 and \$77,192,639 in 2007, representing approximately 99% of total net assets in 2008 and 98% in 2007; business-type activities amounting to \$1,097,376 in 2008 and \$1,291,968 in 2007, representing approximately 1% in 2008 and 2% in 2007.
- The County's total assets amounted to \$203,554,587 for 2008 and \$193,163,308 for 2007, representing an increase of approximately 5.6% from 2007.
- General revenues for 2008 and 2007 were \$69,626,687 and \$67,922,383, equaling approximately 78% and 76% of all revenues, respectively. Program specific revenues in the form of charges for services and grants and contributions for 2008 and 2007 were \$20,067,050 and \$21,659,225, respectively, equaling approximately 22% and 24% of total revenues.

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

- In 2008 and 2007, the County had \$90,418,156 and \$69,928,207 in expenses, respectively; only \$20,067,050 and \$21,659,225 of these expenses were offset by program specific charges for services, grants and contributions.
- Capital assets, net of accumulated depreciation, totaled \$95,192,091 in 2008 and \$95,722,159 in 2007, representing a decrease of less than 1%.
- In 2008 and 2007, the County had \$59,521,311 and \$61,596,576 of long-term debt, respectively. The decrease of approximately 4% 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.

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

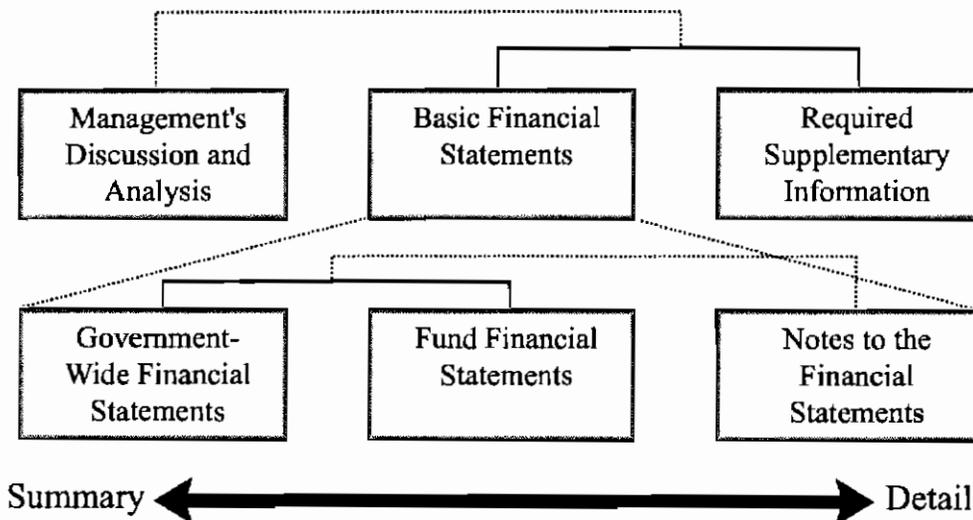


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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.

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

Figure 2 - Major Features of the County's Primary Government-Wide and Fund Financial 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

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.

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).

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

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 19 and 20 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 24 and 26, respectively.

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual issued by the Mississippi Office of the State Auditor. 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 23 and 25 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.

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

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 through 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 33 through 57 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 63 and 64 of this report.

Additionally, a Schedule of Expenditures of Federal Awards is required by OMB Circular A-133 and can be found on pages 67 and 68 of this report.

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 \$78,291,711 as of September 30, 2008.

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.

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

The following table presents a summary of the County's net assets for the fiscal years ended September 30, 2008 and 2007.

	Governmental Activities		Business-type Activities		Total Primary	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 108,182,401	97,041,461	180,095	399,688	108,362,496	97,441,149
Capital assets, net	94,182,377	94,702,258	1,009,714	1,019,901	95,192,091	95,722,159
Total assets	202,364,778	191,743,719	1,189,809	1,419,589	203,554,587	193,163,308
Current liabilities	65,649,132	52,958,972	48,726	93,108	65,697,858	53,052,080
Long-term debt outstanding	59,521,311	61,592,108	43,707	34,513	59,565,018	61,626,621
Total liabilities	125,170,443	114,551,080	92,433	127,621	125,262,876	114,678,701
Net assets:						
Invested in capital assets, net of related debt	58,889,558	67,323,499	1,009,714	1,017,813	59,899,272	68,341,312
Restricted	23,215,429	10,916,826	277,791	2,109	23,493,220	10,918,935
Unrestricted	(4,910,652)	(1,047,686)	(190,129)	272,046	(5,100,781)	(775,640)
Total net assets	\$ 77,194,335	77,192,639	1,097,376	1,291,968	78,291,711	78,484,607

The County's net assets decreased \$192,896 during the current fiscal year. Total assets increased by approximately 5% from last fiscal year; however, total liabilities increased by approximately 9%.

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

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

Changes in Net Assets – Jackson County's total revenues for the fiscal year ended September 30, 2008 was \$89,693,737. The total cost for all services provided was \$90,418,156. The decrease in net assets was \$724,419. The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2008 and 2007.

Statement of Activities
Years Ended September 30,

	Governmental Activities		Business-type Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$ 5,997,847	\$ 4,892,853	803,347	625,563	6,801,194	5,518,416
Operating grants and contributions	12,866,752	15,503,290	-	149	12,866,752	15,503,439
Capital grants and contributions	399,104	637,370	-	-	399,104	637,370
General revenues:						
Property taxes	55,549,790	56,478,955	-	-	55,549,790	56,478,955
Road and bridge privilege tax	1,812,162	1,766,068	-	-	1,812,162	1,766,068
Grants and contributions not restricted	7,509,495	3,662,799	-	-	7,509,495	3,662,799
Unrestricted investment income	2,056,534	2,053,242	13,263	13,089	2,069,797	2,066,331
Miscellaneous	3,890,852	3,948,230	(5,409)	-	3,885,443	3,948,230
Uncollectible judgment	(1,200,000)	-	-	-	(1,200,000)	-
Total revenues	88,882,536	88,942,807	811,201	638,801	89,693,737	89,581,608
Expenses:						
General government	28,704,880	32,376,324	-	-	28,704,880	32,376,324
Public safety	18,139,001	13,652,817	-	-	18,139,001	13,652,817
Public works	29,224,424	13,378,044	-	-	29,224,424	13,378,044
Health and welfare	2,072,969	2,321,084	-	-	2,072,969	2,321,084
Culture and recreation	3,358,194	2,386,790	-	-	3,358,194	2,386,790
Education	935,924	872,137	-	-	935,924	872,137
Conservation of natural resources	302,858	269,426	-	-	302,858	269,426
Economic development and assistance	3,438,514	1,522,619	-	-	3,438,514	1,522,619
Interest on long-term debt	3,239,339	2,291,982	-	-	3,239,339	2,291,982
Adult detention center canteen	-	-	46,376	65,313	46,376	65,313
Harbor	-	-	123,685	127,203	123,685	127,203
Golf course	-	-	831,776	664,176	831,776	664,176
Heinz building	-	-	216	292	216	292
Total expenses	89,416,103	69,071,223	1,002,053	856,984	90,418,156	69,928,207
Increase (decrease) in net assets	(533,567)	19,871,584	(190,852)	(218,183)	(724,419)	19,653,401
Net assets - beginning October 1	77,192,639	60,544,770	1,291,968	989,611	78,484,607	61,534,381
Internal service fund beginning net assets	844,333	-	-	-	844,333	-
Prior period adjustments	(309,070)	(3,223,715)	(3,740)	520,540	(312,810)	(2,703,175)
Net assets - ending September 30	\$ 77,194,335	77,192,639	1,097,376	1,291,968	78,291,711	78,484,607

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

Governmental Activities – The following table presents the cost of the County's governmental activities: General Government, Public Safety, Public Works, Health and 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,			
	2008		2007	
	<u>Total Cost</u>	<u>Net Cost</u>	<u>Total Cost</u>	<u>Net Cost</u>
Governmental activities:				
General government	\$ 28,704,880	23,032,266	32,376,324	28,068,645
Public safety	18,139,001	15,444,830	13,652,817	10,107,661
Public works	29,224,424	18,721,925	13,378,044	4,756,169
Health and welfare	2,072,969	1,838,623	2,321,084	2,068,364
Culture and recreation	3,358,194	3,337,432	2,386,790	2,346,009
Education	935,924	935,924	872,137	326,787
Conservation of natural resources	302,858	163,547	269,426	(143,797)
Economic development	3,438,514	3,438,514	1,522,619	(1,784,110)
Interest on long-term debt	3,239,339	3,239,339	2,291,982	2,291,982
	<u>\$ 89,416,103</u>	<u>70,152,400</u>	<u>69,071,223</u>	<u>48,037,710</u>

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 \$40,559,994, a decrease of \$2,302,377.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$1,048,795. The reason for this decrease was due to the write off of a large receivable due to the company going bankrupt.

Business-type funds – Operating revenue from the all business-type activities increased by 28% to \$803,347 and operating expenses increased by 17% to \$1,002,053. The major factor contributing to these results is increases of fees at the Golf Course.

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

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, 2008, Jackson County's total capital assets was \$95,192,091. 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 \$530,068.

Total accumulated depreciation as of September 30, 2008 was \$57,542,239 including \$4,761,952 of depreciation expense for the year.

Capital Assets, Net of Depreciation
Year Ended September 30,

	Governmental Activities		Business-type Activities		Primary Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 10,952,735	10,925,615	6,478	6,478	10,959,213	10,932,093
Construction in progress	4,070,885	1,535,098	102,998	-	4,173,883	1,535,098
Buildings	27,581,465	27,999,168	138,691	148,183	27,720,156	28,147,351
Improvements other than buildings	3,711,687	3,854,993	726,109	822,895	4,437,796	4,677,888
Mobile equipment	5,300,797	5,494,989	16,820	20,669	5,317,617	5,515,658
Other furniture and fixtures	1,342,228	1,494,460	18,618	21,676	1,360,846	1,516,136
Capital leases	216,725	10,164	-	-	216,725	10,164
Infrastructure	41,005,855	43,387,771	-	-	41,005,855	43,387,771
	<u>\$ 94,182,377</u>	<u>94,702,258</u>	<u>1,009,714</u>	<u>1,019,901</u>	<u>95,192,091</u>	<u>95,722,159</u>

Additional information on Jackson County's capital assets can be found in Note 7 on page 46 of this report.

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

Debt Administration – At September 30, 2008, Jackson County had \$59,521,311 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, capital leases, other loans, and compensated absences liability. Of this amount, approximately \$35.5 million is capital related. Of the \$24 million that is non-capital related, the majority was issued for assets owned by other entities or for economic development purposes.

Outstanding Notes and Long-Term Obligations
Year Ended September 30,

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 44,134,198	49,299,807
Capital leases	533,897	4,470
Other loans	13,453,922	11,124,142
Compensated absences	1,399,294	1,168,157
	\$ 59,521,311	61,596,576

Jackson County's bond rating was increased this year from an "A" to an "AA-" by Standard & 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 10 beginning on page 50 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 is currently considering seeking funding for the total cost of 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 Liquefied Natural 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.

JACKSON COUNTY, MISSISSIPPI
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2008

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.

PRIMARY GOVERNMENT FINANCIAL STATEMENT

JACKSON COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS
September 30, 2008

Exhibit 1

	Primary Government		Totals
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 43,309,488	324,693	43,634,181
Property tax receivable	54,825,092	-	54,825,092
Fines receivable, net of allowance of \$11,421,656	1,734,403	-	1,734,403
Loans receivable, net of allowance of \$172,236	185,675	-	185,675
Intergovernmental receivables	6,368,903	-	6,368,903
Other receivables, net	48,025	-	48,025
Internal balances	144,598	(144,598)	-
Prepaid expenses	615,200	-	615,200
Bond issue cost, net	951,017	-	951,017
Land and construction in progress	15,023,620	109,476	15,133,096
Other capital assets, net	79,158,757	900,238	80,058,995
Total assets	202,364,778	1,189,809	203,554,587
LIABILITIES			
Claims payable	5,685,976	36,029	5,722,005
Claims and judgments	331,812	-	331,812
Accrued payroll	971,526	12,572	984,098
Intergovernmental payables	1,881,863	-	1,881,863
Accrued interest payable	1,165,134	-	1,165,134
Deferred revenue	54,999,733	-	54,999,733
Other payables	613,088	125	613,213
Long-term liabilities			
Due within one year:			
Capital related debt	2,326,047	-	2,326,047
Non-capital debt	3,576,005	-	3,576,005
Due in more than one year:			
Capital related debt	32,966,772	-	32,966,772
Non-capital debt	20,652,487	43,707	20,696,194
Total liabilities	125,170,443	92,433	125,262,876
NET ASSETS			
Invested in capital assets, net of related debt	58,889,558	1,009,714	59,899,272
Restricted net assets:			
Expendable:			
Debt Service	5,636,057	-	5,636,057
Public safety	2,862,458	-	2,862,458
Public works	5,012,844	-	5,012,844
Capital projects	9,054,887	-	9,054,887
Economic development	-	96,649	96,649
Unemployment compensation	649,183	-	649,183
Other purposes	-	181,142	181,142
Unrestricted	(4,910,652)	(190,129)	(5,100,781)
Total net assets	\$ 77,194,335	1,097,376	78,291,711

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

JACKSON COUNTY, MISSISSIPPI
STATEMENT OF ACTIVITIES
 For the Year Ended September 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fines, Forfeitures and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities:							
General government	\$ 28,704,880	5,284,208	388,406	-	(23,032,266)	-	(23,032,266)
Public safety	18,139,001	713,639	1,980,532	-	(15,444,830)	-	(15,444,830)
Public works	29,224,424	-	10,103,395	399,104	(18,721,925)	-	(18,721,925)
Health and welfare	2,072,969	-	234,346	-	(1,838,623)	-	(1,838,623)
Culture and recreation	3,358,194	-	20,762	-	(3,337,432)	-	(3,337,432)
Education	935,924	-	-	-	(935,924)	-	(935,924)
Conservation of natural resources	302,858	-	139,311	-	(163,547)	-	(163,547)
Economic development and assistance	3,438,514	-	-	-	(3,438,514)	-	(3,438,514)
Interest on long-term debt	3,239,339	-	-	-	(3,239,339)	-	(3,239,339)
Total governmental activities	89,416,103	5,997,847	12,866,752	399,104	(70,152,400)	-	(70,152,400)
Business-type activities:							
Adult detention center canteen fund	46,376	30,744	-	-	-	(15,632)	(15,632)
Harbor	123,685	104,689	-	-	-	(18,996)	(18,996)
Golf Course	831,776	662,964	-	-	-	(168,812)	(168,812)
Heinz building	216	4,950	-	-	-	4,734	4,734
Total business-type activities	1,002,053	803,347	-	-	-	(198,706)	(198,706)
Total primary government	\$ 90,418,156	6,801,194	12,866,752	399,104	(70,152,400)	(198,706)	(70,351,106)
General revenues:							
Taxes:							
Property taxes					\$ 55,549,790	-	55,549,790
Road and bridge privilege tax					1,812,162	-	1,812,162
Grants and contributions not restricted to specific programs					7,509,495	-	7,509,495
Unrestricted investment income					2,056,534	13,263	2,069,797
Miscellaneous					3,890,852	(5,409)	3,885,443
Uncollectible judgement					(1,200,000)	-	(1,200,000)
Total general revenues and transfers					69,618,833	7,854	69,626,687
Changes in net assets					(533,567)	(190,852)	(724,419)
Net assets - beginning					77,192,639	1,291,968	78,484,607
Internal service fund beginning net assets					844,333	-	844,333
Prior period adjustment					(309,070)	(3,740)	(312,810)
Net assets - beginning restated					77,727,902	1,288,228	79,016,130
Net assets - ending					\$ 77,194,335	1,097,376	78,291,711

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI
BALANCE SHEET – GOVERNMENTAL FUNDS
September 30, 2008

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Hurricane Katrina Fund	Road Fund	Other Governmental Funds	
ASSETS					
Cash	\$ 10,886,568	1,088,218	7,146,004	23,243,711	42,364,501
Property tax receivable	31,896,521	-	8,163,910	14,764,661	54,825,092
Fines receivable, net of allowance of \$11,421,656	1,734,403	-	-	-	1,734,403
Loans receivable, net of allowance of \$172,235	-	-	-	185,675	185,675
Intergovernmental receivables	1,152,536	4,505,354	-	682,042	6,339,932
Other receivables	48,025	-	-	-	48,025
Due from other funds	11,067,048	-	258,809	204,832	11,530,689
Prepaid items	615,200	-	-	-	615,200
Advances to other funds	80,975	-	-	-	80,975
Total assets	<u>\$ 57,481,276</u>	<u>5,593,572</u>	<u>15,568,723</u>	<u>39,080,921</u>	<u>117,724,492</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 2,196,458	573,958	839,910	2,075,648	5,685,974
Accrued payroll	765,423	-	136,395	69,708	971,526
Intergovernmental payables	1,896,935	-	8,556	5,948	1,911,439
Due to other funds	463,641	10,465,678	-	348,892	11,278,211
Deferred revenue	33,805,565	-	8,163,910	14,764,661	56,734,136
Other payables	583,212	-	-	-	583,212
Total liabilities	<u>39,711,234</u>	<u>11,039,636</u>	<u>9,148,771</u>	<u>17,264,857</u>	<u>77,164,498</u>
Fund balances:					
Reserved for:					
Advances	80,975	-	-	-	80,975
Debt service funds	-	-	-	5,636,057	5,636,057
Loans receivable	-	-	-	185,675	185,675
Capital project funds	-	-	-	9,054,887	9,054,887
Unreserved, reported in:					
General fund	17,689,067	-	-	-	17,689,067
Special revenue funds	-	(5,446,064)	6,419,952	6,939,445	7,913,333
Total fund balances	<u>17,770,042</u>	<u>(5,446,064)</u>	<u>6,419,952</u>	<u>21,816,064</u>	<u>40,559,994</u>
Total liabilities and fund balances	<u>\$ 57,481,276</u>	<u>5,593,572</u>	<u>15,568,723</u>	<u>39,080,921</u>	<u>117,724,492</u>

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

JACKSON COUNTY, MISSISSIPPI
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
September 30, 2008

	<u>Exhibit 3-1</u>
	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 40,559,994
Amounts reported for governmental activities in the statement of net assets (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	94,182,377
Bond issue costs are amortized over the life of the bonds and therefore are not current period expenditures	951,017
Premium on bonds	(217,169)
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	
Fines receivable	1,734,403
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds	
Long-term liabilities	(59,304,142)
Accrued interest on bonds	(1,165,134)
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.	452,989
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>77,194,335</u></u>

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

JACKSON COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2008

Exhibit 4

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Hurricane Katrina Fund	Road Fund		
REVENUES					
Property taxes	\$ 32,415,263	-	8,279,796	14,854,734	55,549,793
Road and bridge privilege taxes	-	-	1,812,162	-	1,812,162
Licenses, commissions, and other revenues	3,023,481	-	-	-	3,023,481
Fines and forfeitures	1,728,017	-	-	165,676	1,893,693
Intragovernmental revenues	6,829,794	6,868,932	1,671,034	5,315,614	20,685,374
Charges for services	701,567	-	-	-	701,567
Interest income	788,230	-	288,264	980,017	2,056,511
Miscellaneous revenues	1,255,598	257	180,137	2,498,511	3,934,503
Total revenues	46,741,950	6,869,189	12,231,393	23,814,552	89,657,084
EXPENDITURES					
Current:					
General government	24,912,227	2,889,963	-	1,387,634	29,189,824
Public safety	14,779,659	83,548	-	2,883,032	17,746,239
Public works	2,026,429	3,786,878	14,979,029	6,485,639	27,277,975
Health and welfare	2,064,888	-	-	-	2,064,888
Culture and recreation	3,257,731	252,550	-	-	3,510,281
Education	901,265	-	-	-	901,265
Conservation of natural resources	285,277	1,235	-	-	286,512
Economic development and assistance	1,660,240	403	-	2,470,955	4,131,598
Debt service:					
Principal	89,893	-	-	5,540,317	5,630,210
Interest	2,881	-	-	2,116,400	2,119,281
Total expenditures	49,980,490	7,014,577	14,979,029	20,883,977	92,858,073
Excess of revenues over (under) expenditures	(3,238,540)	(145,388)	(2,747,636)	2,930,575	(3,200,989)
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued	2,631,190	-	-	-	2,631,190
Long-term non-capital debt issued	-	-	-	125,000	125,000
Proceeds from sale of capital assets	69,097	-	15,273	23,970	108,340
Compensation for loss of capital assets	13,628	-	-	15,411	29,039
Uncollectible judgment	(1,200,000)	-	-	-	(1,200,000)
Transfers in	1,502,871	-	2,100,000	819,426	4,422,297
Transfers out	(819,426)	-	-	(3,602,871)	(4,422,297)
Total other financing sources (uses)	2,197,360	-	2,115,273	(2,619,064)	1,693,569
Net changes in fund balances	(1,041,180)	(145,388)	(632,363)	311,511	(1,507,420)
Fund balances - beginning	18,818,837	(5,300,676)	7,052,315	22,291,895	42,862,371
Prior period adjustment	(7,615)	-	-	(787,342)	(794,957)
Fund balances - beginning, restated	18,811,222	(5,300,676)	7,052,315	21,504,553	42,067,414
Fund balances - ending	\$ 17,770,042	(5,446,064)	6,419,952	21,816,064	40,559,994

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

JACKSON COUNTY, MISSISSIPPI
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, 2008

Exhibit 4-1

	<u>Amount</u>
Net changes in fund balances - total governmental funds	\$ (1,507,420)
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 \$4,262,357 were less than depreciation \$4,650,703 in the current period.	(388,346)
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 and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$57,700 and the proceeds from sales of assets and insurance of \$137,379 in the current period.	(195,079)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because current year recognition is required on the statement of activities using the full-accrual basis of accounting.	379,106
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of 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 \$5,630,210 were less than debt proceeds \$2,756,190.	2,874,020
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:	
Compensated absences	(231,136)
Accrued interest payable	(850,957)
Bond issue costs amortized	(269,101)
Premium on bonds amortized in government-wide statements	46,689
The net revenue of certain activities of internal service funds is reported with governmental activities in the statement of activities	(391,343)
Change in net assets of governmental activities	\$ (533,567)

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
September 30, 2008

Exhibit 5

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Non-major Enterprise Funds</u>	<u>Internal Service Funds</u>
ASSETS		
Current assets:		
Cash	\$ 324,693	944,986
Total current assets	<u>324,693</u>	<u>944,986</u>
Capital assets:		
Land and construction in progress	109,476	-
Other capital assets, net	<u>900,238</u>	<u>-</u>
Total noncurrent assets	<u>1,009,714</u>	<u>-</u>
Total assets	<u>1,334,407</u>	<u>944,986</u>
LIABILITIES		
Current liabilities:		
Claims payable	36,029	-
Claims and judgments payable	-	331,812
Accrued payroll	12,572	-
Due to other funds	63,623	159,884
Other payables	<u>125</u>	<u>299</u>
Total current liabilities	<u>112,349</u>	<u>491,995</u>
Non-current liabilities:		
Advances from other funds	80,975	-
Compensated absences payable	<u>43,707</u>	<u>-</u>
Total liabilities	<u>237,031</u>	<u>491,995</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,009,714	-
Restricted for inmate canteen supplies	181,142	-
Restricted for economic development	96,649	-
Unrestricted	<u>(190,129)</u>	<u>452,991</u>
Total net assets	<u>\$ 1,097,376</u>	<u>452,991</u>

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

JACKSON COUNTY, MISSISSIPPI
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2008

Exhibit 6

	Business-type Activities	Governmental Activities
	Non-major Enterprise Funds	Internal Service Funds
OPERATING REVENUES		
Sales and charges for services	\$ 798,235	-
Premiums	-	5,749,322
Miscellaneous	5,112	124,948
Total operating revenues	<u>803,347</u>	<u>5,874,270</u>
OPERATING EXPENSES		
Personnel services	459,598	-
Contractual services	196,760	-
Materials and supplies	232,568	-
Depreciation expense	111,249	-
Claims payments	-	4,792,735
Insurance premiums	-	1,472,879
Total operating expenses	<u>1,000,175</u>	<u>6,265,614</u>
Operating income (loss)	<u>(196,828)</u>	<u>(391,344)</u>
NONOPERATING REVENUES (EXPENSES)		
Interest income	13,263	-
Interest expense	(1,878)	-
Gain (loss) on sale of capital assets	(5,409)	-
Net nonoperating revenue (expenses)	<u>5,976</u>	<u>-</u>
Net income (loss)	<u>(190,852)</u>	<u>(391,344)</u>
Net assets - beginning	1,291,968	830,126
Prior period adjustments	(3,740)	14,209
Net assets - beginning, as restated	<u>1,288,228</u>	<u>844,335</u>
Net assets - ending	<u>\$ 1,097,376</u>	<u>452,991</u>

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

JACKSON COUNTY, MISSISSIPPI
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
For the Year Ended September 30, 2008

	Business-type Activities	<u>Exhibit 7</u> Governmental Activities
	Non-major Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 803,347	-
Receipts for premiums	-	6,044,477
Receipts from internal services provided	-	159,884
Payments to suppliers	(435,660)	-
Payments to employees	(451,171)	-
Payments for claims	-	(6,273,890)
Other receipts	23,284	-
Net cash provided (used) by operating activities	<u>(60,200)</u>	<u>(69,529)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING		
Transfers from other funds	80,975	-
Net cash provided (used) by non-capital and related financing activities	<u>80,975</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(102,998)	-
Principal paid on long-term debt	(2,088)	-
Interest paid on debt	(1,878)	-
Net cash provided (used) by capital and related financing activities	<u>(106,964)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	13,263	-
Net cash provided (used) by investing activities	<u>13,263</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(72,926)	(69,529)
Cash and cash equivalents at beginning of year	397,619	1,014,515
Cash and cash equivalents at end of year	<u>\$ 324,693</u>	<u>944,986</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (196,828)	(391,344)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	111,249	-
(Increase) decrease in assets		
Accounts receivable	-	170,207
Inventory	2,069	-
Increase (decrease) in liabilities		
Claims payable	(8,526)	(8,575)
Due to other funds	23,284	159,884
Accrued payroll	4,358	-
Compensated absences	4,069	-
Other liabilities	125	299
Total adjustments	<u>136,628</u>	<u>321,815</u>
Net cash provided (used) by operating activities	<u>\$ (60,200)</u>	<u>(69,529)</u>

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

JACKSON COUNTY, MISSISSIPPI
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
September 30, 2008

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ <u>1,109,118</u>
Total assets	<u>1,109,118</u>
 LIABILITIES	
Claims payable and other accrued liabilities	1,080,147
Due to other funds	<u>28,971</u>
Total liabilities	\$ <u>1,109,118</u>

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

NOTES TO FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(1) Significant Accounting Policies.

A. Financial Reporting Entity.

Jackson County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jackson County to present these financial statements on the primary government and its component units that 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 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's 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, which provide a detailed level of financial information.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(1) **Significant Accounting Policies (continued).**

B. Basis of Presentation (continued).

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues, and other nonexchange revenues, and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net 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 funds.

Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(1) **Significant Accounting Policies (continued).**

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 liability is 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, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(1) **Significant Accounting Policies (continued).**

C. **Measurement Focus and Basis of Accounting (continued).**

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.

Hurricane Katrina Fund – This fund is used to account for revenues and expenditures related to Hurricane Katrina disaster and recovery efforts.

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.

The County reports no major proprietary funds.

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 funds report on self-insurance programs for employee medical benefits and for the County's workers' compensation costs.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(1) **Significant Accounting Policies (continued).**

C. Measurement Focus and Basis of Accounting (continued).

FIDUCIARY FUND TYPES

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

D. Account Classifications.

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

E. Deposits.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as due to/from other funds. 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.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(1) **Significant Accounting Policies (continued).**

H. Inventories and Prepaid Items.

Inventories in the proprietary funds are valued at cost, which approximates market, using the first-in/first-out method.

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

I. Capital Assets

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

Governmental accounting and financial reporting standards require governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(1) **Significant Accounting Policies (continued).**

I. Capital Assets (continued).

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	\$ -	n/a
Infrastructure	-	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 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 Funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the effective interest method.

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

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(1) **Significant Accounting Policies (continued).**

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in the following 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 or 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.

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 that 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.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(1) Significant Accounting Policies (continued).

L. Property Tax Revenues (continued).

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 the 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) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2008, was \$44,743,299 and the bank balance was \$45,145,147. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation (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.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(2) Deposits (continued).

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.

Interest Rate Risk. The County does not have a formal 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 Section 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 investment or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2008:

(A.) Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Hurricane Katrina Fund	\$ 10,465,678
General Fund	Other Government Funds	348,892
General Fund	Internal Service Fund	159,884
General Fund	Non-Major Enterprise Fund	63,623
General Fund	Agency Fund	28,971
Road Fund	General Fund	258,809
Other Government Funds	General Fund	204,832
Total		<u>\$ 11,530,689</u>

The receivables in the general fund represent loans to other funds to temporarily cover operating needs. The receivables in all other funds represent tax revenue collected but not settled until October 2008. All inter-fund balances are expected to be repaid within one year of the date of the financial statements.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(3) InterFund Transactions and Balances (continued).

(B.) Advances from/to Other Funds

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Non-Major Enterprise Fund	General Fund	\$ 80,975

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.

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$34,011	1,964
2010	35,046	930
2011	11,918	74
Total	\$80,975	2,968

(C.) Transfers In/Out:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 819,426
Other Governmental Funds	General Fund	1,502,871
Other Governmental Funds	Road Fund	2,100,000
		\$ 4,422,297

Transfers from the General fund to the Industrial Water fund were to repay an interfund loan for grant funds that were not received. The Homeport fund and the Community Disaster Loan fund were closed with remaining funds transferred to the General Fund. Seawall tax was transferred from the Seawall Fund to the Roads Fund to maintain roads because the funds were not needed for seawall.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2008, consist of the following:

<u>Description</u>	<u>Amount</u>
Governmental activities:	
Legislative tax credit	\$ 898,485
Salary reimbursements-District Attorney	47,203
Salary reimbursements-E911	9,490
Charges for services-housing prisoners	19,980
Grant reimbursements - State Government	1,216,228
Grant reimbursements - Federal Government	<u>4,159,504</u>
Total governmental activities	<u>\$ 6,350,890</u>

(5) Other Receivables.

In November 2004, the County was awarded a judgment of \$2,020,000 against a Florida corporation. In January 2005, the company filed for bankruptcy under Chapter 11 of the U.S. Federal Bankruptcy Code. In February 2006, the County and the company reached a settlement agreement under which the company would repay the County \$1,500,000 in 5 equal installment payments of \$300,000 due by September 30th each year with the final payment due in September 2009. As of September 30, 2008, only one principal payment of \$300,000 has been made. The County has recorded an allowance for the remaining \$1,200,000 at September 30, 2008.

(6) Loans Receivable.

Loans receivable balances at September 30, 2008, consisted of the following:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Sandco Industries	10/1/1991	4.00%	11/4/2004	\$50,000
Bayou Blend	9/22/1994	4.00%	9/1/1999	86,254
Superior Optical	9/21/1995	4.00%	10/21/2005	35,982
Lagniappe House	12/2/1997	4.00%	2/1/2007	65,675
Rapiscan	7/28/2005	0.00%	8/15/2020	<u>120,000</u>
Total				357,911
Less: Reserve for bad debts				<u>(172,236)</u>
Loans receivable, net of bad debt reserve				<u><u>\$185,675</u></u>

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(7) **Capital Assets.**

The following is a summary of capital assets activity for the year ended September 30, 2008:

GOVERNMENTAL ACTIVITIES:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<u>Nondepreciable Capital Assets:</u>					
Land	\$ 10,925,615	-	-	27,120	10,952,735
Construction in progress	1,535,098	2,535,787	-	-	4,070,885
Total capital assets not being depreciated	<u>12,460,713</u>	<u>2,535,787</u>	<u>-</u>	<u>27,120</u>	<u>15,023,620</u>
<u>Depreciable Capital Assets:</u>					
Buildings	41,291,462	-	(72,957)	-	41,218,505
Improvements other than buildings	6,283,168	-	(82,395)	36,424	6,237,197
Mobile equipment	14,565,821	1,195,921	(522,809)	-	15,238,933
Other furniture and fixtures	4,936,726	273,890	(196,291)	-	5,014,325
Capital leases	22,104	256,759	-	-	278,863
Infrastructure	68,023,724	-	-	-	68,023,724
Total capital assets being depreciated	<u>135,123,005</u>	<u>1,726,570</u>	<u>(874,452)</u>	<u>36,424</u>	<u>135,011,547</u>
<u>Less accumulated depreciation for:</u>					
Buildings	13,292,294	403,112	(58,366)	-	13,637,040
Improvements other than building	2,428,175	175,610	(78,275)	-	2,525,510
Mobile equipment	9,070,832	1,222,520	(355,216)	-	9,938,136
Other furniture and fixtures	3,442,266	417,347	(187,516)	-	3,672,097
Capital leases	11,940	50,198	-	-	62,138
Infrastructure	24,635,953	2,381,916	-	-	27,017,869
Total accumulated depreciation	<u>52,881,460</u>	<u>4,650,703</u>	<u>(679,373)</u>	<u>-</u>	<u>56,852,790</u>
Total depreciable capital assets, net	<u>82,241,545</u>	<u>(2,924,133)</u>	<u>(195,079)</u>	<u>36,424</u>	<u>78,158,757</u>
Governmental activities capital assets, net	<u>\$ 94,702,258</u>	<u>(388,346)</u>	<u>(195,079)</u>	<u>63,544</u>	<u>94,182,377</u>

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(7) Capital Assets (continued).

BUSINESS-TYPE ACTIVITIES:

	Balance Oct. 1, 2007	Additions	Deletions	Adjustments	Balance Sept. 30, 2008
<u>Nondepreciable Capital Assets:</u>					
Land	\$ 6,478	-	-	-	6,478
Construction in progress	-	102,998	-	-	102,998
Total capital assets not being depreciated	<u>6,478</u>	<u>102,998</u>	<u>-</u>	<u>-</u>	<u>109,476</u>
<u>Depreciable Capital Assets:</u>					
Buildings	232,641	-	-	-	232,641
Improvements other than buildings	1,115,439	-	-	-	1,115,439
Mobile equipment	206,674	-	(38,486)	-	168,188
Other furniture and fixtures	83,589	-	(15,600)	5,430	73,419
Total capital assets being depreciated	<u>1,638,343</u>	<u>-</u>	<u>(54,086)</u>	<u>5,430</u>	<u>1,589,687</u>
<u>Less accumulated depreciation for:</u>					
Buildings	84,458	9,492	-	-	93,950
Improvements other than buildings	292,544	96,786	-	-	389,330
Mobile equipment	186,005	-	(34,637)	-	151,368
Other furniture and fixtures	61,913	4,971	(14,040)	1,957	54,801
Total accumulated depreciation	<u>624,920</u>	<u>111,249</u>	<u>(48,677)</u>	<u>1,957</u>	<u>689,449</u>
Total depreciable capital assets, net	<u>1,013,423</u>	<u>(111,249)</u>	<u>(5,409)</u>	<u>3,473</u>	<u>900,238</u>
Business-type activities capital assets, net	<u>\$ 1,019,901</u>	<u>(8,251)</u>	<u>(5,409)</u>	<u>3,473</u>	<u>1,009,714</u>

Depreciation was charged to the following functions:

Governmental activities:

	<u>Amount</u>
General government	\$ 778,346
Public safety	656,120
Public works	3,065,608
Health and welfare	13,869
Culture and recreation	102,101
Economic development and assistance	34,659
Total governmental activities	<u>\$ 4,650,703</u>

Business-type activities:

ADC Canteen fund	\$ 978
Ocean Springs harbor fund	3,950
Golf course fund	106,321
Total business-type activities	<u>\$ 111,249</u>

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(8) Claims and Judgments.

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, 2008, to January 1, 2009. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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 plan to minimize this potential loss:

The County has purchased reinsurance from an outside commercial carrier which functions on a specific stop loss basis. For the current fiscal year, the specific coverage begins when claims exceed \$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. At September 30, 2008, the amount of these liabilities was \$331,812. An analysis of claims activities is presented below:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year End</u>
2007-2008	\$ 354,596	4,792,735	4,815,519	331,812
2006-2007	628,062	3,595,702	3,869,168	354,596

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(9) **Capital Leases.**

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>		<u>Governmental Activities</u>
Mobile equipment, net	\$	216,725
Furniture and equipment		362,210
Total capital leases	\$	<u>533,897</u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 152,355	21,473
2010	154,346	21,185
2011	73,858	12,526
2012	74,589	8,549
2013	78,749	4,390
Total	<u>\$ 533,897</u>	<u>68,123</u>

The Sheriff's department entered into a capital lease during the fiscal year for software, totaling \$362,210 that was not capitalized because it did not meet the criteria for capitalization.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(10) **Long-term Debt.**

Debt outstanding as of September 30, 2008, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
Library bond refunding	\$ 85,000	4.80 - 5.70%	05/01/09
Road improvement refunding	430,000	4.80 - 5.70	05/01/09
1998 Port improvement bonds	3,945,000	5.49	05/01/18
HAM Marine-MBIA bonds	1,292,029	2.00	11/01/11
Series 2002 refunding	8,785,000	2.00 - 4.00	12/01/14
Series 2003 refunding	4,560,000	1.15 - 5.10	03/01/14
Northrop Grumman site	3,390,000	4.00 - 5.00	08/01/14
Road improvements	9,135,000	3.00 - 5.00	12/01/16
Northrop Grumman site	9,815,000	3.94 - 5.25	06/01/20
Moss Point Industrial Park refunding	2,480,000	3.94 - 5.04	06/01/20
Total general obligation bonds	<u>\$ 43,917,029</u>		
B. Capital Leases:			
Law Enforcement Software	\$ 362,210	5.60%	04/01/13
2008 Crown Victoria Police Sedans (11)	150,470	5.60	05/19/10
2008 Ford Mustang	21,217	5.75	01/08/11
Total capital leases	<u>\$ 533,897</u>		
C. Other Loans			
Vanceleave fire department	\$ 36,322	4.10%	01/09/10
Fort Bayou fire department	372,612	5.26	01/15/17
Ft. Bayou fire truck	111,165	4.22	12/01/14
Hurricane Katrina disaster loan	10,500,000	2.69	12/19/10
Vanceleave fire department	125,000	3.65	05/15/13
General obligation note, Series 2008	2,011,870	3.45	08/01/13
Forts Lake/Franklin Creek VFD	296,953	4.26	03/29/17
Total other loans	<u>\$ 13,453,922</u>		

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(10) **Long-term Debt (continued).**

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 5,212,778	1,875,934	536,919	105,363
2010	5,217,778	1,657,530	524,920	90,971
2011	5,422,778	1,437,294	520,764	71,897
2012	5,623,695	1,222,093	11,026,108	52,672
2013	4,900,000	991,313	531,705	24,479
2014-2018	14,955,000	2,350,541	313,506	18,657
2019-2023	2,585,000	197,064	-	-
Total	\$ <u>43,917,029</u>	<u>9,731,769</u>	<u>13,453,922</u>	<u>364,039</u>

Legal Debt Margin – The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the 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, 2008, the amount of outstanding debt was equal to 4% of the latest property assessments.

Prior Year Defeasance of Debt – In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2008, \$545,000 of bonds outstanding were considered defeased.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(10) Long-term Debt (continued).

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	Balance Oct. 1, 2007	Additions	Reductions	Adjustments	Balance Sept. 30, 2008	Amount Due Within One Year
Governmental activities:						
Compensated absences	\$ 1,168,157	231,137	-	-	1,399,294	-
General obligation bonds	49,299,807	-	5,382,778	-	43,917,029	5,212,778
Capital leases	4,470	619,320	85,374	(4,519)	533,897	152,355
Other loans	11,124,142	2,136,870	162,058	354,968	13,453,922	536,919
Bond premiums, net	263,858	-	46,689	-	217,169	-
Total	\$ 61,860,434	2,987,327	5,676,899	350,449	59,521,311	5,902,052
Business-type activities:						
Compensated absences	\$ 32,425	11,282	-	-	43,707	-
Other loans	2,088	-	2,088	-	-	-
Total	\$ 34,513	11,282	2,088	-	43,707	-

(11) Deficit Fund Balances of Individual Funds.

The following funds report accrual-basis deficits in fund balances at September 30, 2008:

Fund	Deficit Amount
Hurricane Katrina fund	\$ 5,446,063
Katrina Supplemental CDBG fund	258,857
Tidelands fund	145,269
CIAP fund	199,516
Self-funded Health Insurance fund	83,038

(12) Contingencies.

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

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(12) Contingencies (continued).

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.

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:

Description	Balance at September 30, 2008
General obligation bonds	\$ 1,780,000

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, 2008, is \$45,724,480.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

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

No commitment debt is repaid only by the entities for which 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 September 30, 2008</u>
Industrial revenue bonds and notes	\$ 56,750,706

(14) 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, 2008:

Condensed Statement of Net Assets:					
	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Heinz Building Fund	Total
Current assets	\$ 186,243	72,091	28,745	37,614	324,693
Capital assets	2,496	96,595	910,623	-	1,009,714
Total assets	188,739	168,686	939,368	37,614	1,334,407
Current liabilities	5,101	5,852	101,396	-	112,349
Non-current liabilities	-	7,204	117,478	-	124,682
Total liabilities	5,101	13,056	218,874	-	237,031
Net assets:					
Invested in capital assets	2,496	96,595	910,623	-	1,009,714
Restricted	181,142	59,035	-	37,614	277,791
Unrestricted	-	-	(190,129)	-	(190,129)
Total net assets	\$ 183,638	155,630	720,494	37,614	1,097,376

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(14) Segment Information for Enterprise Funds (continued).

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	\$ 30,744	104,689	662,964	4,950	803,347
Operating expenses	(45,398)	(119,735)	(723,577)	(216)	(888,926)
Depreciation expense	(978)	(3,950)	(106,321)	-	(111,249)
Operating income (loss)	<u>(15,632)</u>	<u>(18,996)</u>	<u>(166,934)</u>	<u>4,734</u>	<u>(196,828)</u>
Interest income	7,269	3,438	2,556	-	13,263
Interest expense	-	-	(1,878)	-	(1,878)
Gain (loss) on sale of capital assets	-	-	(5,409)	-	(5,409)
Change in net assets	<u>(8,363)</u>	<u>(15,558)</u>	<u>(171,665)</u>	<u>4,734</u>	<u>(190,852)</u>
Beginning net assets, as restated	192,001	171,188	892,159	32,880	1,288,228
Ending net assets	<u>\$ 183,638</u>	<u>155,630</u>	<u>720,494</u>	<u>37,614</u>	<u>1,097,376</u>

Condensed Statement of Cash Flows:

Net cash provided (used) by:					
Operating activities	\$ (12,348)	(21,938)	(30,598)	4,684	(60,200)
Non-capital financing activities	-	-	80,975	-	80,975
Capital and related financing activities	-	-	(106,964)	-	(106,964)
Investing activities	7,269	3,438	2,556	-	13,263
Net change in cash	<u>(5,079)</u>	<u>(18,500)</u>	<u>(54,031)</u>	<u>4,684</u>	<u>(72,926)</u>
Cash - beginning	191,322	90,591	82,776	32,930	397,619
Cash - ending	<u>\$ 186,243</u>	<u>72,091</u>	<u>28,745</u>	<u>37,614</u>	<u>324,693</u>

(15) 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 twenty-seven 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 2008.

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 fifteen members of the board of directors. The County appropriated \$156,000 for support of Jackson County Civic Action in fiscal year 2008.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(15) Jointly Governed Organizations (continued).

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 2008.

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 2008.

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 twenty-three 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 \$7,411,408 for maintenance and support of the college in fiscal year 2008.

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 fifteen 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.

(16) 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.

(17) Defined Benefit Pension Plan (continued).

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, 2008 was 11.85% 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 contribution (employer share only) to PERS for the year ending September 30, 2008, 2007 and 2006 were \$2,490,026 \$2,182,354, and \$2,024,226, respectively, equal to the required contribution for each year.

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(18) Prior Period Adjustment.

Statement of Revenues, Expenditures, and Changes in Fund Balances

<u>Major Funds</u>	<u>Explanation</u>		
General fund	Various immaterial adjustments	\$	(7,617)
Other Governmental funds	Adjustments to revenues and expenditures in the CIAP fund that were corrections of prior year's activities		(121,658)
Other Governmental funds	Various adjustments, including adjustments to make beginning balances agree to prior year audited figures		(665,684)
		\$	<u>(794,959)</u>

Statement of Activities

	<u>Explanations</u>		
1.	Adjustments to beginning balance of deferred revenue-fines	\$	1,355,295
2.	Accrued interest payable for FEMA loan was adjusted		(314,177)
3.	Adjustments to beginning debt balances		(268,326)
4.	Fort Lakes/Franklin Creek VFD loan entered into in FYE 2007 added to debt FYE 2008		(354,968)
5.	Adjustment to land and improvements other than buildings for prior period purchase		63,544
6.	Other various adjustments		4,521
	Total	\$	<u>(309,070)</u>

Statement of Revenues, Expenditures, and Changes in Fund Balances - Enterprise fund

<u>Fund</u>	<u>Explanation</u>		
Enterprise fund	Various immaterial adjustments	\$	(3,740)
			<u>(3,740)</u>

Statement of Activities - Enterprise

	<u>Explanation</u>		
	Various immaterial adjustments		(3,740)
	Total	\$	<u>(3,740)</u>

JACKSON COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2008

(19) **Subsequent events.**

Subsequent to September 30, 2008, 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>
10/9/2008	3.45%	\$ 404,340	General Obligation Loan	Advance on \$2,750,000 Jackson County, MS General Obligation Note, Series 2008
11/25/2008	3.45%	95,495	General Obligation Loan	Advance on \$2,750,000 Jackson County, MS General Obligation Note, Series 2008

In November 2009, an employee of the Jackson County Finance department was arrested and charged with embezzlement. The allegations are being investigated by the State Auditor's office. At this time, the amount taken from the County is unknown.

In December 2009, the County approved \$25 million borrowing of funds and issuing of \$25 million SO Bonds, Series 2009 to fund the loan.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

JACKSON COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL (NON-GAAP BASIS)
GENERAL FUND
September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	34,463,648	34,463,648	35,424,920	961,272
Licenses, commissions and other revenue	2,672,800	2,702,714	3,064,538	361,824
Fines and forfeitures	1,407,000	1,408,000	1,426,540	18,540
Intergovernmental revenues	7,408,233	11,001,618	9,501,557	(1,500,061)
Charges for services	415,000	415,000	771,359	356,359
Interest income	693,841	922,524	1,047,203	124,679
Miscellaneous revenues	1,333,362	1,360,466	1,109,959	(250,507)
Total revenues	<u>48,393,884</u>	<u>52,273,970</u>	<u>52,346,076</u>	<u>72,106</u>
EXPENDITURES				
Current:				
General government	24,684,559	27,909,506	23,810,458	4,099,048
Public safety	14,454,743	15,023,655	14,500,870	522,785
Public works	2,832,999	3,752,399	2,678,828	1,073,571
Health and welfare	2,612,661	2,690,823	2,598,040	92,783
Culture and recreation	3,382,133	3,380,342	3,218,959	161,383
Educacion	905,500	906,675	892,919	13,756
Conservation of natural resources	336,014	344,949	307,754	37,195
Economic development and assistance	3,164,278	3,450,391	2,965,908	484,483
Bond issue costs	187,691	188,007	188,007	-
Total expenditures	<u>52,560,578</u>	<u>57,646,747</u>	<u>51,161,743</u>	<u>6,485,003</u>
Excess of revenues over (under) expenditures	<u>(4,166,694)</u>	<u>(5,372,777)</u>	<u>1,184,333</u>	<u>(6,412,897)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	-	499,836	499,835	(1)
Proceeds from sale of capital assets	2,000	2,000	1,540,020	1,538,020
Compensation for loss of capital assets	-	-	17,074	17,074
Transfers in	3,000,000	3,000,000	58,203	(2,941,797)
Transfers out	-	(10,000)	(476,752)	(466,752)
Total other financing sources and uses	<u>3,002,000</u>	<u>3,491,836</u>	<u>1,638,380</u>	<u>(1,853,456)</u>
Net change in fund balance	(1,164,694)	(1,880,941)	2,822,713	(8,266,353)
Fund balances - beginning	-	-	18,811,220	18,811,220
Fund balances - ending	<u>S (1,164,694)</u>	<u>(1,880,941)</u>	<u>21,633,933</u>	<u>10,544,867</u>

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

JACKSON COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL (NON-GAAP BASIS)
HURRICANE KATRINA FUND
September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$ -	-	6,565,043	6,565,043
Total revenues	-	-	6,565,043	6,565,043
EXPENDITURES				
Current:				
General government	-	1,616,863	1,616,390	473
Public safety	-	99,091	99,326	(235)
Public works	-	2,272,599	2,322,946	(50,347)
Conservation of natural resources	-	761	761	-
Total expenditures	-	3,989,314	4,039,423	(50,109)
Excess of revenues over (under) expenditures	-	(3,989,314)	2,525,620	6,514,934
Net change in fund balance	-	(3,989,314)	2,525,620	6,514,934
Fund balances - beginning	-	-	9,377,460	9,377,460
Fund balances - ending	\$ -	(3,989,314)	11,903,080	15,892,394

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

JACKSON COUNTY, MISSISSIPPI
BUDGETARY COMPARISON SCHEDULE
BUDGET AND ACTUAL (NON-GAAP BASIS)
ROAD FUND
September 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Property taxes	\$ 12,143,860	12,143,860	12,477,895	334,035
Road and bridge privilege taxes	1,600,000	1,600,000	1,815,444	215,444
Intergovernmental revenues	1,750,000	1,979,913	2,012,298	32,385
Interest income			292,024	292,024
Miscellaneous revenues		100,000	276,056	176,056
Total revenues	<u>15,493,860</u>	<u>15,823,773</u>	<u>16,873,717</u>	<u>1,049,944</u>
EXPENDITURES				
Current:				
Public works	19,130,777	23,131,690	18,739,503	4,392,187
Total expenditures	<u>19,130,777</u>	<u>23,131,690</u>	<u>18,739,503</u>	<u>4,392,187</u>
Excess of revenues over (under) expenditures	<u>(3,636,917)</u>	<u>(7,307,917)</u>	<u>(1,865,786)</u>	<u>(3,342,243)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	500,000	524,000	647,606	123,606
Transfers in	2,000,000	2,300,000	2,000,000	(300,000)
Transfers out		(310,000)	(310,000)	-
Total other financing sources and uses	<u>2,500,000</u>	<u>2,514,000</u>	<u>2,337,606</u>	<u>(176,394)</u>
Net change in fund balance	(1,136,917)	(4,793,917)	471,820	(3,518,637)
Fund balances - beginning			7,146,004	7,146,004
Fund balances - ending	<u>\$ (1,136,917)</u>	<u>(4,793,917)</u>	<u>7,617,824</u>	<u>3,627,368</u>

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

JACKSON COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2008

(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 prepares an original budget for each of the Governmental Funds for the fiscal year 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. 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.

(C) Budget/GAAP Reconciliation

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

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major special revenue fund:

	<u>General</u>	<u>Hurricane Katrina</u>	<u>Roads</u>
Net change in fund balances (Budget/Cash basis)	\$ 2,822,714	2,525,620	471,820
Increase (decrease):			
Net adjustment for revenue accruals	(2,799,803)	(2,365,459)	-
Net adjustment for expenditure accruals	(1,053,133)	(305,548)	(1,104,183)
Net change in fund balances (GAAP basis)	<u>\$ (1,030,222)</u>	<u>(145,387)</u>	<u>(632,363)</u>

JACKSON COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2008

(D) **Excess of Actual Expenditures Over Budget in Individual Funds**

The following funds reported expenditures in excess of final budget amounts.

<u>Fund</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance</u>
Hurricane Katrina	\$ 3,989,314	4,039,423	(50,109)

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2008

Federal Grantor / Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed Through the Mississippi Department of Education:			
School Breakfast Program	10.553	V0000719820	\$ 27,372
Subtotal U.S. Department of Agriculture			<u>27,372</u>
U.S. Department of Commerce - National Oceanic and Atmospheric			
Passed Through Mississippi Department of Environmental Quality:			
Economic Development Support for Planning Organizations	11.302	R-101-06-008-1	175,795
* Coastal Zone Management Administration Awards	11.419	NA170Z2171	217,780
Subtotal U.S. Department of Commerce			<u>393,575</u>
U.S. Department of Housing and Urban Development			
Passed Through the Mississippi Development Authority:			
* Community Development Block Grants / State's Program	14.228	R-103-030-01-KP	106,213
* Community Development Block Grants / State's Program	14.228	1123-06-030-ED-01	128,072
* Community Development Block Grants / State's Program	14.228	R-103-030-01-KED	877,277
* Community Development Block Grants / State's Program	14.228	R-103-030-01-KC R	376,285
* Community Development Block Grants / State's Program	14.228	R-109-030-02-KC R	191,050
Subtotal U.S. Department of Housing and Urban Development			<u>1,678,897</u>
U.S. Department of Justice - Office of Justice Programs -			
Passed Through the Mississippi Department of Public Safety:			
Edward Byrne Memorial Justice Formula Grant Program	16.579	2007-DJ-BX-0103	171,167
Edward Byrne Memorial State and Local Law Enforcement	16.580	2008-DD-BX-0048	8,330
HIDTA	16.592	16PGCP518Z	6,291
HIDTA	16.592	17PGCPG40Z	6,087
OCDEF	16.592	SE-MSS	14,233
Public Safety Parntership and Community Policing Grants	16.710	2006CKWX0458	35,300
Public Safety Parntership and Community Policing Grants	16.710	2006CKWX0017	100,807
Enforcing Underage Drinking Laws Program	16.727	04J51301	24,462
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-DH-BX-0438	497,236
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1444	20,000
Edward Byrne Memorial Justice Assistance Grant Program	16.738	06HR5961	39,026
Subtotal U.S. Department of Justice			<u>922,939</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2008
(continued)

Federal Grantor / Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation - Federal Aviation Administration			
Airport Improvement Program	20.106	3-28-010-121-2006	6,563
Airport Improvement Program	20.106	3-28-010-121-2007	75,325
Airport Improvement Program	20.106	3-28-0101-023-2008	18,005
Passed Through Mississippi Department of Public Safety:			
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	08TA1301	65,645
Subtotal U.S. Department of Transportation			<u>165,538</u>
Environmental Protection Agency			
Passed through the Mississippi Department of Environmental Quality:			
Hazardous Waste Management State Program Support	66.801	WT224	25,029
Hazardous Waste Management State Program Support	66.801	HK-RPA002	30,000
Hazardous Waste Management State Program Support	66.801	SW645	17,485
Hazardous Waste Management State Program Support	66.801	SWAC096-M1	10,616
Hazardous Waste Management State Program Support	66.801	SWAC065	21,293
Subtotal Environmental Protection Agency			<u>104,423</u>
U.S. Department of Homeland Security - Federal Emergency Management Agency			
Passed Through the Mississippi Emergency Management Agency:			
* Disaster Grants - Public Assistance	97.036	FEMA-1604-IDR-MS	8,222,606
Law Enforcement Terrorism Prevention Program	97.074	07LE030	22,898
State Domestic Preparedness Equipment Support Program	97.004	S5HS030A	24,448
Subtotal U.S. Department of Homeland Security			<u>8,269,952</u>
Total expenditures of federal awards			<u>\$ 11,562,696</u>

* Denotes major federal award program

See accompanying notes to Schedule of Expenditures of Federal Awards.

JACKSON COUNTY, MISSISSIPPI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2008

(1) **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal awards activity of Jackson County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) **Subrecipients**

The County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	166,412

(3) **Community Disaster Loan Program**

The County borrowed \$3,500,000 in FY 2007 and \$7,000,000 in FY 2006, under the FEMA Community Disaster Loan Program. The loan bears interest at 2.69% and is due in December 2010. No additional monies were borrowed for FY 2008.

SPECIAL REPORTS



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated October 30, 2009. 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 reporting entity that include the financial data for its component units. 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'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 Jackson County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jackson County's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the 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.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***
Page 2

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jackson 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 Jackson County's financial statements that is more than inconsequential will not be prevented or detected by Jackson County's internal control. We consider the deficiency described in finding 9/2008 - 1 located in the accompanying Schedule of Findings and Questioned Costs, to be a significant deficiency 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 Jackson 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. We consider item 9/2008 - 1 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of Jackson County, in a separate letter dated October 30, 2009.

Jackson County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Jackson County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, 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.

Wolfe M. Huff #Oppie
Pascagoula, Mississippi
October 30, 2009



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON 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, 2008. Jackson County'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's management. Our responsibility is to express an opinion on Jackson County'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'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 of Jackson County's compliance with those requirements.

In our opinion, Jackson County 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, 2008.

Membership in:

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133
Page 2

Internal Control Over Compliance

The management of Jackson County 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's internal control over compliance with 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 Jackson County's internal control over compliance.

A *control deficiency* in an entity'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 entity'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 entity's internal control.

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of management, 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.

Wolfe M. Huff & Oppie

Pascagoula, Mississippi
October 30, 2009



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**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, 2008. 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.

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

In our opinion, 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.

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.

Wolfe McDuff & Oppie
Pascagoula, Mississippi
October 30, 2009

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JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER
Year Ended September 30, 2008

Schedule 1

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

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF EMERGENCY PURCHASES
Year Ended September 30, 2008

Schedule 2

11/05/07	Wiring for County Fair	\$ 401	City Electric	Emergency after hours wiring situation at Fairgrounds
01/04/08	Stove Repair	149	Hobart Corporation	Emergency for ADC kitchen
02/27/08	Closed Circuit Video	28,500	Simplex Grinnel	Lightening struck ADC surveillance system
03/20/08	Sprinkler System Repair	310	Hiller Systems	Fire sprinkler head broke after hours
04/18/08	Elevator Repair	51,229	Coast Elevator	Severe damage to elevator controller
04/23/08	Drain Repairs	27,884	Fletcher Construction	Repair of roof drain
06/25/08	Cooling System Repair	20,518	Johnson Controls	Repair of cooling system at old and new courthouse

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF PURCHASES MADE
NONCOMPETITIVELY FROM A SOLE SOURCE
Year Ended September 30, 2008

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Vendor</u>	<u>Amount</u>
11/07/07	Barcode scanning module	Delta Computers	\$ 8,649
11/26/07	Ground hog video system	Law Enforcement	10,900
03/04/08	Canine dog	Sth MS Canine	11,000
05/20/08	Bendix com radio	Coastal Helicopters	9,274



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**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, 2008, 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 October 30, 2009, 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 identifies certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below.

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American Institute of Certified Public Accountants • Mississippi Society of Certified Public Accountants • AICPA Private Companies Practice Section
AICPA Governmental Audit Quality Center • AICPA Center for Audit Quality • AICPA Employee Benefit Plan Audit Quality Center

Limited Internal Control And Compliance Review Management Report

Page 2

Board of Supervisors

1. **Finding:** The County does not maintain fixed asset schedules that include infrastructure, buildings, land or construction in progress.

Recommendation: We recommend infrastructure, buildings land and construction in progress be added to fixed asset schedules. Further, the fixed asset schedules should be reconciled to the physical count, which is to be performed at least annually.

Auditee's Response: In 2005 when I was hired, we added all infrastructure per audit department guidelines. When the audit firm engaged for the fiscal year 2005 audit arrived, they told us to remove everything we added because they kept up with it on an excel spreadsheet. That excel spreadsheet was provided to the auditor's for fiscal year 2008 also.

2. **Finding:** Due to the failure to submit reimbursement requests before the expiration of the grant period, the County forfeited \$114,538.63 in reimbursement on the Mosquito Control Grant. We were unable to obtain some reimbursement requests on the Organized Crime Drug Enforcement Task Forces (OCDETF) grant. We also found grant files in several different departments although there is a grant department. There was also a lack of accountability as it pertains to maintaining grants i.e. grant agreements, reimbursement requests and the person responsible for the grant.

Recommendation: We recommend better organization of grants. The County needs to determine the individual(s) or department(s) responsible for grants. If this is done, we feel that the County will be less likely to fail to submit requests for reimbursements and be unable to locate requests.

Auditee's Response: The Jackson County Grant Department was only established in October of 2007 and in October of 2008, when the grant period was up for the grant funded Mosquito Control Project, the Grant Department was still striving to become acquainted with 60 plus grants.

At that time, the Jackson County Grant Department only had one employee, the Grants Coordinator, who also had the task of setting up a department. The deadline was missed because of the tremendous overload of work for any one individual. The Grants Coordinator not only had the task of setting up the department but also had numerous other tasks as well. Since that time, the Jackson County Board of Supervisors approved the Grant Coordinator's request to hire two full-time employees (Grant's Writer and Administrative Assistant).

Based upon the Grant Coordinator's records, the total of \$45,984.30 was forfeited, not \$114,538.63.

Limited Internal Control And Compliance Review Management Report

Page 3

- Finding:** The Debt report generated from the County's system does not contain current information on debt outstanding and amounts. It was also difficult to obtain the creditor's account number in order to confirm the debt.

Recommendation: We recommend updating the Bond Register Report with current information and including the creditor's account number. We also recommend that when the loan is closed that the report reflects the date closed.

Auditee's Response: We are in the process of correcting this.

- Finding:** The County exceeded final budgeted expenditures by \$50,109 in Fund 046 -- Hurricane Katrina.

Recommendation: We recommend amending the final budget as close as possible to the end of the fiscal year to ensure that all expenditures are recorded.

Auditee's Response: The excess was purchase orders which had been written but not paid at the end of the fiscal year. We amended on the cash basis.

Sheriff's Department

- Finding:** During our audit of grants, we noticed that the Sheriff's Department did not receive reimbursement from the State on two separate occasions. Due to reconciliations not being performed to keep track of receipts, the issue went unnoticed. This incident pertains to the Litter Reimbursement grant.

Recommendation: We recommend the Sheriff's Department keep track of reimbursement requests and reconcile them back to receipts from the State.

Auditee's Response: Finance will coordinate with the Sheriff's Department to make sure they are informed when reimbursement for the Litter Grant is received. The Sheriff's Department will contact the state if they have not received reimbursement in a timely manner.

- Finding:** The Sheriff's Department bank accounts are not reconciled in a timely manner.

Recommendation: We recommend monthly reconciliation of bank accounts.

Auditee's Response: We will work on reorganizing the bookkeeper's responsibilities in order to have reconciliations completed monthly.

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 for the information and use of the County's 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 specified parties. However, this report is a matter of public record and its distribution is not limited.

Wolfe McDuff & Oppie
Pascagoula, Mississippi
October 30, 2009

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2008

A. SUMMARY OF AUDITOR'S RESULTS

1. Type of auditor's opinions issued on the financial statements:

Governmental activities	Unqualified
Business-type activities	Unqualified
General fund	Unqualified
Hurricane Katrina fund	Unqualified
Road fund	Unqualified
Aggregate remaining fund information	Unqualified
Aggregate discretely presented component units	Adverse

2. There was one significant deficiency relating to the audit of the financial statements reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*. This significant deficiency is reported as material weaknesses.
3. There were no instances of noncompliance material to the financial statements of Jackson County which were disclosed during the audit.
4. There were no instances of noncompliance relating to the audit of major federal award programs that are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for major federal award programs for Jackson County expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Jackson County.
7. The major programs tested were:
- Department of Commerce - Coastal Zone Management Administrative Awards
CFDA No. 11.419
Department of Housing and Urban Development - Community Development Block
Grants/State's Program CFDA No. 14.228
Department of Homeland Security - Disaster Grants - Public Assistance CFDA No. 97.036
8. The dollar threshold for distinguishing Type A and B programs was \$346,881.
9. Jackson County was not determined to be a low-risk auditee.
10. Auditee was required under Circular A-133 to prepare a summary schedule of prior audit findings.

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2008

B. FINANCIAL STATEMENT FINDINGS

9/2008 – 1

Finding

Under generally accepted accounting principles (GAAP), the financial data for all legally separate component units is required 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 financial statements do not include financial data for the County's legally separate component units. The omission of the financial data for the County's component units is a significant deficiency. An adverse opinion is rendered on aggregate discretely component units due to the failure of the County to properly follow GAAP.

Recommendation

We recommend management provide financial data on the County's component units for inclusion in the County's financial statements.

Auditee's Response

It was decided that waiting on all the audits of component units would delay release of the primary government financials and audit even more and would be in the best interest of the county, not to include them.

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2008

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2008

9/2007 - 1

Finding

During a search for unrecorded liabilities, we discovered an invoice in the amount of \$1,155,380 which should have been charged to the fiscal year ended September 30, 2007. Under generally accepted accounting principles (GAAP), governmental funds are accounted for using the modified accrual basis. As such, the subject expenditure should have been recorded as a payable at year end and charged as an expense during the fiscal year ended September 30, 2007. We believe that upon review, management should have recognized an expenditure of this size as being charged to the wrong period.

Recommendation

We recommend management be more diligent in recording County transactions in the proper period, especially at the end of a fiscal year. Management should also consider the feasibility of implementing an internal audit function, which could significantly enhance internal controls.

Auditee Response

Per Mississippi Code Section 19-11-25, Counties are tasked with preparing a cash basis budget and as such budgets are prepared for the period in which the invoices are paid. The County budget was amended in the fiscal year that this invoice was paid.

Follow-Up

No issues relating to accruals noted during the September 30, 2008 audit.

9/2007 - 2

Finding

Under generally accepted accounting principles (GAAP) the financial data for all legally separate component units is required 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 financial statements do not include financial data for the County's legally separate component units. An adverse opinion is rendered on aggregate discretely component units due to the failure of the County to properly follow GAAP.

Recommendation

We recommend management provide financial data on the County's component units for inclusion in the county's financial statements.

Auditee Response

We are working on including in the 2008 financial statements.

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2008

Follow-Up

Financial statements for September 30, 2008 do not include financial information for component units.

9/2007 – 3

Finding

Management does not have personnel that possess necessary qualifications and training to prepare financial statements in accordance with generally accepted accounting principles. Due to the fact that county personnel lacked the skills and knowledge to apply GAAP in recording the entity's financial transactions and preparing its financial statements, the auditor was relied on to perform these duties. Without adequate controls in place over the recording and reporting of financial records, the risk increases that inaccurate information may be reported and increases the possibility of the loss or misappropriation of public funds.

Recommendation

We recommend management establish adequate controls to ensure that financial data is recorded and presented in accordance with GAAP.

Auditee Response

Although the County does have the personnel that possess the necessary qualifications and training necessary to prepare financial statements, the efforts made on the County's behalf to prepare the financial statements per audit department guidelines were already commented on previously by the auditors.

Follow-Up

The County outsourced the preparation of its financial statements for the year ended September 30, 2008 to a CPA firm.

9/2007 – 4

Finding

Community Disaster Loan expenditures were not being tracked separately. The proceeds were credited into the general fund and the expenditures were not distinguishable from other general fund expenditures. Management was later able to identify the expenditures so they could be tested.

Questioned Cost

There is no questioned cost associated with this finding.

JACKSON COUNTY, MISSISSIPPI
SCHEDULE OF PRIOR AUDIT FINDINGS
September 30, 2008

Recommendation

We recommend the County trace the proceeds of the CDL to specific expenditures and retain the documentation so that testing can occur. In the future, all expenditures associated with Federal Grant Awards should be tracked in a separate fund to facilitate required Single Audit testing.

Auditee Response

This Loan was awarded for general operating expenses and as such was placed in the general fund. The auditors were provided with the docket of claims immediately following the receipt of the CDL which they could have tested as that is what the CDL proceeds were used for and what they were designed to be used for and what they legally could have been spent on.

Follow-Up

The County did not receive CDL funds during FY 2008, therefore, there were no expenditures to track.

9/2007 – 5

Finding

Revenues and expenditures related to FEMA funds were difficult to track. The County does maintain a separate fund for this grant; however, not all revenues and expenditures are put into this one fund. We found through inquiry that the revenues and expenditures were put into numerous funds and departments.

Recommendation

We recommend that all revenues and expenditures relating to this grant be placed into Fund 046, which is designated as the Katrina Fund. We also recommend that proper documentation be maintained regarding this and other grants.

Auditee Response:

There is a separate fund set up for this grant which could have been tested.

Follow-Up

It appeared that the majority of revenues and expenditures relating to FEMA funds were in one designated fund.