

JACKSON COUNTY, MISSISSIPPI

Primary Government Financial Statements,
Supplementary Financial Information,
and Special Reports

September 30, 2006
(With Independent Auditors' Report Thereon)

JACKSON COUNTY, MISSISSIPPI
September 30, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2006

INTRODUCTION

The discussion and analysis of Jackson County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2006. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". 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 2000 census, is 131,420. The local economic base is driven mainly by Industrial Manufacturing.

FINANCIAL HIGHLIGHTS

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

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

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Even after the Hurricane Katrina disaster, Jackson County continues to grow both economically and in population. Although the assessments for real property decreased immediately after the storm, all other assessments increased and this has offset the losses to assessed valuation immediately after the storm. This has allowed the County to maintain a slight growth in tax revenues without a tax increase for the fiscal years 2006 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.

Total net assets increased \$8,882,550, which represents a 12% increase from the prior fiscal year. This increase is primarily due to specific budgeted projects that have not been completed due to the massive amount of hurricane recovery projects. This also caused the County's ending cash balance to increase by \$6,132,777, which represents a 15% increase from the prior fiscal year.

The County had \$119,773,370 in total Governmental Funds revenues. Tax revenues account for \$52,730,368 or 44% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$57,428,278 or 48% of total revenues.

The County had \$119,377,290 in total Governmental Funds expenses, which represents an increase of \$36,890,470 or 45% increase from the prior fiscal year. Expenditures in the amount of \$50,817,291 were offset by grants, or outside contributions. General revenues of \$63,692,723 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$41,447,623 in revenues and \$35,925,431 in expenditures. The General Fund's fund balance increased \$12,694,485 over the prior year. The reason for this increase was due to tax revenues higher than budgeted and the County receiving a Community Disaster Loan which was used for budgeted operating expenses.

Among major funds, the Roads Fund had \$11,604,028 in revenues and \$10,232,826 in expenditures. The Roads' fund balance increased by \$3,415,952. The reason for the increase was due to the fact that several budgeted road projects were not completed within the fiscal year.

Among major funds, the Road Improvement Bonds had \$268,268 in revenues and \$1,225,074 in expenditures. The Road Improvement Bonds fund balance decreased by \$956,805. The reason for the decrease was due to some projects being completed.

Among major funds, the Hurricane Katrina Fund had \$40,733,977 in revenues and \$42,112,611 in expenditures. The Hurricane Katrina fund balance decreased by \$1,560,000. The reason for the decrease was due to reimbursements for many hurricane recovery projects not being received.

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Capital assets, net, increased by \$1,915,081. Of this amount \$1,110,502, net was a net increase in infrastructure including the addition of donated roads. Increases other than infrastructure included adding \$1,618,350 of new assets, net in 2006 and the removal of \$813,771 assets, net.

Long-term debt increased by \$664,896. This was primarily due to principal payments being made on debt in the amount of \$6,221,561 and \$7,081,976 of additional debt incurred. Additional debt incurred included \$7,000,000 of Community Disaster Loans.

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

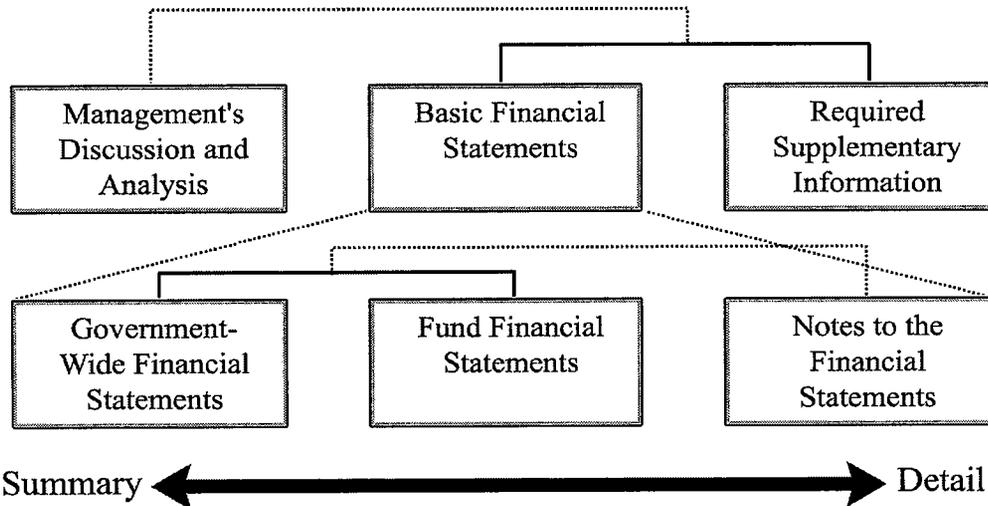


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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.

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

	Primary Government-Wide Financial Statements	Fund 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	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of revenues, expenses and changes in net assets ● Statement of cash flows 	<ul style="list-style-type: none"> ● 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 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 year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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

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

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

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

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

The Primary Government-Wide Financial Statements can be found on pages 4 & 5 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.

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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. Both 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 7 and 9, 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 6 & 8 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.

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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 10,11, & 12 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 13 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 14 – 41 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 42-47 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 48 of this report.

PRIMARY GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – 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 \$61,534,381 as of September 30, 2006.

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

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2006.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Current assets	\$101,001,392	\$ 544,623
Capital assets, net	<u>79,451,724</u>	<u>545,015</u>
Total assets	<u>180,453,116</u>	<u>1,089,638</u>
Current liabilities	61,333,313	66,466
Long-term debt outstanding	<u>58,575,033</u>	<u>33,561</u>
Total liabilities	<u>119,908,346</u>	<u>100,027</u>
Net assets:		
Invested in capital assets, net of related debt	67,619,289	531,545
Restricted	13,960,708	458,066
Unrestricted	<u>(21,035,227)</u>	<u>-----</u>
Total net assets	<u>\$60,544,770</u>	<u>\$ 989,611</u>

The following are significant current year transactions that have had an impact on the Statement of Net Assets.

- On August 29, 2005 Hurricane Katrina caused significant damage in Jackson County. Many of fiscal year 2006's receipts and expenses were related to this storm.

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Changes in Net Assets – Jackson County's total revenues for the fiscal year ended September 30, 2006 was \$120,843,769. The total cost for all services provided was \$111,961,219. The increase in net assets was \$8,882,550. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2006.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$ 6,333,755
Operating grants and contributions	49,777,842
Capital grants and contributions	1,039,449
General revenues	
Property taxes	52,730,368
Road and bridge privilege taxes	1,758,122
Interest income	1,719,657
Other	<u>7,484,576</u>
Total Revenues	<u>120,843,769</u>
Expenses:	
General government	25,994,280
Public safety	13,363,851
Public works	51,379,732
Health and welfare	2,026,853
Culture and recreation	2,643,046
Education	822,386
Conservation of natural resources	301,531
Economic development	11,967,503
Interest on long-term debt	2,685,780
Other expenses	<u>776,257</u>
Total Expenses	<u>111,961,219</u>
Increase in Net Assets	<u>\$ 8,882,550</u>

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Governmental Activities – The following table presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

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.

	<u>Total</u> <u>Cost</u>	<u>Net</u> <u>Cost</u>
<u>Governmental activities:</u>		
General Government	\$ 25,994,280	\$ 11,667,209
Public Safety	13,363,851	10,622,478
Public Works	51,379,732	15,148,829
Health & Welfare	2,026,853	1,882,591
Economic development	11,967,503	9,602,117

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 \$44,048,878, an increase of \$7,624,549. The primary reasons for this increase are highlighted in the analysis of governmental activities.

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The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$12,694,485. The reason for this increase was due to tax revenues higher than budgeted and the County receiving a Community Disaster Loan which was used for budgeted operating expenses.

Business-type funds – Revenue from the all business-type activities increased by 41% to \$935,563 and expenses increased by 9% to \$807,487. The major factor contributing to these results is higher usage at the golf course which increased revenues.

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, 2006, Jackson County's total capital assets was \$128,961,916. 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 an increase from the previous year of \$3,474,526. The majority of this increase was in infrastructure.

Total accumulated depreciation as of September 30, 2006 was \$48,997,044, including \$4,328,388 of deprecation expense for the year. The balance in total net capital assets was \$79,964,872 at year-end.

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Additional information on Jackson County's capital assets can be found in note 9 on page 28 of this report.

Debt Administration – At September 30, 2006, Jackson County had \$64,776,292 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 \$11.8 million is capital related. Of the \$53 million that is non-capital related, the majority was issued for assets owned by other governmental entities or for economic development purposes.

In the past year, the County received \$7,000,000 in Community Disaster Loans to help pay operating expenses when it was not clear how Hurricane Katrina had affected the Counties revenues. Jackson County maintains an "A" bond rating from Standard and Poors. 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 \$180 million dollars.

Additional information on Jackson County's long-term debt can be found in note 12 on page 32 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

The County has been awarded an \$8,000,000 grant to build a county services complex and is currently considering seeking funding for the total cost of that building.

As of May 2007, Jackson County has an unemployment rate of 5.5% versus 6.9% a year ago. This compares favorably with the state average rate of 6.0%.

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.

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT ON THE
PRIMARY GOVERNMENT FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS

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, 2006, which collectively comprise the County's primary government financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 referred to above include only the primary government of Jackson County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the County's legal entity. The financial statements do not include financial data for the County's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the County's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jackson County, Mississippi, as of September 30, 2006, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Members of the Board of Supervisors
Jackson County, Mississippi
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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Jackson County, Mississippi, as of September 30, 2006, 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 June 22, 2007, on our consideration of Jackson County, Mississippi's internal control over financial reporting and 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires 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 performed for the purpose of forming opinions on the primary government financial statements that collectively comprise Jackson County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brookdale, Saunders & O'Neil LLP

Jackson, Mississippi
June 22, 2007

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI

Statement of Net Assets

September 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash and investments	\$ 45,463,285	580,201	46,043,486
Property tax receivable	37,261,884	-	37,261,884
Intergovernmental receivables	14,486,750	-	14,486,750
Other receivables	1,157,464	886	1,158,350
Fines receivable, net of allowance of \$9,082,275	822,625	-	822,625
Loans receivable, net of allowance of \$172,235	218,608	-	218,608
Inventories	-	2,069	2,069
Internal balances	38,533	(38,533)	-
Deferred debt expense, net of amortization of \$1,054,713	1,552,243	-	1,552,243
Capital assets, net	79,451,724	545,015	79,996,739
Total assets	180,453,116	1,089,638	181,542,754
LIABILITIES			
Claims payable	13,272,701	46,066	13,318,767
Inter-governmental payables	2,042,982	-	2,042,982
Accrued expenses	1,119,584	7,974	1,127,558
Deferred revenue	38,742,774	-	38,742,774
Long-term liabilities:			
Due within one year:			
Capital	1,472,466	12,426	1,484,892
Non-capital	4,682,806	-	4,682,806
Due in more than one year:			
Capital	10,359,969	1,044	10,361,013
Non-capital	48,215,064	32,517	48,247,581
Total liabilities	119,908,346	100,027	120,008,373
NET ASSETS			
Invested in capital assets, net of related debt	67,619,289	531,545	68,150,834
Restricted for capital projects	10,297,952	-	10,297,952
Restricted for debt service	3,662,756	-	3,662,756
Restricted - other	-	458,066	458,066
Unrestricted net assets (deficit)	(21,035,227)	-	(21,035,227)
Total net assets	\$ 60,544,770	989,611	61,534,381

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Activities
Year Ended September 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Governmental Activities	Business-Type Activities
Governmental activities:						
General government	\$ 25,994,280	3,026,765	10,768,631	(11,667,209)	-	(11,667,209)
Public safety	13,363,851	396,303	2,174,309	(10,622,478)	-	(10,622,478)
Public works	51,379,732	-	35,893,890	(15,148,829)	-	(15,148,829)
Health and welfare	2,026,853	-	144,262	(1,882,591)	-	(1,882,591)
Culture and recreation	2,643,046	27,940	354,485	(2,260,621)	-	(2,260,621)
Education	822,386	-	-	(822,386)	-	(822,386)
Conservation of natural resources	301,531	-	24,062	(277,469)	-	(277,469)
Economic development and assistance	11,967,503	1,947,183	418,203	(9,602,117)	-	(9,602,117)
Interest on long-term debt	2,685,780	-	-	(2,685,780)	-	(2,685,780)
Total governmental activities	111,184,962	5,398,191	49,777,842	(54,969,480)	-	(54,969,480)
Business-type activities:						
Adult detention center canteen fund	38,781	22,627	-	-	(16,154)	(16,154)
Harbor	105,588	145,008	-	-	39,420	39,420
Golf course	629,760	764,329	-	-	134,569	134,569
Heinz building	2,128	3,600	-	-	1,472	1,472
Total business-type activities	776,257	935,564	-	-	159,307	159,307
Total primary government	\$ 111,961,219	6,333,755	49,777,842	(54,969,480)	159,307	(54,810,173)
General revenues:						
Property taxes				\$ 52,730,368	-	52,730,368
Road and bridge privilege taxes				1,758,122	-	1,758,122
Grants and contributions not restricted to specific programs				5,307,987	-	5,307,987
Interest income				1,705,408	14,249	1,719,657
Miscellaneous revenues				2,176,589	-	2,176,589
Total general revenues and transfers				63,678,474	14,249	63,692,723
Change in net assets				8,708,994	173,556	8,882,550
Net assets - beginning of year				51,835,776	816,055	52,651,831
Net assets - end of year				\$ 60,544,770	989,611	\$ 61,534,381

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2006

	General	Hurricane Katrina	Roads	Road Improvement Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 13,609,907	22,140	7,896,736	7,652,303	15,768,656	44,949,742
Property tax receivable	19,557,657	-	6,143,230	-	11,560,997	37,261,884
Fines receivable, net of allowance of \$9,082,275	822,625	-	-	-	-	822,625
Intergovernmental receivables	1,929,297	10,591,019	337,391	-	1,629,043	14,486,750
Due from other funds	5,458,847	-	268,190	-	232,679	5,959,716
Loans receivable, net of allowance of \$172,235	-	-	-	-	218,608	218,608
Other receivables	1,025,283	-	-	-	-	1,025,283
Total assets	\$ 42,403,616	10,613,159	14,645,547	7,652,303	29,409,983	104,724,608
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Claims Payable	\$ 1,902,049	8,078,786	450,690	101,955	2,111,159	12,644,639
Accrued payroll	396,403	-	69,311	-	35,813	501,527
Intergovernmental payables	2,042,982	-	-	-	-	2,042,982
Due to other funds	500,869	4,113,716	-	-	1,306,598	5,921,183
Deferred revenue	20,440,065	-	6,143,230	-	12,982,104	39,565,399
Total liabilities	25,282,368	12,192,502	6,663,231	101,955	16,435,674	60,675,730
FUND BALANCES:						
Reserved for loans receivable	-	-	-	-	218,608	218,608
Reserved for other receivables	1,025,283	-	-	-	-	1,025,283
Unreserved, reported in:						
General funds	16,095,965	-	-	-	-	16,095,965
Special revenue funds	-	(1,579,343)	7,982,316	-	6,345,341	12,748,314
Debt service funds	-	-	-	-	3,662,756	3,662,756
Capital projects funds	-	-	-	7,550,348	2,747,604	10,297,952
Total fund balances	17,121,248	(1,579,343)	7,982,316	7,550,348	12,974,309	44,048,878
Total liabilities and fund balances	\$ 42,403,616	10,613,159	14,645,547	7,652,303	29,409,983	104,724,608

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 September 30, 2006

Fund balances - total governmental funds		\$	44,048,878
Amounts reported for governmental activities in Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds			
Governmental capital assets		\$	127,859,487
Less accumulated depreciation			<u>(48,407,763)</u>
			79,451,724
Fines receivable are not available to pay for current period expenditures and therefore are deferred in the general funds.			822,625
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds			(618,057)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds			(64,730,305)
Deferred debt expense is not a financial resource and therefore is not reported in the governmental funds			1,552,243
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities			<u>17,662</u>
Net Assets of Governmental Activities		\$	<u>60,544,770</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2006

	<u>General</u>	<u>Hurricane Katrina</u>	<u>Roads</u>	<u>Road Improvement Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes	\$ 29,067,256	-	8,250,069	-	15,413,043	52,730,368
Road and bridge privilege taxes	-	-	1,758,122	-	-	1,758,122
Licenses, commissions and other revenue	2,406,525	-	-	-	-	2,406,525
Fines and forfeitures	1,136,344	-	-	-	178,551	1,314,895
Intergovernmental revenues	6,237,296	40,733,977	1,409,651	50,000	8,997,354	57,428,278
Charges for services	239,310	-	-	-	-	239,310
Interest income	1,023,094	-	157,772	218,269	306,273	1,705,408
Miscellaneous revenues	1,337,798	-	28,414	-	824,252	2,190,464
Total revenues	<u>41,447,623</u>	<u>40,733,977</u>	<u>11,604,028</u>	<u>268,269</u>	<u>25,719,473</u>	<u>119,773,370</u>
EXPENDITURES						
Current Operating:						
General government	18,914,327	8,498,957	-	-	465,217	27,878,501
Public safety	10,116,329	933,073	-	-	2,512,461	13,561,863
Public works	568,117	32,217,283	10,232,826	1,225,074	7,609,596	51,852,896
Health and welfare	1,987,127	20,747	-	-	-	2,007,874
Culture and recreation	2,122,312	368,070	-	-	-	2,490,382
Education	811,350	-	-	-	-	811,350
Conservation of natural resources	282,446	24,984	-	-	-	307,430
Economic development and assistance	1,115,678	49,497	-	-	10,725,638	11,890,813
Debt Service:						
Principal	7,226	-	-	-	6,147,197	6,154,423
Interest	519	-	-	-	2,421,239	2,421,758
Total expenditures	<u>35,925,431</u>	<u>42,112,611</u>	<u>10,232,826</u>	<u>1,225,074</u>	<u>29,881,348</u>	<u>119,377,290</u>
OTHER FINANCING SOURCES (USES)						
Long-term non-capital debt issued	7,000,000	-	-	-	-	7,000,000
Proceeds from sale of assets	193,136	-	38,647	-	-	231,783
Compensation for loss of capital assets	206,020	-	-	-	162,308	368,328
Transfers in	157,200	-	2,006,103	-	1,061,133	3,224,436
Transfers out	(384,063)	(181,366)	-	-	(3,030,649)	(3,596,078)
Net other financing sources (uses)	<u>7,172,293</u>	<u>(181,366)</u>	<u>2,044,750</u>	<u>-</u>	<u>(1,807,208)</u>	<u>7,228,469</u>
Net change in fund balances	<u>12,694,485</u>	<u>(1,560,000)</u>	<u>3,415,952</u>	<u>(956,805)</u>	<u>(5,969,083)</u>	<u>7,624,549</u>
Fund balances - beginning of year	<u>4,426,763</u>	<u>(19,343)</u>	<u>4,566,364</u>	<u>8,507,153</u>	<u>18,943,392</u>	<u>36,424,329</u>
Fund balances - end of year	<u>\$ 17,121,248</u>	<u>(1,579,343)</u>	<u>7,982,316</u>	<u>7,550,348</u>	<u>12,974,309</u>	<u>44,048,878</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances to the Statement of Activities
 Governmental Funds
 Year Ended September 30, 2006

Net change in fund balances - total governmental funds	\$	7,624,549
Amounts reported for governmental activities in Statement of Activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets	\$	7,050,051
Less current year depreciation		<u>(4,278,325)</u>
		2,771,726
<p>Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting</p>		
		134,461
<p>Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year</p>		
		(78,037)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Long-term debt issued		(7,000,000)
Repayment of debt		6,154,423
Amortization and accretion of debt issue costs, discounts, and premiums		<u>(276,927)</u>
		(1,122,504)
<p>Accrued interest expense reported in the Statement of Net Assets does not require the use of current financial resources and is therefore not reported as expenditures in the governmental funds</p>		
		12,905
<p>When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Activities</p>		
		(813,771)
<p>Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the Internal Service Funds is reported with the governmental activities</p>		
		<u>179,665</u>
Change in net assets - governmental activities	\$	<u><u>8,708,994</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Net Assets (Deficit) - Proprietary Funds
September 30, 2006

	Business- Type Activities	Governmental Activities
	Non-Major Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Cash	\$ 580,201	513,543
Other receivables	886	132,181
Inventories	2,069	-
Total current assets	<u>583,156</u>	<u>645,724</u>
Non-current assets -		
Capital assets, net	513,148	-
Total assets	<u>1,096,304</u>	<u>645,724</u>
LIABILITIES		
Current liabilities:		
Claims payable	46,066	628,062
Accrued payroll	7,974	-
Due to other funds	38,533	-
Current maturities of capital-related debt	12,426	-
Total current liabilities	<u>104,999</u>	<u>628,062</u>
Non-Current Liabilities:		
Capital-related debt	1,044	-
Compensated absences liability	32,517	-
Total non-current liabilities	<u>33,561</u>	<u>-</u>
Total liabilities	<u>138,560</u>	<u>628,062</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	499,678	-
Restricted for inmate canteen supplies	215,092	-
Restricted for recreation	213,598	-
Restricted for economic development	29,376	-
Unrestricted	-	17,662
Total net assets (deficit)	<u>\$ 957,744</u>	<u>17,662</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
Year Ended September 30, 2006

	Business- Type Activities	Governmental Activities
	Non-Major Enterprise Funds	Internal Service Funds
OPERATING REVENUES		
Sales and charges for services	\$ 935,563	-
Premium income	-	4,528,469
Total operating revenues	<u>935,563</u>	<u>4,528,469</u>
OPERATING EXPENSES		
Personal services	387,748	-
Contractual services	151,939	-
Materials and supplies	209,694	-
Depreciation	50,063	-
Indirect expense allocation	8,043	-
Claims payments	-	3,232,686
Insurance premiums	-	1,493,138
Total operating expenses	<u>807,487</u>	<u>4,725,824</u>
Operating income (loss)	<u>128,076</u>	<u>(197,355)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	14,249	5,378
Interest expense	(636)	-
Net non-operating revenues (expenses)	<u>13,613</u>	<u>5,378</u>
Net income (loss) before capital contributions and transfers	141,689	(191,977)
Transfers in	-	371,642
Change in net assets	141,689	179,665
Total net assets (deficit) - beginning of year	<u>816,055</u>	<u>(162,003)</u>
Total net assets (deficit) - end of year	\$ <u><u>957,744</u></u>	<u><u>17,662</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2006

	<u>Business- Type Activities</u>	<u>Governmental Activities</u>
	<u>Non-Major Enterprise Funds</u>	<u>Internal Service Funds</u>
Cash Flows From Operating Activities:		
Receipts from customers	\$ 935,563	-
Receipts for premiums	-	4,528,469
Payments to employees	(382,151)	-
Payments for claims	-	(3,297,137)
Payments for insurance premiums	-	(1,493,138)
Cash paid to suppliers	(361,897)	-
Net cash flows from operating activities	<u>191,515</u>	<u>(261,806)</u>
Cash Flows From Non-Capital Financing Activities:		
Loans from other funds	8,043	-
Repayment of loans from other funds	-	(30,103)
Transfers in	-	371,642
Net cash flows from non-capital financing activities	<u>8,043</u>	<u>341,539</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(7,189)	-
Principal paid on long-term debt	(11,940)	-
Interest paid on debt	(636)	-
Net cash flows from capital and related financing activities:	<u>(19,765)</u>	<u>-</u>
Cash Flows From Investing Activities -		
Interest income	14,249	5,378
Net change in cash	194,042	85,111
Cash - beginning of year	<u>386,159</u>	<u>428,432</u>
Cash - end of year	<u>\$ 580,201</u>	<u>513,543</u>
Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities:		
Operating income (loss)	\$ 128,076	(197,355)
Depreciation	50,062	-
Change in current assets and liabilities:		
Other receivables	-	(85,186)
Claims payable	7,780	20,735
Accrued payroll	1,659	-
Compensated absences	3,938	-
Net cash flows from operating activities	<u>\$ 191,515</u>	<u>(261,806)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2006

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,490,939
Inter-governmental receivables	<u>180,279</u>
Total assets	<u>\$ 1,671,218</u>
LIABILITIES	
Other accrued liabilities	\$ <u>1,671,218</u>
Total liabilities	<u>\$ 1,671,218</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(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 that have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County’s component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

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

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

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(1) Significant Accounting Policies (continued)

(b) Basis of Presentation

The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

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

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

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

(b) **Basis of Presentation (continued)**

Fund Financial Statements:

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

(c) **Measurement Focus and Basis of Accounting**

The government-wide, proprietary funds and fiduciary 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 non-operating. Operating revenues and expenses generally result from providing services in connections with a proprietary fund's primary operations. All other revenues and expenses are reported as non-operating.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

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

(c) **Measurement Focus and Basis of Accounting (continued)**

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 sixty 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.

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 debris removal, repairs, and other expenditures of the County relating to Hurricane Katrina, as well as grant revenues and contributions received which offset those expenditures.

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.

Road Improvement Bonds Fund – This fund is used to account for proceeds and expenditures of bonds issued in December 2004 for road improvements within the County.

The County reports no major proprietary funds.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

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

(c) **Measurement Focus and Basis of Accounting (continued)**

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.

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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(1) Significant Accounting Policies (continued)

(d) Account Classifications

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

(e) Deposits and Investments

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

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

(f) Receivables

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

(g) Inter-fund 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." Inter-fund 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
September 30, 2006

(1) Significant Accounting Policies (continued)

(h) Inventories

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

(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 allow 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. Current year general infrastructure assets are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization 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
September 30, 2006

(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.

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

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

(j) Long-term Liabilities

Long-term liabilities are the un-matured principal of bonds, loans, notes or other forms of non-current 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 in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary 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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(1) Significant Accounting Policies (continued)

(j) Long-term Liabilities (continued)

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

(k) Equity Classifications

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(1) Significant Accounting Policies (continued)

(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.

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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

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

(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 and Investments**

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2006, was \$47,234,407, and the bank balance was \$50,776,132. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(2) **Deposits and Investments (continued)**

Investments:

Investments balances at September 30, 2006, are as follows:

<u>Investment Type</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>
U.S Treasury securities	2.57 years	\$ 127,995
U.S agency securities (guaranteed by US govt.)	11.55 years	30,063
U.S agency securities (AAA rated)	3.23 years	131,128
U.S Treasury money market fund	N/A	<u>10,832</u>
Total Investments		\$ <u>300,018</u>

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.

Credit Risk. State law limits investments to those authorized by Section 19-9-29, 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. All of the County’s investments were held by the investment’s counterparty, not in the name of the County.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(3) Inter-Fund Transactions and Balances

The following is a summary of inter-fund balances at September 30, 2006:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Hurricane Katrina fund	\$ 4,113,716
General fund	Non-major special revenue funds	6,876
General fund	Non-major debt service funds	83,768
General fund	Non-major capital projects funds	1,215,954
General fund	Non-major enterprise funds	38,533
Road fund	General fund	268,190
Non-major special revenue funds	General fund	101,492
Non-major debt service funds	General fund	112,658
Non-major capital projects funds	General fund	<u>18,529</u>
Total		\$ <u>5,959,716</u>

The receivables in the general fund represent loans to other funds to temporarily fund operating needs. The receivables in all other funds represent tax revenue collected but not settled until October 2006. All inter-fund balances are expected to be repaid within one year of the date of the financial statements.

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Non-major special revenue fund	\$ 157,200
Road fund	Non-major special revenue funds	2,006,103
Non-major special revenue funds	General fund	12,421
Non-major special revenue funds	Non-major special revenue funds	700,712
Non-major debt service funds	Non-major debt service funds	348,000
Internal service funds	General fund	<u>371,642</u>
Total		\$ <u>3,596,078</u>

The principal purpose of inter-fund transfers was to provide funds for grant matching contributions or to transfer funds from one debt service fund to another upon the issuance of refunding bonds.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(4) **Intergovernmental Receivables**

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

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 918,899
Federal grants receivable	12,921,030
State grants receivable	<u>646,821</u>
Total intergovernmental receivables	\$ <u>14,486,750</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 a \$1,500,000 in 5 equal installment payments with the final payment due in September 2009. The County has discounted this receivable using an 8% imputed interest rate and has recorded a \$1,025,283 receivable under the caption Other Receivables in the financial statements. Also recorded under this caption is a \$132,181 receivable from the County's reinsurance carrier under its self-funded employee health insurance program.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(6) Loans Receivable

Loans receivable at September 30, 2006, consist of the following:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Sandco Industries	10-01-91	4 %	11-04-04	\$ 50,000
Bayou Blend	09-22-94	4 %	09-01-99	86,254
Superior Optical	09-21-95	4 %	10-21-05	35,981
Lagniappe House	12-02-97	4 %	02-01-07	78,608
Rapiscan	07-28-05	0 %	08-15-20	<u>140,000</u>
Loans receivable				390,843
Less: Reserve for bad debts				<u>(172,235)</u>
Loans receivable, net of bad debt reserve				\$ <u>218,608</u>

(7) Capital Assets

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

	<u>Balance Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance Sept. 30, 2006</u>
<u>Governmental Activities:</u>					
Land	\$ 9,705,258	-	-	-	9,705,258
Infrastructure	60,599,559	3,140,747	-	-	63,740,306
Buildings	25,402,656	1,920,964	-	2,064,569	29,388,189
Improvements other than buildings	6,150,708	-	-	-	6,150,708
Construction in progress	3,810,962	-	-	(2,064,569)	1,746,393
Mobile equipment	13,757,757	1,295,401	(1,670,843)	(3,503)	13,378,812
Other equipment	4,958,084	692,939	(1,911,871)	(11,435)	3,727,717
Leased property under capital lease	<u>22,104</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,104</u>
Total	<u>124,407,088</u>	<u>7,050,051</u>	<u>(3,582,714)</u>	<u>(14,938)</u>	<u>127,859,487</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(7) Capital Assets (continued)

	<u>Balance</u> <u>Oct. 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2006</u>
Less accumulated depreciation:					
Infrastructure	20,028,921	2,030,245	-	-	22,059,166
Buildings	12,056,471	497,128	-	-	12,553,599
Improvements other than buildings	2,008,957	209,003	-	-	2,217,960
Mobile equipment	9,081,351	1,057,224	(1,141,315)	(3,181)	8,994,079
Other equipment	3,733,639	480,745	(1,629,094)	(10,291)	2,574,999
Leased property under capital lease	<u>3,980</u>	<u>3,980</u>	<u>-</u>	<u>-</u>	<u>7,960</u>
Total	<u>46,913,319</u>	<u>4,278,325</u>	<u>(2,770,409)</u>	<u>(13,472)</u>	<u>48,407,763</u>
Net capital assets – governmental activities	\$ <u>77,493,769</u>	<u>2,771,726</u>	<u>(812,305)</u>	<u>(1,466)</u>	<u>79,451,724</u>
<u>Business-Type Activities:</u>					
Land	\$ 6,478	-	-	-	6,478
Buildings	232,641	-	-	-	232,641
Improvements other than buildings	576,358	-	-	-	576,358
Mobile equipment	229,840	-	-	3,503	233,343
Other equipment	<u>34,985</u>	<u>7,189</u>	<u>-</u>	<u>11,435</u>	<u>53,609</u>
Total	<u>1,080,302</u>	<u>7,189</u>	<u>-</u>	<u>14,938</u>	<u>1,102,429</u>
Less accumulated depreciation:					
Buildings	105,551	3,153	-	(27,398)	81,306
Improvements other than buildings	207,716	28,715	-	28,864	265,295
Mobile equipment	179,527	16,829	-	3,181	199,537
Other equipment	<u>31,486</u>	<u>1,366</u>	<u>-</u>	<u>10,291</u>	<u>43,143</u>
Total	<u>524,280</u>	<u>50,063</u>	<u>-</u>	<u>14,938</u>	<u>589,281</u>
Net capital assets – business-type activities	\$ <u>556,022</u>	<u>(42,874)</u>	<u>-</u>	<u>-</u>	<u>513,148</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(7) Capital Assets (continued)

Depreciation expense was charged to the following functions:

<u>Description</u>	<u>Amount</u>
Governmental activities:	
General government	\$ 541,989
Public safety	565,670
Public works	2,748,286
Health and welfare	36,388
Culture and recreation	234,622
Education	11,036
Conservation of natural resources	3,425
Economic development and assistance	<u>136,909</u>
Total governmental activities depreciation expense	\$ <u>4,278,325</u>
Business-type activities:	
Golf course	\$ 44,521
Harbor	<u>5,542</u>
Total business-type activities depreciation expense	\$ <u>50,063</u>

(8) Claims and Judgments

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2006, to January 1, 2007. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(8) Claims and Judgments (Continued)

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. The County pays the premium on a single coverage policy for its 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 a minimum uninsured risk retention 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 coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$100,000 (\$125,000; \$165,000; and \$175,000 for three specified participants).

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, 2006, the amount of these liabilities was \$628,062. An analysis of claims activities is presented below:

	<u>Current Year Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2004-2005	\$ 733,486	3,141,388	3,267,547	607,327
2005-2006	\$ 607,327	3,232,686	3,211,951	628,062

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(9) Capital Leases

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ <u>22,104</u>
Total	22,104
Less accumulated depreciation	<u>(7,960)</u>
Leased property under capital leases	\$ <u>14,144</u>

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

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 7,466	279
2008	<u>4,470</u>	<u>49</u>
Total payments	\$ <u>11,936</u>	<u>328</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(10) **Long-term Debt**

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
Governmental Activities:			
(a) <u>General Obligation Bonds:</u>			
Library bond refunding	\$ 240,000	4.8 – 6.5	5-1-09
Road improvement refunding	1,225,000	4.8 – 5.7	5-1-09
1998 Port improvement bonds	4,500,000	5.5	5-1-18
HAM Marine – MBIA bonds	1,947,585	2.0	11-1-11
Series 2002 refunding	11,965,000	2.0 – 4.0	12-1-14
Series 2003 refunding	5,905,000	1.15 – 5.1	3-1-14
Northrop Grumman site	4,295,000	4.0 – 5.0	8-1-14
Road improvements	10,000,000	3.0 – 5.0	12-1-16
Northrop Grumman site	10,960,000	4.15 – 5.25	6-1-20
Moss Point Industrial Park refunding	<u>2,765,000</u>	3.94 – 5.04	6-1-20
Total General Obligation Bonds	\$ <u>53,802,585</u>		
(b) <u>Capital Lease -</u>			
2005 Ford 500	\$ <u>11,936</u>	3.27	4-26-08
(c) <u>Other Loans</u>			
Homeport construction	\$ 1,343,000	0.00	8-1-07
Franklin Creek – Forts Lake	37,013	4.56	7-27-08
Vancleave fire department	13,410	4.84	5-26-08
Vancleave fire department	85,713	4.10	1-9-10
Fort Bayou fire department	438,859	5.26	1-15-17
Latimer VFD fire truck	28,389	2.75	7-16-07
Airport hangar 2-7	329,038	3.50	10-15-07
Ft. Bayou fire truck	140,921	4.22	12-1-14
Hurricane Katrina disaster loan	<u>7,000,000</u>	2.69	12-19-10
Total other loans	\$ <u>9,416,343</u>		

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(10) Long-term Debt (continued)

Business-type Activities:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
(a) <u>Other Loans</u>			
Tractor loan	\$ <u>13,470</u>	3.0	11-12-07

Annual debt service 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>
2007	\$ 4,502,778	2,245,013	1,645,028	44,875
2008	5,382,778	2,067,954	248,383	32,130
2009	5,212,778	1,875,933	76,364	25,016
2010	5,217,778	1,657,529	66,654	21,410
2011	5,422,778	1,437,293	7,056,377	18,454
2012-2016	21,008,695	4,008,856	296,777	47,525
2017-2021	<u>7,055,000</u>	<u>745,600</u>	<u>26,760</u>	<u>703</u>
Total	\$ <u>53,802,585</u>	<u>14,038,178</u>	<u>9,416,343</u>	<u>190,113</u>

Business-type Activities:

<u>Year Ending September 30,</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 12,426	1,559
2008	<u>1,044</u>	<u>8</u>
Total	\$ <u>13,470</u>	<u>1,567</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(10) Long-term Debt (continued)

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2006, the amount of outstanding debt was equal to 5.3% 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, 2006, \$1,525,000 of bonds outstanding were considered defeased.

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

	Balance Oct. 1, 2005	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	Balance Sept. 30, 2006	Due Within One Year
Governmental Activities:						
Compensated absences	\$ 1,102,348	78,038	-	-	1,180,386	-
General obligation bonds	58,155,363	-	(4,352,778)	-	53,802,585	4,502,778
Capital leases	239,445	-	(31,990)	(195,519)	11,936	7,466
Other loans	4,185,999	7,000,000	(1,769,656)	-	9,416,343	1,645,028
Bond premiums, net	<u>374,252</u>	<u>-</u>	<u>(55,197)</u>	<u>-</u>	<u>319,055</u>	<u>-</u>
Total	\$ <u>64,057,407</u>	<u>7,078,038</u>	<u>(6,209,621)</u>	<u>(195,519)</u>	<u>64,730,305</u>	<u>6,155,272</u>
Business-type Activities:						
Compensated absences	\$ 28,579	3,938	-	-	32,517	-
Other loans	<u>25,410</u>	<u>-</u>	<u>(11,940)</u>	<u>-</u>	<u>13,470</u>	<u>12,426</u>
Total	\$ <u>53,989</u>	<u>3,938</u>	<u>(11,940)</u>	<u>-</u>	<u>45,987</u>	<u>12,426</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(11) Deficit Fund Balances of Individual Funds

The following funds to report accrual-basis deficits in fund balances at September 30, 2006:

<u>Fund</u>	<u>Fund Balance</u>	
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Basis</u>
Special revenue funds:		
Hurricane Katrina	\$ (4,091,576)	(1,579,343)
Harbor Tidelands	(6,806)	(6,806)
Debt service funds -		
Homeport	(45,207)	(20,592)
Capital projects funds:		
Industrial water project	(1,101,024)	(766,815)
Helena press sewer and water	(61,327)	(61,327)
CIAP projects	(53,601)	(31,043)
Internal service fund -		
Self-insured health insurance	265,756	(227,863)

The deficit fund balances in funds with cash-basis deficit fund balances were caused by inter-fund loans from other funds. There were no funds with negative cash balances at September 30, 2006.

(12) Contingencies

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

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(12) Contingencies (continued)

The County has been named as a defendant in a lawsuit seeking unspecified damages for an incident involving a reserve deputy sheriff. 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 issues general obligation bonds and loans 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 loans 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 September 30, 2006, is as follows:

<u>Description</u>	<u>Balance at September 30, 2006</u>
General obligation bonds	\$ <u>2,115,000</u>

Hospital Revenue Bond and Note Contingencies – The County issues revenue bonds and notes to provide funds for constructing and improving capital facilities of the Singing River Hospital. Revenue bonds and notes are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the County remains contingently liable for the retirement of these bonds and notes because the full faith, credit and taxing power of the County is secondarily pledged in case of default by the hospital. To secure the repayment of the hospital revenue bonds and notes, the Board of Supervisors may authorize payment of the avails of an ad valorem tax levy on all taxable property in the County not to exceed five mills in any one year. The principal amount of such debt outstanding at September 30, 2006, consists of the following:

<u>Description</u>	<u>Balance at September 30, 2006</u>
Revenue bonds	\$ 50,700,000
Other	<u>6,745,783</u>
Total	\$ <u>57,445,783</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(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, 2006</u>
Industrial revenue bonds and notes	\$ <u>56,750,706</u>

(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, 2006:

	<u>ADC Canteen</u>	<u>Ocean Springs Harbor</u>	<u>Golf Course</u>	<u>Heinz Building</u>	<u>Total</u>
Condensed Statement of Net Assets:					
Current assets	\$ 224,904	100,351	227,501	30,400	583,156
Capital assets	<u>-</u>	<u>108,344</u>	<u>404,804</u>	<u>-</u>	<u>513,148</u>
Total assets	<u>224,904</u>	<u>208,695</u>	<u>632,305</u>	<u>30,400</u>	<u>1,096,304</u>
Current liabilities	9,812	14,266	79,897	1,024	104,999
Non-current liabilities	<u>-</u>	<u>4,926</u>	<u>28,635</u>	<u>-</u>	<u>33,561</u>
Total liabilities	<u>9,812</u>	<u>19,192</u>	<u>108,532</u>	<u>1,024</u>	<u>138,560</u>
Net assets:					
Invested in capital assets, net of related debt	-	108,344	391,334	-	499,678
Restricted	<u>215,092</u>	<u>81,159</u>	<u>132,439</u>	<u>29,376</u>	<u>458,066</u>
Total net assets	\$ <u>215,092</u>	<u>189,503</u>	<u>523,773</u>	<u>29,376</u>	<u>957,744</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(14) Segment Information for Enterprise Funds (Continued)

	<u>ADC Canteen</u>	<u>Ocean Springs Harbor</u>	<u>Golf Course</u>	<u>Heinz Building</u>	<u>Total</u>
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets:					
Operating revenues	\$ 22,627	145,008	764,328	3,600	935,563
Operating expenses	38,781	102,021	614,496	2,127	757,425
Depreciation expense	-	<u>5,542</u>	<u>44,520</u>	-	<u>50,062</u>
Operating income (loss)	(16,154)	37,445	105,312	1,473	128,076
Interest income	6,590	2,678	4,147	834	14,249
Interest expense	-	-	<u>(636)</u>	-	<u>(636)</u>
Change in net assets	(9,564)	40,123	108,823	2,307	141,689
Net assets – beginning	<u>224,656</u>	<u>149,380</u>	<u>414,950</u>	<u>27,069</u>	<u>816,055</u>
Net asset – ending	\$ <u>215,092</u>	<u>189,503</u>	<u>523,773</u>	<u>29,376</u>	<u>957,744</u>
Condensed Statement of Cash Flows:					
Net cash provided (used) by:					
Operating activities	\$ (6,341)	43,806	152,253	1,797	191,515
Non-capital financing activities	-	1,234	6,809	-	8,043
Capital and related financing activities	-	(7,189)	(12,576)	-	(19,765)
Investing activities	<u>6,590</u>	<u>2,678</u>	<u>4,147</u>	<u>834</u>	<u>14,249</u>
Net change in cash	249	40,529	150,633	2,631	194,042
Cash – beginning	<u>224,655</u>	<u>59,822</u>	<u>73,913</u>	<u>27,769</u>	<u>386,159</u>
Cash – ending	\$ <u>224,904</u>	<u>100,351</u>	<u>224,546</u>	<u>30,400</u>	<u>580,201</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 27-member board of directors, one appointed by the Board of Supervisors of each member county, one from each of the six participating cities and six appointed at large by minority members. The County appropriated \$32,855 for support of Southern Mississippi Planning and Development District in fiscal year 2006.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2006

(15) Jointly Governed Organizations (Continued)

Jackson County Civic Action is jointly governed by various public entities as well as by certain corporations and civic groups. The Jackson County Board of Supervisors appoints two of the 15 members of the board of directors. The County appropriated \$154,500 for support of Jackson County Civic Action in fiscal year 2006.

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 2006.

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 2006.

Mississippi Gulf Coast Community College operates in a district composed of the counties of George, Harrison, Jackson, and Stone. The college's board of trustees is composed of 23 members, three each appointed by George and Stone Counties, eight each appointed by Harrison and Jackson Counties, and one appointed at large. The County appropriated \$6,586,352 for maintenance and support of the college in fiscal year 2006.

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2006

(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.

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 current rate is 11.30% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2006, 2005, and 2004, were \$2,024,226, \$1,947,596, and \$1,666,217, respectively, equal to the required contributions for each year.

(17) Natural Disaster

On August 29, 2005, Hurricane Katrina struck the Mississippi, Louisiana, and Alabama Gulf Coast, causing catastrophic damage throughout the entire region. In addition to extensive damage to private property in the County, a substantial amount of the County's property was damaged or destroyed. The full extent of the County's losses from Hurricane Katrina is not known, but current estimates are in the \$50,000,000 range. The County believes most of those losses will be reimbursed through Federal and State grants or insurance coverage. The ultimate amount of the losses the County will be required to absorb cannot be determined at this time. The County has recorded a loss of approximately \$1,560,000 in its 2006 financial statements for un-reimbursable Hurricane Katrina expenditures. It is not known at this time how much additional un-reimbursable expenditures the County will incur.

In 2006, the Federal Government approved a low-interest disaster loan to the County totaling \$14,500,000. The County borrowed \$7,000,000 on this loan in the 2006 fiscal year and borrowed an additional \$3,500,000 on this loan in 2007. The loan bears interest at 2.69% and is due in December 2010. It is currently unclear whether the County will be able to borrow the remaining \$4,000,000 that had originally been approved.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund
 Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Property taxes	\$ 26,772,287	28,798,914	28,798,919	5
Licenses, commissions and other revenue	2,109,065	2,483,767	2,484,695	928
Fines and forfeitures	1,171,860	1,136,343	1,136,344	1
Intergovernmental revenues	6,390,673	5,105,893	5,105,902	9
Charges for services	235,586	251,463	260,701	9,238
Interest income	250,000	990,304	976,062	(14,242)
Miscellaneous revenues	1,907,966	1,639,077	1,647,353	8,276
Total revenues	<u>38,837,437</u>	<u>40,405,761</u>	<u>40,409,976</u>	<u>4,215</u>
EXPENDITURES				
Current Operating:				
General government	21,556,789	17,433,503	17,428,551	(4,952)
Public safety	10,325,234	9,966,340	9,956,305	(10,035)
Public works	897,282	557,281	557,272	(9)
Health and welfare	2,233,396	1,949,075	1,949,068	(7)
Culture and recreation	2,362,989	2,085,709	2,085,070	(639)
Education	755,000	802,875	802,875	-
Conservation of natural resources	335,848	277,908	277,904	(4)
Economic development and assistance	1,181,522	1,112,854	1,112,851	(3)
Debt Service:				
Principal	7,226	7,226	7,226	-
Interest	519	519	519	-
Total expenditures	<u>39,655,805</u>	<u>34,193,290</u>	<u>34,177,641</u>	<u>(15,649)</u>
OTHER FINANCING SOURCES (USES)				
Long-term non-capital debt issued	-	7,000,000	7,000,000	-
Proceeds from sale of assets	504,500	193,136	193,136	-
Compensation for loss of capital assets	-	206,020	206,020	-
Transfers in	-	101,083	101,083	-
Transfers out	-	(384,063)	(385,078)	(1,015)
Net other financing sources (uses)	<u>504,500</u>	<u>7,116,176</u>	<u>7,115,161</u>	<u>(1,015)</u>
Net change in fund balances	<u>\$ (313,868)</u>	<u>13,328,647</u>	<u>13,347,496</u>	<u>18,849</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Hurricane Katrina
 Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Intergovernmental revenues	\$ -	29,107,551	29,107,552	1
Total revenues	<u>-</u>	<u>29,107,551</u>	<u>29,107,552</u>	<u>1</u>
EXPENDITURES				
Current Operating:				
General government	-	5,628,145	5,628,112	(33)
Public safety	-	1,229,356	1,229,347	(9)
Public works	-	25,688,007	25,688,004	(3)
Health and welfare	-	32,675	32,673	(2)
Culture and recreation	-	364,206	364,201	(5)
Conservation of natural resources	-	24,942	24,941	(1)
Economic development and assistance	-	50,484	50,482	(2)
Total expenditures	<u>-</u>	<u>33,017,815</u>	<u>33,017,760</u>	<u>(55)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(181,366)	(181,366)	-
Net other financing sources (uses)	<u>-</u>	<u>(181,366)</u>	<u>(181,366)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>(4,091,630)</u>	<u>(4,091,574)</u>	<u>56</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Road Fund
 Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Property taxes	\$ 7,649,822	8,169,894	8,169,895	(1)
Road and bridge privilege taxes	1,596,500	1,843,379	1,843,379	-
Intergovernmental revenues	1,072,000	1,306,367	1,306,368	(1)
Interest income	35,000	189,764	189,764	-
Miscellaneous revenues	<u>-</u>	<u>28,413</u>	<u>28,414</u>	<u>(1)</u>
Total revenues	<u>10,353,322</u>	<u>11,537,817</u>	<u>11,537,820</u>	<u>(3)</u>
EXPENDITURES				
Current Operating -				
Public works	<u>14,091,322</u>	<u>10,129,904</u>	<u>10,129,796</u>	<u>(108)</u>
Total expenditures	<u>14,091,322</u>	<u>10,129,904</u>	<u>10,129,796</u>	<u>(108)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	38,646	38,647	1
Transfers in	<u>1,550,000</u>	<u>2,006,102</u>	<u>2,006,103</u>	<u>1</u>
Net other financing sources (uses)	<u>1,550,000</u>	<u>2,044,748</u>	<u>2,044,750</u>	<u>2</u>
Net change in fund balances	<u>\$ (2,188,000)</u>	<u>3,452,661</u>	<u>3,452,774</u>	<u>107</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Road Improvement Bonds
 Year Ended September 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Intergovernmental revenues	\$ -	50,000	50,000	-
Interest income	-	<u>280,822</u>	<u>280,823</u>	<u>1</u>
Total revenues	<u>-</u>	<u>330,822</u>	<u>330,823</u>	<u>1</u>
EXPENDITURES				
Current Operating -				
Public works	<u>8,360,711</u>	<u>1,367,780</u>	<u>1,367,780</u>	<u>-</u>
Total expenditures	<u>8,360,711</u>	<u>1,367,780</u>	<u>1,367,780</u>	<u>-</u>
Net change in fund balances	\$ <u>(8,360,711)</u>	<u>(1,036,958)</u>	<u>(1,036,957)</u>	<u>1</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2006

(A) Budgetary Information

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

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

(B) Basis of Presentation

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non GAAP) basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major special revenue fund.

JACKSON COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2006

(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>	<u>Road Improvement Bonds</u>
Budget (cash basis)	\$ 13,347,496	(4,091,574)	3,452,774	(1,036,957)
Increase (decrease):				
Net adjustment for revenue accruals	1,093,764	11,626,425	66,208	(62,554)
Net adjustment for expenditure accruals	<u>(1,746,775)</u>	<u>(9,094,851)</u>	<u>(103,030)</u>	<u>142,706</u>
GAAP Basis	\$ <u>12,694,485</u>	<u>(1,560,000)</u>	<u>3,415,952</u>	<u>(956,805)</u>

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

No funds had an excess of actual expenditures over budget for the year ended September 30, 2006.

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JACKSON COUNTY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Office of National Drug Control Policy - Passed			
Through the Mississippi Department of Public Safety:			
High Intensity Drug Trafficking Area Award	07.xxx	I4PGCP518Z	\$ 6,748
High Intensity Drug Trafficking Area Award	07.xxx	I4PGCP569	5,598
High Intensity Drug Trafficking Area Award	07.xxx	I5PGCP518Z	<u>10,775</u>
Total Office of National Drug Control Policy			<u>23,121</u>
U.S. Department of Agriculture - Passed Through the			
Mississippi Department of Education:			
School Breakfast Program	10.553	12-35-2823	9,235
National School Lunch Program	10.555	12-35-2823	<u>13,070</u>
Total U.S. Department of Agriculture			<u>22,305</u>
U.S. Department of Commerce - National Oceanic and Atmospheric			
Administration - Passed Through Mississippi Department of Environmental			
Quality -			
Mississippi Coastal Impact Assistance Program	11.419	NA170Z2170	<u>370,460</u>
U.S. Department of the Army -			
Project Cooperation Agreement	12.xxx	MP-4464013	<u>596,887</u>
U.S. Department of Housing and Urban Development:			
Community Development Block Grant	14.228	1119-02-030-PF-01	<u>23,250</u>
U.S. Department of Justice - Office of Justice Programs -			
Passed Through the Mississippi Department of Public Safety:			
Juvenile Accountability Incentive Block Grant	16.523	3JB1301	47,001
COPS Methamphetamine	16.710	2005CKWX0369	109,096
COPS Methamphetamine	16.710	2006CKWX0458	36,012
Enforcing Underage Drinking Laws	16.727	4UA1301	1,562
Byrne Memorial Justice Assistance	16.738	2005-DJ-BX-1438	89,357
Byrne Memorial Justice Assistance	16.738	04NM1301	149,898
Byrne Memorial Justice Assistance	16.738	2006DHBX0438	154,291
Triad Elderly Crime Prevention	16.xxx	4CA1301	<u>7,000</u>
Total U.S. Department of Justice			<u>594,217</u>
U.S. Department of Transportation - Federal Highway			
Administration - Passed Through the Mississippi			
Department of Transportation:			
Highway Planning and Construction	20.205	ER/AC/STP-0030(26)(b)	177,695
Alcohol Incentive - DUI Enforcement	20.601	06TA1301	33,532
STEP Occupant protection	20.602	05IN1301	7,114
U.S. Department of Transportation - Federal Aviation			
Administration:			
Airport improvement program	20.106	3-28-0101-018-2004	60,717
Airport improvement program	20.106	3-28-0101-019-2005	150,000
Airport improvement program	20.106	3-28-0101-020-2006	1,463
Airport improvement program	20.106	3-28-0101-021-2006	<u>53,805</u>
Total U.S. Department of Transportation			<u>484,326</u>
Environmental Protection Agency -			
Industrial Water Grant	66.xxx	XP98445998-2	<u>694,846</u>
Department of Energy -			
Waste Isolation Pilot Program	81.106	2/22/06 grant	<u>9,999</u>
Election Assistance Commission - Passed Through the Mississippi			
Office of the Secretary of State:			
Help America Vote Act Requirements Payments	90.401		<u>695,314</u>
Department of Homeland Security - Federal Emergency Management			
Agency - Passed Through the Mississippi Emergency Management Agency:			
Domestic Preparedness Equipment	97.004	3SUP-54	5,160
Domestic Preparedness Equipment	97.004	3SSG-3022	20,493
Community Disaster Loan	97.030		7,000,000
Public Assistance - Hurricane Katrina	97.036	1604-DR-MS	38,847,370
Hazard Mitigation	97.039	1251-037	6,863
Emergency Management Assistance Program	97.042	EMAP-2006	28,536
State Homeland Security	97.073	04CS030	10,000
State Homeland Security	97.073	04HS030	19,383
State Law Enforcement Terrorism Prevention	97.074	04LE030	45,658
FEMA grant	97.xxx	donation of trailers	<u>1,857,052</u>
Total Federal Emergency Management Agency			<u>47,840,515</u>
Total expenditures of federal awards			\$ <u>51,355,240</u>

See accompanying notes to schedule of expenditures of federal awards.

JACKSON COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
September 30, 2006

(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>Federal CFDA Number</u>	<u>Amount Provided</u>
Byrne Formula Grant Program	16.579	\$ <u>133,894</u>
MS Coastal Impact Assistance Program	11.419	\$ <u>296,876</u>

(2) Community Disaster Loan Program

The County borrowed \$7,000,000 under the FEMA Community Disaster Loan Program in 2006. The loan bears interest at 2.69% and is due in December 2010.

SPECIAL REPORTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF THE
PRIMARY GOVERNMENT FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of and for the year ended September 30, 2006, which collectively comprise the County's basic primary government financial statements and have issued our report thereon dated June 22, 2007. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the County's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Jackson County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Members of the Board of Supervisors
Jackson County, Mississippi
Page two**

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance which we have reported to the management of Jackson County, in our Limited Internal Control and Compliance Review Management Report dated June 22, 2007.

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

Breyer, Saunders & O'Neil, LLP

Jackson, Mississippi
June 22, 2007

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

Members of the Board of Supervisors
Jackson County, Mississippi

Compliance

We have audited the compliance of Jackson County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2006. Jackson County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jackson County, Mississippi's management. Our responsibility is to express an opinion on Jackson County, Mississippi's compliance based on our audit.

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

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

**Members of the Board of Supervisors
Jackson County, Mississippi
Page two**

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Brazel, Saunders & O'Neil, LLP

Jackson, Mississippi
June 22, 2007

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

**Members of the Board of Supervisors
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, 2006. 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.

**Members of the Board of Supervisors
Jackson County, Mississippi
Page two**

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.

Bryce Cole, Saunders & O'Neil, Co.

Jackson, Mississippi
June 22, 2007

Schedule 1

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
September 30, 2006

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	Reasons for For Accepting Other Than the <u>Lowest Bid</u>
9/06	Excavator	\$ 129,365	Puckett Machinery	\$128,989	higher resale value & proximity of service center

Schedule 2

JACKSON COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
September 30, 2006

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
10/05	road signs & posts	\$ 36,200	Custom Products	Hurricane Katrina
10/05	signs & posts	21,100	Custom Products	Hurricane Katrina
10/05	vehicle repairs	3,979	Johnson Collision Center	Hurricane Katrina
10/05	vehicle repairs	3,593	Johnson Collision Center	Hurricane Katrina
10/05	repair water pumps	35,444	Engineered Cooling	Hurricane Katrina
10/05	SUPR lo caps	1,232	Custom Products	Hurricane Katrina
10/05	construction supplies	2,246	Ocean Springs Lumbar	Hurricane Katrina
10/05	cable rental	4,060	Kossen	Hurricane Katrina
10/05	ditch dirt disposal	3,200	Mallette Brothers	Hurricane Katrina
10/05	concrete	1,360	Meto Concrete	Hurricane Katrina
10/05	pipe supplies	2,072	Southern Pipe & Supply	Hurricane Katrina
10/05	electric supplies	1,400	Monti Electric Supply	Hurricane Katrina
2/06	elevator repairs	147,900	Coast Elevator Co.	Hurricane Katrina
7/06	roof repairs	29,038	Skyline Metal Works	roof leaking

Schedule 3

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases made
Noncompetitively from a Sole Source
September 30, 2006

<u>Items</u> <u>Date</u>	<u>Purchased</u>	<u>Vendor</u>	<u>Amount</u>
1/06	case catalyst	Stenograph	\$ 3,715
1/06	32 channel upgrade	Frank R. Wade	17,950
1/06	replacement parts	Sigarms, Inc.	3,000
2/06	armor tools	Brownell's, Inc.	8,155
2/06	transcriber	Medquist	1,165
7/06	logic board	York International	3,861
8/06	writer	Stenograph	4,458

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2006

Section 1: Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the primary government financial statements of Jackson County, Mississippi.
2. No instances of noncompliance material to the primary government financial statements of Jackson County, Mississippi that would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
3. No reportable conditions in internal control over financial reporting were disclosed during the audit of the primary government financial statements.
4. No reportable conditions in internal control over compliance with requirements of major federal award programs are reported in Section 3 of this Schedule.
5. The independent auditors' report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133 expresses an unqualified opinion on Jackson County, Mississippi's compliance with compliance requirements applicable to its major federal programs.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Section 3 of this Schedule.
7. The programs tested as major programs were:

97.030	Community Disaster Loan
97.036	Public Assistance Disaster Grant
97.xxx	Trailer Donation
8. The threshold for distinguishing Types A and B programs is \$1,535,326.
9. Jackson County, Mississippi, was determined to be a low-risk auditee.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2006

Section 2: Financial Statement Findings

There are no financial statement findings to report.

Section 3: Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs to report.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JACKSON COUNTY, MISSISSIPPI
Summary Schedule of Prior Audit Findings
September 30, 2006

05-2 Finding – Hazard Mitigation
97.029 – Department of Homeland Security

In September 2005, the County bought seven houses located in flood-prone areas from homeowners under the Flood Mitigation Assistance grant program. A signed statement of voluntary participation is required to be obtained from each homeowner participating in this program. The required signed statements were not found for five of the seven homeowners participating in this program.

Questioned Cost

There is no questioned cost associated with this finding.

Recommendation

If the County is unable to locate the signed statements, it should request the homeowners to sign new statements.

Due to the large number of federal grants the County receives, we believe the County should consider hiring a grant coordinator to, among other things, monitor compliance with grant provisions.

Follow Up

The County has not yet obtained the signed statements of voluntary participation, nor has the County yet been reimbursed for its expenditures under this grant.

CORRECTIVE ACTION PLAN

JACKSON COUNTY, MISSISSIPPI
Corrective Action Plan
September 30, 2006

No audit findings have been reported. Therefore, no corrective action plan is necessary.