

JACKSON COUNTY, MISSISSIPPI

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

September 30, 2004
(With Independent Auditors' Report Thereon)

JACKSON COUNTY, MISSISSIPPI
September 30, 2004

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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, 2004, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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, 2004, 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, 2004, and the respective changes in financial position and cash flows, where applicable, 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 March 3, 2005, 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 grants. 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 on pages i through xiii and the Budgetary Comparison Schedules and corresponding notes on pages 42 through 46 are not required parts 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 of Jackson County, Mississippi, taken as a whole. 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 primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.

Brazoal, Saunders & O'Neil, LLP.

March 3, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2004

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, 2004. 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 a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999.

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.

Jackson County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase. The County government tax rate has decreased an average of 2% over the last 5 years. This does not include School tax increases.

Total net assets increased \$16,809,653 after adjustments, which represents a 63% increase from the prior fiscal year. This increase is materially due to a \$17 Million increase in capital assets or infrastructure of which \$8,559,570 was due to the addition of the Airport's assets. The County's ending cash balance increased by \$8,125,713, which represents a 40% increase from the prior fiscal year.

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The County had \$66,795,019 in total Governmental Funds revenues. Tax revenues account for \$45,881,897 or 68% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$13,629,499 or 20% of total revenues.

The County had \$70,745,258 in total Governmental Funds expenses, which represents an increase of \$8,045,985 or 13% increase from the prior fiscal year. Expenditures in the amount of \$13,629,499 were offset by grants, or outside contributions. General revenues of \$50,442,372 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$34,753,235 in revenues and \$34,122,441 in expenditures. The General Fund's fund balance decreased \$468,890 over the prior year. The reason for this decrease was due to transfers out to internal service funds.

Among major funds, the Roads, Bridges and Seawall had \$14,619,055 in revenues and \$14,692,022 in expenditures. The Roads, Bridges and Seawall's fund balance decreased by \$55,182. The reason for the decrease was due to the fact that some state revenues decreased below budgeted projections.

Among major funds, the Port Authority Funds had \$5,371,727 in revenues and \$5,415,583 in expenditures. The Port Authority Funds fund balance increased by \$165,366. The reason for the increase was due to transfers in exceeding budgeted expectations.

Capital assets, net, increased by \$16,440,891. This was due to the County's adding \$8,371,718 capital assets of the Airport, net as well as approximately \$60,000 of miscellaneous corrections; adding \$8,210,726 of new assets, net in 2004 and the removal of \$202,314 assets, net.

Long-term debt increased by \$4,040,263. This was due to principal payments being made on debt in the amount of \$5,000,000 and \$9,000,000 of additional debt incurred, which includes the addition of Airport debt in the amount of \$524,740.

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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) 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

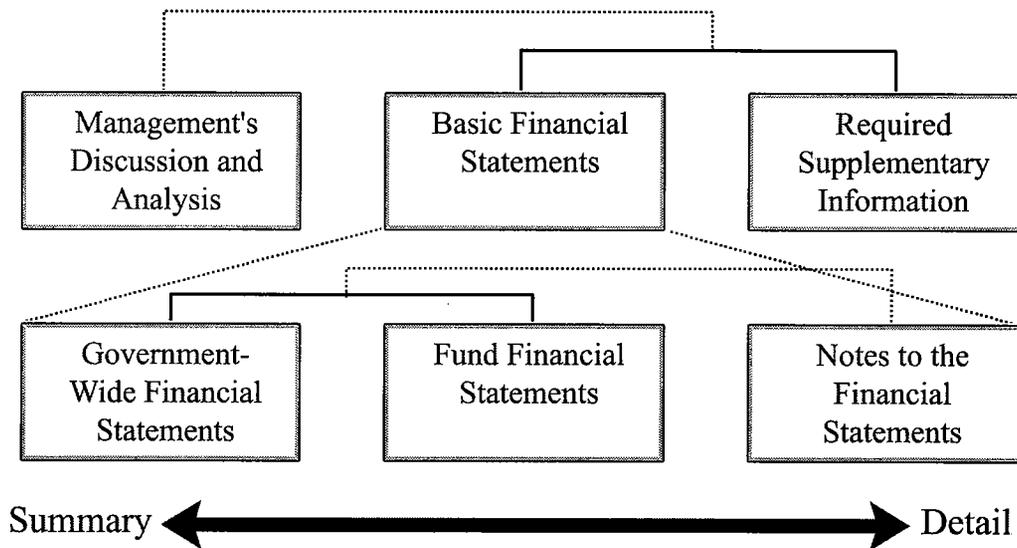


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	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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Government-wide Financial Statements. The 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 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 financial statements only and component units are not included.

The 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 government-wide financial statements. However, unlike the 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 government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the 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 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 government-wide financial statements.

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Fund financial statements for the proprietary funds provide the same type of information as the 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 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 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 42-46 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 47 of this report.

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 \$42,549,848 as of September 30, 2004.

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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, 2004.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Current assets	\$ 68,529,729	\$ 467,590
Non-current assets	<u>68,609,795</u>	<u>445,799</u>
Total assets	<u>137,139,524</u>	<u>913,389</u>
Current liabilities	52,864,469	80,661
Long-term debt outstanding	<u>41,725,207</u>	<u>47,515</u>
Total liabilities	<u>94,589,676</u>	<u>128,176</u>
Net assets:		
Invested in capital assets, net of related debt	51,575,099	408,807
Restricted	10,634,577	-
Unrestricted	<u>(19,659,828)</u>	<u>376,406</u>
Total net assets	<u>\$ 42,549,848</u>	<u>\$ 785,213</u>

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

- The Airport Authority was added to all schedules due to prescribed procedures of the State Auditor's Office.
- On December 23, 2003 \$3,500,000 of General Obligation Bonds were issued and on September 20, 2004 \$5,100,000 of General Obligation Bonds were issued.

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
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Changes in Net Assets – Jackson County's total revenues for the fiscal year ended September 30, 2004 was \$67,716,110. The total cost for all services provided was \$59,466,027. The increase in net assets was \$8,250,083. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2004.

Revenues:	Amount
Program revenues	
Charges for services	\$ 3,890,576
Operating grants and contributions	11,068,975
Capital grants and contributions	2,560,524
General revenues	
Property taxes	45,881,897
Road and bridge privilege taxes	1,687,204
Interest income	486,566
Other	2,140,368
Total Revenues	67,716,110
Expenses:	
General government	19,084,403
Public safety	11,801,140
Public works	17,894,796
Health and welfare	2,114,776
Culture and recreation	2,046,581
Economic development	2,085,310
Interest on long-term debt	1,894,284
Other expenses	2,544,737
Total Expenses	59,466,027
Increase in Net Assets	\$ 8,250,083

JACKSON COUNTY, MISSISSIPPI
 Management's Discussion and Analysis
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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>Net</u>
	<u>Cost</u>	<u>Cost</u>
<u>Governmental activities:</u>		
General Government	\$ 19,084,403	\$ 11,053,514
Public Safety	11,801,140	10,070,400
Public Works	17,894,796	11,374,698
Health & Welfare	2,114,776	1,986,453
Culture & recreation	2,046,581	2,011,707
Education	411,954	441,954
Conservation of natural resources	1,381,000	1,381,000
Economic development	2,085,310	1,703,437
Interest on long-term debt	1,894,284	1,894,284
<u>Business-type activities:</u>		
Adult detention center canteen fund	3,819	(6,189)
Golf Course	598,852	56,545
Harbor	110,221	(15,595)
Heinz building	8,891	(6,256)

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 \$22,594,786, an increase of \$4,721,749. The primary reasons for this increase are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- The County issued \$8,600,000 in two separate issues of general obligation bonds.

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
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The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$468,890. This decrease was primarily due to the transfer out to the Self-Funded Health Insurance Fund.

Business-type funds – Revenue from the all business-type activities increased by 10% to \$693,279 and expenses increased by 13% to \$720,444. The major factor contributing to these results is higher usage at the golf course.

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.

Even with these adjustments, actual disbursements were below final budget amounts by \$6,163 in the General Fund.

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, 2004, Jackson County's total capital assets was \$110,887,177. 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 \$25,117,130. The majority of this increase is due to the addition of the Airport's assets which were not included in fiscal year 2003 financial statements.

Total accumulated depreciation as of September 30, 2004 was \$43,172,988, including \$3,679,583 of depreciation expense for the year. The balance in total net capital assets was \$67,714,189 at year-end.

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Additional information on Jackson County's capital assets can be found in note 8 on page 28 of this report.

Debt Administration – At September 30, 2004, Jackson County had \$48,224,490 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 \$15.7 million is capital related. Of the \$32.5 million that is non-capital related, the majority was issued for assets owned by other entities or for economic development purposes.

In the past year, the County issued \$8,600,000 in general obligation bonds for industrial development purposes. 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 significantly below its current limit of 80 million dollars.

Additional information on Jackson County's long-term debt can be found in note 11 on page 32 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Jackson County Port Authority is currently in the process of constructing, installing, and equipping a building to be located in Jackson County for industrial operations in the next fiscal year and general obligation bonds in the amount of \$5,100,000 were issued. The Port Authority acknowledges that upon completion, the Project will initially be leased to Northrop Grumman Systems Corporation. Next year's budget will be amended to take into account these additional revenues and expenses.

The County is currently considering seeking funding for a jail expansion project expected to cost approximately \$10,000,000.

There are ten year tax exemptions that will expire for First Chemical and Northrup Grumman that will add approximately \$1,136,800 and \$957,760 respectively to the tax rolls for the next fiscal year. The millage rates and budgets for the next year will be adjusted accordingly.

The budget for the next fiscal year reflected a decrease of \$1,623,064 or 2% in revenues and a decrease of \$754,098 or 1% in expenses. This is expected to decrease the County's net assets.

JACKSON COUNTY, MISSISSIPPI
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Jackson County has an unemployment rate of 6.1% versus 5.5% a year ago. This compares favorably with the state average rate of 6.9%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI

Statement of Net Assets

September 30, 2004

	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-Type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Totals</u>
ASSETS			
Cash	\$ 27,991,488	484,273	28,475,761
Property tax receivable	37,983,060	-	37,983,060
Intergovernmental receivables	1,751,949	-	1,751,949
Other receivables	70,926	-	70,926
Amounts due from former officials	10,604	-	10,604
Fines receivable, net	610,062	-	610,062
Loans receivable, net	92,888	-	92,888
Inventories	-	2,069	2,069
Internal balances	18,752	(18,752)	-
Deferred debt expense, net	1,341,405	-	1,341,405
Capital assets, net	<u>67,268,390</u>	<u>445,799</u>	<u>67,714,189</u>
Total assets	<u>137,139,524</u>	<u>913,389</u>	<u>138,052,913</u>
LIABILITIES			
Claims payable	4,863,532	48,212	4,911,744
Inter-governmental payables	1,277,371	-	1,277,371
Accrued expenses	2,004,727	21,790	2,026,517
Deferred revenue	38,277,730	-	38,277,730
Long-term liabilities:			
Due within one year:			
Capital	2,378,662	10,659	2,389,321
Non-capital	4,062,447	-	4,062,447
Due in more than one year:			
Capital	13,314,629	26,333	13,340,962
Non-capital	<u>28,410,578</u>	<u>21,182</u>	<u>28,431,760</u>
Total liabilities	<u>94,589,676</u>	<u>128,176</u>	<u>94,717,852</u>
NET ASSETS			
Invested in capital assets, net of related debt	51,575,099	408,807	51,983,906
Restricted for capital projects	7,134,110	-	7,134,110
Restricted for debt service	3,500,467	-	3,500,467
Unrestricted net assets (deficit)	<u>(19,659,828)</u>	<u>376,406</u>	<u>(19,283,422)</u>
Total net assets	<u>\$ 42,549,848</u>	<u>785,213</u>	<u>43,335,061</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Activities
Year Ended September 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Governmental Activities	Primary Government	
		Charges for Services	Grants and Contributions		Capital Contributions	Business-Type Activities
Governmental activities:						
General government	\$ 19,084,403	2,355,246	4,955,255	720,388	(11,053,514)	-
Public safety	11,801,140	226,601	1,504,139	-	(10,070,400)	-
Public works	17,894,796	200,000	4,479,962	1,840,136	(11,374,698)	-
Health and welfare	2,114,776	-	128,323	-	(1,986,453)	-
Culture and recreation	2,046,581	33,578	1,296	-	(2,011,707)	-
Education	441,954	-	-	-	(441,954)	-
Conservation of natural resources	1,381,000	-	-	-	(1,381,000)	-
Economic development and assistance	2,085,310	381,873	-	-	(1,703,437)	-
Interest on long-term debt	1,894,284	-	-	-	(1,894,284)	-
Total governmental activities	58,744,244	3,197,298	11,068,975	2,560,524	(41,917,447)	-
Business-type activities:						
Adult detention center canteen fund	3,819	10,008	-	-	6,189	6,189
Harbor	110,221	125,816	-	-	15,595	15,595
Golf course	598,852	542,307	-	-	(56,545)	(56,545)
Heinz building	8,891	15,147	-	-	6,256	6,256
Total business-type activities	721,783	693,278	-	-	(28,505)	(28,505)
Total primary government	\$ 59,466,027	3,890,576	11,068,975	2,560,524	(41,917,447)	(41,945,952)
General revenues:						
Property taxes				\$ 45,881,897	-	45,881,897
Road and bridge privilege taxes				1,687,204	-	1,687,204
Interest income				480,199	6,367	486,566
Miscellaneous revenues				2,093,072	47,296	2,140,368
Transfers				300,000	(300,000)	-
Total general revenues and transfers				50,442,372	(246,337)	50,196,035
Change in net assets				8,524,925	(274,842)	8,250,083
Net assets - beginning of year, as previously reported				25,465,353	1,060,055	26,525,408
Net assets adjustment				8,559,570	-	8,559,570
Net assets - beginning of year, restated				34,024,923	1,060,055	35,084,978
Net assets - end of year				\$ 42,549,848	785,213	43,335,061

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2004

	<u>General</u>	<u>Roads, Bridges and Seawall</u>	<u>Port Authority Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 7,774,283	4,382,770	5,631,866	10,149,619	27,938,538
Property tax receivable	21,118,430	7,168,674	3,639,893	6,056,063	37,983,060
Fines receivable, net	610,062	-	-	-	610,062
Intergovernmental receivables	584,469	37,164	-	1,130,316	1,751,949
Due from other funds	1,180,120	214,100	43,358	81,838	1,519,416
Loans receivable, net	-	-	-	92,888	92,888
Amounts due from former officials	10,604	-	-	-	10,604
Total assets	\$ <u>31,277,968</u>	<u>11,802,708</u>	<u>9,315,117</u>	<u>17,510,724</u>	<u>69,906,517</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Claims Payable	\$ 1,642,323	822,794	-	1,664,929	4,130,046
Accrued payroll	1,157,063	294,350	-	64,445	1,515,858
Intergovernmental payables	1,267,855	-	-	9,516	1,277,371
Due to other funds	339,296	-	-	1,161,368	1,500,664
Deferred revenue	<u>21,741,242</u>	<u>7,168,674</u>	<u>3,639,893</u>	<u>6,337,983</u>	<u>38,887,792</u>
Total liabilities	<u>26,147,779</u>	<u>8,285,818</u>	<u>3,639,893</u>	<u>9,238,241</u>	<u>47,311,731</u>
 FUND BALANCES:					
Reserved for loans receivable	-	-	-	92,888	92,888
Reserved for amounts due from former officials	10,604	-	-	-	10,604
Unreserved, reported in:					
General funds	5,119,585	-	-	-	5,119,585
Special revenue funds	-	3,516,890	-	3,220,242	6,737,132
Debt service funds	-	-	3,485,729	14,738	3,500,467
Capital projects funds	-	-	2,189,495	4,944,615	7,134,110
Total fund balances	<u>5,130,189</u>	<u>3,516,890</u>	<u>5,675,224</u>	<u>8,272,483</u>	<u>22,594,786</u>
Total liabilities and fund balances	\$ <u>31,277,968</u>	<u>11,802,708</u>	<u>9,315,117</u>	<u>17,510,724</u>	<u>69,906,517</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Reconciliation of the Balance Sheet to the Statement of Net Assets
 Governmental Funds
 September 30, 2004

Fund balances - total governmental funds	\$	22,594,786
<p>Amounts reported for governmental activities in Statement of Net Assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets		109,997,102
Less accumulated depreciation		<u>(42,728,712)</u>
		67,268,390
<p>Fines receivable are not available to pay for current period expenditures and therefore are deferred in the general funds.</p>		
		610,062
<p>Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds</p>		
		(488,869)
<p>Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds</p>		
		(48,166,316)
<p>Deferred debt expense is not a financial resource and therefore is not reported in the governmental funds</p>		
		1,341,405
<p>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</p>		
		<u>(609,610)</u>
Net Assets of Governmental Activities	\$	<u>42,549,848</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, 2004

	<u>General</u>	<u>Roads, Bridges and Seawall</u>	<u>Port Authority Funds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 26,023,664	8,493,076	3,751,089	7,614,068	45,881,897
Road and bridge privilege taxes	-	1,687,204	-	-	1,687,204
Licenses, commissions and other revenue	1,773,067	-	-	-	1,773,067
Fines and forfeitures	1,111,695	-	-	77,110	1,188,805
Intergovernmental revenues	4,199,517	4,296,138	1,351,280	3,782,564	13,629,499
Charges for services	-	-	200,000	-	200,000
Interest income	254,386	70,403	69,358	86,052	480,199
Miscellaneous revenues	<u>1,390,906</u>	<u>72,234</u>	<u>-</u>	<u>491,208</u>	<u>1,954,348</u>
Total revenues	<u>34,753,235</u>	<u>14,619,055</u>	<u>5,371,727</u>	<u>12,051,002</u>	<u>66,795,019</u>
EXPENDITURES					
Current Operating:					
General government	17,835,436	-	-	1,134,831	18,970,267
Public safety	8,892,152	-	-	2,720,020	11,612,172
Public works	947,130	14,692,022	640,281	3,803,729	20,083,162
Health and welfare	2,064,500	-	-	-	2,064,500
Culture and recreation	1,856,291	-	-	198	1,856,489
Education	430,918	-	-	-	430,918
Conservation of natural resources	323,777	-	-	1,051,542	1,375,319
Economic development and assistance	951,066	-	953,985	35,500	1,940,551
Capital	464,049	-	-	5,227,448	5,691,497
Debt Service:					
Principal	312,808	-	2,582,778	2,296,266	5,191,852
Interest	<u>44,314</u>	<u>-</u>	<u>1,238,539</u>	<u>245,678</u>	<u>1,528,531</u>
Total expenditures	<u>34,122,441</u>	<u>14,692,022</u>	<u>5,415,583</u>	<u>16,515,212</u>	<u>70,745,258</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	9,207,665	9,207,665
Accrued interest received on long-term debt issued	-	-	-	27,643	27,643
Proceeds from sale of assets	137,475	17,785	-	121,011	276,271
Compensation for loss of capital assets	-	-	-	64,767	64,767
Transfers in	415,321	-	209,222	409,454	1,033,997
Transfers out	(1,652,480)	-	-	(356,543)	(2,009,023)
Debt issue costs	-	-	-	(117,184)	(117,184)
Net other financing sources (uses)	<u>(1,099,684)</u>	<u>17,785</u>	<u>209,222</u>	<u>9,356,813</u>	<u>8,484,136</u>
Net change in fund balances	<u>(468,890)</u>	<u>(55,182)</u>	<u>165,366</u>	<u>4,892,603</u>	<u>4,533,897</u>
Fund balances - beginning of year, as previously reported	5,599,079	3,572,072	5,509,858	3,192,028	17,873,037
Fund balance adjustments	-	-	-	187,852	187,852
Fund balances - beginning of year, restated	<u>5,599,079</u>	<u>3,572,072</u>	<u>5,509,858</u>	<u>3,379,880</u>	<u>18,060,889</u>
Fund balances - end of year	<u>\$ 5,130,189</u>	<u>3,516,890</u>	<u>5,675,224</u>	<u>8,272,483</u>	<u>22,594,786</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, 2004

Net Change in Fund Balances - total governmental funds	\$	4,533,897
Amounts reported for governmental activities in Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets		11,826,329
Less current year depreciation		(3,615,603)
Adjustments		<u>60,761</u>
		8,271,487
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		
		35,426
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		
		(96,118)
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.		
Long-term debt issued		(9,207,665)
Accrued interest received on long-term debt issued		(27,643)
Repayment of debt		5,191,854
Debt issue costs		117,184
Amortization and accretion of debt issue costs, discounts, and premiums		<u>(302,954)</u>
		(4,229,224)
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		
		(62,801)
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		
		(202,314)
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		
		271,074
Other		<u>3,498</u>
Change in Net Assets - governmental activities	\$	<u><u>8,524,925</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Net Assets (Deficit) - Proprietary Funds
September 30, 2004

	<u>Business- Type Activities</u>	<u>Governmental Activities</u>
	<u>Non-Major Enterprise Funds</u>	<u>Internal Service Funds</u>
ASSETS		
Current assets:		
Cash	\$ 484,273	52,950
Other receivables	-	70,926
Inventories	2,069	-
Total current assets	486,342	123,876
Non-current assets -		
Capital assets, net	445,799	-
Total assets	932,141	123,876
 LIABILITIES		
Current liabilities:		
Claims payable	48,212	733,486
Accrued payroll	21,790	-
Due to other funds	18,752	-
Current maturities of capital-related debt	10,659	-
Total current liabilities	99,413	733,486
 Non-Current Liabilities -		
Capital-related debt	26,333	-
Compensated absences liability	21,182	-
Total non-current liabilities	47,515	-
Total liabilities	146,928	733,486
 NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	408,807	-
Unrestricted	376,406	(609,610)
Total net assets (deficit)	\$ 785,213	(609,610)

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, 2004

	<u>Business- Type Activities</u>	<u>Governmental Activities</u>
	<u>Non-Major Enterprise Funds</u>	<u>Internal Service Funds</u>
OPERATING REVENUES		
Sales and charges for services	\$ 693,279	-
Premium income	-	3,747,640
Total operating revenues	<u>693,279</u>	<u>3,747,640</u>
OPERATING EXPENSES		
Personal services	346,181	-
Contractual services	114,094	-
Materials and supplies	187,262	-
Depreciation	63,980	-
Indirect expense allocation	8,927	-
Claims payments	-	3,094,691
Insurance premiums	-	1,656,248
Miscellaneous expenses	-	1,971
Total operating expenses	<u>720,444</u>	<u>4,752,910</u>
Operating loss	<u>(27,165)</u>	<u>(1,005,270)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	6,367	1,318
Gain on sale of capital assets	47,296	-
Interest expense	<u>(1,340)</u>	-
Net non-operating revenues (expenses)	<u>52,323</u>	<u>1,318</u>
Net income (loss) before capital contributions and transfers	25,158	(1,003,952)
Transfers in	-	1,275,026
Transfers out	<u>(300,000)</u>	-
Change in net assets	<u>(274,842)</u>	<u>271,074</u>
Total net assets (deficit) - beginning of year	<u>1,060,055</u>	<u>(880,684)</u>
Total net assets (deficit) - end of year	\$ <u><u>785,213</u></u>	<u><u>(609,610)</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2004

	<u>Business- Type Activities</u>	<u>Governmental Activities</u>
	<u>Non-Major</u>	<u>Internal</u>
	<u>Enterprise Funds</u>	<u>Service Funds</u>
Cash Flows From Operating Activities:		
Receipts from customers	\$ 693,279	-
Receipts for premiums	-	3,747,640
Payments to employees	(335,698)	-
Payments for claims	-	(2,824,943)
Payments for insurance premiums	-	(1,656,248)
Cash paid to suppliers	<u>(260,221)</u>	<u>(1,482)</u>
Net cash flows from operating activities	<u>97,360</u>	<u>(735,033)</u>
Cash Flows From Non-Capital Financing Activities -		
Transfers out	(300,000)	-
Repayment of loans from other funds	-	(542,141)
Transfers in	<u>-</u>	<u>1,275,026</u>
Net cash flows from non-capital financing activities	<u>(300,000)</u>	<u>732,885</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from sale of capital assets	47,296	-
Principal paid on long-term debt	(11,236)	-
Interest paid on debt	<u>(1,340)</u>	<u>-</u>
Net cash flows from capital and related financing activities:	<u>34,720</u>	<u>-</u>
Cash Flows From Investing Activities -		
Interest income	<u>6,367</u>	<u>1,318</u>
Net change in cash	(161,553)	(830)
Cash - beginning of year	<u>645,826</u>	<u>53,780</u>
Cash - end of year	\$ <u>484,273</u>	<u>52,950</u>
Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities:		
Operating loss	\$ (27,165)	(1,005,270)
Depreciation	63,980	-
Change in current assets and liabilities:		
Other receivables	-	1,017
Claims payable	41,135	269,220
Accrued payroll	8,907	-
Due to other funds	8,927	-
Compensated absences	<u>1,576</u>	<u>-</u>
Net cash flows from operating activities	\$ <u>97,360</u>	<u>(735,033)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,336,231
Inter-governmental receivables	<u>108,951</u>
Total assets	\$ <u>1,445,182</u>
LIABILITIES	
Claims payable and other accrued liabilities	\$ <u>1,445,182</u>
Total liabilities	\$ <u>1,445,182</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(1) Significant Accounting Policies

(a) Financial Reporting Entity

Jackson County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jackson County to present these financial statements on the primary government and its component units 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, 2004

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

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(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 fund and fiduciary fund 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.

The county's enterprise funds and business-type activities 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, 2004

(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.

Roads, Bridges, and Seawall Funds – These funds are used to account for revenues from specific revenue sources that are restricted for construction and maintenance of roads, bridges, and seawalls.

Port Authority Funds – These funds are used to account for proceeds and repayments of debt issued for construction of assets for the Jackson County Port Authority.

The county reports no major proprietary funds.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(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 expendable trusts) 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.

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, 2004

(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 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

(e) **Deposits and Investments**

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

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

(f) **Receivables**

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

(g) **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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(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 statement. 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.

General infrastructure assets acquired after September 30, 1980, are reported in the basic financial statements.

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.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported 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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(1) Significant Accounting Policies (continued)

(i) Capital Assets (continued)

	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 fund types 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 fund type 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.

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

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2004

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

(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.

(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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(1) Significant Accounting Policies (continued)

(l) Property Tax Revenues (continued)

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 when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year-end is also considered immaterial. Motor vehicle and mobile home taxes do not meet the measurability and collectability 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, 2004

(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 fund 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.

Therefore, the county's full liability in the amount of \$1,099,837 for accumulated unpaid personal leave up to a maximum of 30 days per employee payable from the Governmental Funds is reported as a liability in the Statement of Net Assets. In the Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$21,182, which represents an amount up to a maximum of 30 days per employee.

(2) **Fund Balance and Net Asset Adjustment**

In 2004, the County determined that the activities of the Jackson County Airport Authority (“the Airport”) should be included in the County’s financial statements as four non-major special revenue funds. The County has recorded a \$187,852 fund balance adjustment in the statement of revenues, expenditures, and changes in fund balance – governmental funds and a \$8,559,570 net asset adjustment in the statement of activities to record the September 30, 2003 fund balance and net assets of the Airport.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(3) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$29,811,992, and the bank balance was \$31,262,004. 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, collateralization of the entity's funds is monitored 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.

(4) Inter-Fund Transactions and Balances

The following is a summary of inter-fund balances at September 31, 2004:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Non-major special revenue funds	\$ 130,891
General fund	Non-major debt service funds	184,284
General fund	Non-major capital projects funds	846,193
General fund	Non-major enterprise funds	18,752
Roads, bridges and seawall	General fund	214,100
Port Authority funds	General fund	43,358
Non-major special revenue funds	General fund	49,435
Non-major capital projects funds	General fund	11,656
Non-major debt service funds	General fund	<u>20,747</u>
Total		\$ <u>1,519,416</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 2004. All inter-fund balances are expected to be repaid within one year of the date of the financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(4) **Inter-Fund Transactions and Balances (Continued)**

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Non-major special revenue fund	\$ 107,750
General fund	Non-major debt service funds	7,571
General fund	Non-major enterprise funds	300,000
Port Authority funds	Non-major debt service funds	209,222
Non-major special revenue funds	General fund	360,043
Non-major capital projects funds	General fund	17,411
Non-major special revenue funds	Non-major special revenue funds	32,000
Internal service funds	General fund	<u>1,275,026</u>
Total		\$ <u>2,309,023</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.

(5) **Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2004, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 553,436
Federal grants receivable	1,080,356
State grants receivable	<u>118,157</u>
Total intergovernmental receivables	\$ <u>1,751,949</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(6) Amounts Due From Former Officials

The County has recorded a receivable of \$10,604 on the balance sheet in the General Fund for amounts due from a former Deputy Tax Assessor in restitution to the County.

In addition, the former Deputy Tax Assessor has agreed to repay the County an additional \$508,396 as a part of his sentencing agreement. This amount will be recorded as revenue as the funds are collected. The County received \$106,034 on this balance in the year ended September 30, 2004. This amount has been included in miscellaneous revenues in the statements of revenues, expenditures and changes in fund balances – governmental funds and in the statement of activities.

(7) Loans Receivable

Loans receivable at September 30, 2004, 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
Sophie Enterprises	12-02-97	4 %	02-01-07	4,294
Lagniappe House loan	12-02-97	4 %	02-01-07	<u>88,593</u>
Loans receivable				265,122
Less: Reserve for bad debts				<u>(172,234)</u>
Loans receivable, net of bad debt reserve				\$ <u>92,888</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(8) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2004:

	<u>Balance</u> <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2004</u>
<u>Governmental Activities:</u>					
Land	\$ 5,285,024	2,933,772	(124,239)	1,610,701	9,705,258
Infrastructure	38,827,006	4,380,769	-	9,229,165	52,436,940
Buildings	24,318,496	971,860	-	112,300	25,402,656
Improvements other than buildings	923,319	543,239	-	3,409,839	4,876,397
Construction in progress	311,000	1,242,626	-	(183,589)	1,370,037
Mobile equipment	10,882,847	809,512	(693,746)	471,643	11,470,256
Other equipment	1,588,967	944,551	(97,472)	(22,179)	2,413,867
Leased property under capital lease	<u>2,489,536</u>	<u>-</u>	<u>-</u>	<u>(167,845)</u>	<u>2,321,691</u>
Total	<u>84,626,195</u>	<u>11,826,329</u>	<u>(915,457)</u>	<u>14,460,035</u>	<u>109,997,102</u>
<u>Less accumulated depreciation:</u>					
Infrastructure	12,197,469	1,551,824	-	4,388,211	18,137,504
Buildings	10,984,866	478,830	-	116,161	11,579,857
Improvements other than buildings	306,802	143,234	-	1,355,777	1,805,813
Mobile equipment	7,406,266	994,006	(713,143)	239,450	7,926,579
Other equipment	968,665	219,624	-	9,387	1,197,676
Leased property under capital lease	<u>1,934,628</u>	<u>228,085</u>	<u>-</u>	<u>(81,430)</u>	<u>2,081,283</u>
Total	<u>33,798,696</u>	<u>3,615,603</u>	<u>(713,143)</u>	<u>6,027,556</u>	<u>42,728,712</u>
Net capital assets – governmental activities	\$ <u>50,827,499</u>	<u>8,210,726</u>	<u>(202,314)</u>	<u>8,432,479</u>	<u>67,268,390</u>

\$8,371,718 of the adjustments to governmental capital assets was to add the capital assets of the Airport. The remaining \$60,761 was to record miscellaneous corrections.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(8) Capital Assets (continued)

	<u>Balance</u> <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2004</u>
<u>Business-Type Activities:</u>					
Land	\$ -	-	-	6,478	6,478
Buildings	75,000	-	-	-	75,000
Improvements other than buildings	557,027	-	-	-	557,027
Mobile equipment	511,825	-	(67,580)	(227,660)	216,585
Other equipment	-	-	-	<u>34,985</u>	<u>34,985</u>
Total	<u>1,143,852</u>	<u>-</u>	<u>(67,580)</u>	<u>(186,197)</u>	<u>890,075</u>
<u>Less accumulated depreciation:</u>					
Buildings	72,500	2,500	-	-	75,000
Improvements other than buildings	174,134	32,266	-	-	206,400
Mobile equipment	387,439	29,214	(67,580)	(211,385)	137,688
Other equipment	-	-	-	<u>25,188</u>	<u>25,188</u>
	<u>634,073</u>	<u>63,980</u>	<u>(67,580)</u>	<u>(186,197)</u>	<u>444,276</u>
Net capital assets – business-type activities	\$ <u>509,779</u>	<u>(63,980)</u>	<u>(-)</u>	<u>-</u>	<u>445,799</u>

Business-type capital assets have been adjusted to remove items below capitalization thresholds.

Depreciation expense was charged to the following functions:

<u>Description</u>	<u>Amount</u>
Governmental activities:	
General government	\$ 541,974
Public safety	385,975
Public works	2,408,722
Health and welfare	33,918
Culture and recreation	110,309
Education	11,122
Economic development and assistance	<u>123,583</u>
Total governmental activities depreciation expense	\$ <u>3,615,603</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(8) Capital Assets (continued)

Business-type activities:

Golf course	\$	57,166
Harbor		<u>6,814</u>

Total business-type activities depreciation expense	\$	<u>63,980</u>
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(9) Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The county pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$500,000 for law enforcement personnel and \$400,000 for all other employees 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, 2004, to January 1, 2005. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County is exposed to risk of loss relating to employee health and accident 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:

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(9) Claims and Judgments (Continued)

The county has purchased reinsurance from an outside commercial carrier which functions on two separate stop loss coverages: specific and aggregate. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$100,000 (\$150,000 for one named individual) and the aggregate policy covers all submitted claims in excess of \$1,000,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. At September 30, 2004, the amount of these liabilities was \$733,486. An analysis of claims activities is presented below:

	Current Year Beginning of Fiscal Year <u>Liability</u>	Claims and Changes in <u>Estimates</u>	<u>Claims Payments</u>	Balance at Fiscal Year End
2002-2003	\$ 304,423	3,368,467	3,209,112	463,778
2003-2004	\$ 463,778	3,094,691	2,824,983	733,486

(10) Capital Leases

The county is obligated for the following assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	Governmental <u>Activities</u>
Other furniture and equipment	\$ 2,298,806
Mobile equipment	<u>22,885</u>
Total	2,321,691
Less accumulated depreciation	<u>(2,081,283)</u>
Leased Property Under Capital Leases	\$ <u>240,408</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(10) Capital Leases (Continued)

The following is a schedule by years of the total payments due as of September 30, 2004:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 510,771	22,175
2006	7,992	736
2007	8,252	476
2008	<u>8,520</u>	<u>208</u>
Total payments	\$ <u>535,535</u>	<u>23,595</u>

(11) Long-term Debt

Debt outstanding as of September 30, 2004, 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	\$ 385,000	4.8 – 6.5	5-1-09
Road improvement refunding	1,945,000	4.8 – 5.7	5-1-09
Sunplex bonds	140,000	8.3 – 10.0	2-1-05
Heinz building bonds	175,000	8.0 – 10.0	3-1-05
1998 Port improvement bonds	5,000,000	5.5	5-1-18
HAM Marine – MBIA bonds	2,603,141	2.0	11-1-11
Series 2002 refunding	15,135,000	2.0 – 4.0	12-1-14
Series 2003 refunding	6,840,000	1.15 – 5.1	3-1-14
Moss Point Ind. Park	3,500,000	3.66	12-1-08
Northrop Grumman site	<u>5,100,000</u>	4.0 – 5.0	8-1-14
Total General Obligation Bonds	\$ <u>40,823,141</u>		

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(11) **Long-term Debt (continued)**

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
(b) <u>Capital Leases:</u>			
Radio system – Motorola	\$ 304,775	6.94	1-1-05
Computer – Hewlett Packard	120,985	6.10	7-9-01
Computer – Hewlett Packard	59,169	6.10	7-9-01
Computer – Hewlett Packard	15,365	6.44	1-15-02
Chevrolet Impala	2,737	6.00	2-10-05
Ford F-800	<u>32,504</u>	3.23	6-15-08
Total Capital Leases	\$ <u>535,535</u>		
(c) <u>Other Loans</u>			
Homeport construction	\$ 4,023,000	0.00	8-1-07
Franklin Creek – Forts Lake	70,836	4.56	7-27-08
Vancleave fire department	58,394	4.84	5-26-08
Fontainebleau fire department	34,109	4.84	7-8-08
West Jackson County Volunteer Fire Department	39,250	4.84	5-26-08
Fire equipment promissory note	35,186	4.62	4-23-09
Vancleave fire department	129,516	4.10	1-9-10
Fort Bayou fire department	498,572	5.26	1-15-17
West Jackson County fire department	102,586	4.05	7-15-08
Latimer VFD fire truck	82,925	2.75	7-16-07
Airport hangar 2-7	<u>524,740</u>	3.50	10-15-07
Total Other Loans	\$ <u>5,599,114</u>		

Business-Type Activities:

(a) Other Loans

Tractor loan	\$ <u>36,992</u>	3.0	11-12-07
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JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(11) Long-term Debt (continued)

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</u> <u>September 30,</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 4,217,778	1,572,707	1,712,560	62,376
2006	4,342,778	1,427,335	1,693,623	57,630
2007	4,497,778	1,280,664	1,688,625	42,988
2008	4,517,778	1,119,549	93,487	27,273
2009	4,312,778	963,089	61,033	20,445
2010-2014	16,304,251	2,584,059	222,666	65,211
2015-2019	<u>2,630,000</u>	<u>274,250</u>	<u>127,120</u>	<u>10,204</u>
Total	\$ <u>40,823,141</u>	<u>9,221,653</u>	<u>5,599,114</u>	<u>286,127</u>

Business-Type Activities:

<u>Year Ending</u> <u>September 30,</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 10,659	1,916
2006	11,939	636
2007	12,308	267
2008	<u>2,086</u>	<u>8</u>
Total	\$ <u>36,992</u>	<u>2,827</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the 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, 2004, the amount of outstanding debt was equal to 2.7% of the latest property assessments.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(11) **Long-term Debt (continued)**

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, 2004, \$21,910,000 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, 2004:

	Balance Oct. 1, <u>2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	Balance Sept. 30, <u>2004</u>	Due Within <u>One Year</u>
Governmental Activities:						
Compensated absences	\$ 1,003,719	96,118	-	-	1,099,837	-
General obligation bonds	35,325,919	8,600,000	(3,102,778)	-	40,823,141	4,217,778
Limited obligation bonds	275,000	-	(275,000)	-	-	-
Capital leases	885,806	-	(320,304)	(29,967)	535,535	510,771
Other loans	6,485,219	607,665	(1,493,770)	-	5,599,114	1,712,560
Bond premiums, net	<u>150,390</u>	<u>-</u>	<u>(41,701)</u>	<u>-</u>	<u>108,689</u>	<u>-</u>
Total	\$ <u>44,126,053</u>	<u>9,303,783</u>	<u>(5,233,553)</u>	<u>(29,967)</u>	<u>48,166,316</u>	<u>6,441,109</u>

The adjustment to the capital leases balance is to reclassify September 30, 2003 accrued interest from the principal balance of the leases to accrued interest.

Business-Type Activities:

Compensated absences	\$ 19,606	1,576	-	-	21,182	-
Other loans	<u>48,228</u>	<u>-</u>	<u>(11,236)</u>	<u>-</u>	<u>36,992</u>	<u>10,659</u>
Total	\$ <u>67,834</u>	<u>1,576</u>	<u>(11,236)</u>	<u>-</u>	<u>58,176</u>	<u>10,659</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(12) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2004:

<u>Fund</u>	<u>Fund Balance</u>
Special revenue funds -	
FAA runway grant	\$ (1,675)
Debt service funds -	
Roads	(10,563)
Capital projects funds:	
Industrial water project	(1,024,798)
Helena press sewer and water	(134,861)
East Central community center	(1,980)
Internal service fund -	
Self-insured health insurance	(612,133)

(13) Contingencies

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

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(13) Contingencies (continued)

The County has been named as a defendant in a lawsuit seeking compensatory damages of \$10,000,000. 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. The County has been successful in having several of the claims in this case dismissed. However, one claim in this suit is pending. The County is confident that its actual liability, if any, from this lawsuit will be substantially less than the plaintiffs are seeking. No provision has been made in the accompanying financial statements for this contingent liability since the amount of the potential loss 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 year end is as follows:

<u>Description</u>	<u>Balance at September 30, 2004</u>
General obligation bonds	\$ <u>4,725,000</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, 2004, consists of the following:

<u>Description</u>	<u>Balance at September 30, 2004</u>
Revenue bonds	\$ 53,200,000
Other	<u>23,826,010</u>
Total	\$ <u>77,026,010</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(13) **Contingencies (continued)**

Other

The County has expended approximately \$2,000,000 on an economic development project in recent years. The County anticipates that a portion of this cost may be reimbursed under a grant from the Mississippi Development Authority. However, it is not known at this time how much of the cost will ultimately be reimbursed. Therefore, no receivable has been recorded in the financial statements.

(14) **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, 2004</u>
Industrial revenue bonds and notes	\$ <u>61,650,706</u>

(15) **Subsequent Event**

On December 21, 2004, the County issued \$10,000,000 of general obligation bonds, bearing interest at 3.0% to 5.0%. The bonds will be repaid from the road fund.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(16) 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, 2004:

	<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	\$ 217,410	98,811	134,013	36,108	486,342
Capital assets	-	<u>12,402</u>	<u>433,397</u>	-	<u>445,799</u>
Total assets	<u>217,410</u>	<u>111,213</u>	<u>567,410</u>	<u>36,108</u>	<u>932,141</u>
Current liabilities	51	12,466	86,255	641	99,413
Non-current liabilities	-	<u>2,245</u>	<u>45,270</u>	-	<u>47,515</u>
Total liabilities	<u>51</u>	<u>14,711</u>	<u>131,525</u>	<u>641</u>	<u>146,928</u>
Net assets:					
Invested in capital assets, net of related debt	-	12,402	396,405	-	408,807
Unrestricted	<u>217,359</u>	<u>84,100</u>	<u>39,480</u>	<u>35,467</u>	<u>376,406</u>
Total net assets	\$ <u>217,359</u>	<u>96,502</u>	<u>435,885</u>	<u>35,467</u>	<u>785,213</u>

Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets:					
Operating revenues	\$ 10,008	125,816	542,280	15,175	693,279
Operating expenses	3,819	103,407	540,347	8,891	656,464
Depreciation expense	-	<u>6,814</u>	<u>57,166</u>	-	<u>63,980</u>
Operating income (loss)	6,189	15,595	(55,233)	6,284	(27,165)
Interest income	3,167	1,442	814	944	6,367
Interest expense	-	-	(1,340)	-	(1,340)
Gain on sale of capital assets	-	-	47,296	-	47,296
Transfers out	-	-	-	(300,000)	(300,000)
Change in net assets	9,356	17,037	(8,463)	(292,772)	(274,842)
Net assets – beginning	<u>208,003</u>	<u>79,465</u>	<u>444,321</u>	<u>328,266</u>	<u>1,060,055</u>
Net asset – ending	\$ <u>217,359</u>	<u>96,502</u>	<u>435,858</u>	<u>35,494</u>	<u>785,213</u>

Condensed Statement of Cash Flows:					
Net cash provided (used) by:					
Operating activities	\$ 6,240	22,767	62,898	5,455	97,360
Non-capital financing activities	-	-	-	(300,000)	(300,000)
Capital and related financing activities	-	-	34,720	-	34,720
Investing activities	<u>3,167</u>	<u>1,442</u>	<u>814</u>	<u>944</u>	<u>6,367</u>
Net change in cash	9,407	24,209	98,432	(293,601)	(161,553)
Cash – beginning	<u>208,003</u>	<u>74,602</u>	<u>33,512</u>	<u>329,709</u>	<u>645,826</u>
Cash – ending	\$ <u>217,410</u>	<u>98,811</u>	<u>131,944</u>	<u>36,108</u>	<u>484,273</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(17) 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 2004.

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 \$153,596 for support of Jackson County Civic Action in fiscal year 2004.

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 \$24,470 for support of Gulf Regional Planning and Development District in fiscal year 2004.

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 2004.

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 \$5,312,968 for maintenance and support of the college in fiscal year 2004.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2004

(17) Jointly Governed Organizations (continued)

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.

(18) 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 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2004, 2003, and 2002, were \$1,666,217, \$1,588,470, and \$1,561,984, respectively, equal to the required contributions for each year.

(19) Other Information

As a result of revenue shortfalls, the State Tax Commission had to withhold 7% of the March 2004 homestead exemption reimbursement from local governments. The amount withheld from Jackson County during the 2004 fiscal year was \$85,621.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund
 Year Ended September 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Property taxes	\$ 25,800,000	26,058,815	26,058,826	11
Licenses, commissions and other revenue	2,310,388	1,767,324	1,767,324	-
Fines and forfeitures	208,500	1,126,827	1,126,827	-
Intergovernmental revenues	4,604,536	4,649,190	4,649,190	-
Interest income	223,000	249,564	249,564	-
Miscellaneous revenues	<u>2,495,689</u>	<u>1,440,948</u>	<u>1,440,948</u>	<u>-</u>
Total revenues	<u>35,642,113</u>	<u>35,292,668</u>	<u>35,292,679</u>	<u>11</u>
EXPENDITURES				
Current Operating:				
General government	21,585,986	17,111,094	17,106,767	(4,327)
Public safety	8,748,127	8,538,485	8,538,485	-
Public works	1,047,106	835,769	833,934	(1,835)
Health and welfare	2,254,163	1,988,657	1,988,657	-
Culture and recreation	2,316,399	2,221,686	2,221,685	(1)
Education	820,600	647,715	647,715	-
Conservation of natural resources	361,326	262,813	262,813	-
Economic development and assistance	988,850	918,380	918,380	-
Debt Service:				
Principal	315,386	315,397	315,397	-
Interest	<u>41,725</u>	<u>41,725</u>	<u>41,725</u>	<u>-</u>
Total expenditures	<u>38,479,668</u>	<u>32,881,721</u>	<u>32,875,558</u>	<u>(6,163)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	137,475	137,475	-
Transfers in	776,530	367,375	367,375	-
Transfers out	<u>-</u>	<u>(1,124,126)</u>	<u>(1,124,126)</u>	<u>-</u>
Net other financing sources (uses)	<u>776,530</u>	<u>(619,276)</u>	<u>(619,276)</u>	<u>-</u>
Net change in fund balances	<u>(2,061,025)</u>	<u>1,791,671</u>	<u>1,797,845</u>	<u>6,174</u>
Fund balances - beginning of year	<u>-</u>	<u>4,546,024</u>	<u>5,689,562</u>	<u>1,143,538</u>
Fund balances - end of year	\$ <u>(2,061,025)</u>	<u>6,337,695</u>	<u>7,487,407</u>	<u>1,149,712</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Roads, Bridges, and Seawall Funds
 Year Ended September 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Property taxes	\$ 8,515,999	8,498,102	8,498,102	-
Road and bridge privilege taxes	1,500,000	1,695,602	1,695,602	-
Intergovernmental revenues	3,517,316	3,060,174	3,060,174	-
Interest income	-	70,403	70,403	-
Miscellaneous revenues	<u>50,000</u>	<u>72,234</u>	<u>72,234</u>	-
Total revenues	<u>13,583,315</u>	<u>13,396,515</u>	<u>13,396,515</u>	-
EXPENDITURES				
Current Operating:				
Public works	<u>18,465,155</u>	<u>12,883,585</u>	<u>12,882,910</u>	<u>(675)</u>
Total expenditures	<u>18,465,155</u>	<u>12,883,585</u>	<u>12,882,910</u>	<u>(675)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	17,785	17,785	-
Transfers in	2,200,000	2,200,000	2,200,000	-
Transfers out	<u>-</u>	<u>(2,200,000)</u>	<u>(2,200,000)</u>	-
Net other financing sources (uses)	<u>2,200,000</u>	<u>17,785</u>	<u>17,785</u>	-
Net change in fund balances	<u>(2,681,840)</u>	<u>530,715</u>	<u>531,390</u>	<u>675</u>
Fund balances - beginning of year	-	<u>3,851,383</u>	<u>3,851,383</u>	-
Fund balances - end of year	\$ <u>(2,681,840)</u>	<u>4,382,098</u>	<u>4,382,773</u>	<u>675</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Port Authority Funds
 Year Ended September 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Property taxes	\$ 3,784,350	3,748,910	3,748,910	-
Intergovernmental revenues	1,000,000	1,351,280	1,351,280	-
Charges for services	-	200,000	200,000	-
Interest income	400,000	69,358	69,358	-
Total revenues	<u>5,184,350</u>	<u>5,369,548</u>	<u>5,369,548</u>	<u>-</u>
EXPENDITURES				
Current Operating:				
Public works	2,900,000	740,490	740,490	-
Economic development	-	953,985	953,985	-
Debt Service:				
Principal	2,583,000	2,572,733	2,517,012	(55,721)
Interest	1,176,365	1,248,584	1,304,305	55,721
Total expenditures	<u>6,659,365</u>	<u>5,515,792</u>	<u>5,515,792</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	198,000	209,222	209,222	-
Net other financing sources (uses)	<u>198,000</u>	<u>209,222</u>	<u>209,222</u>	<u>-</u>
Net change in fund balances	<u>(1,277,015)</u>	<u>62,978</u>	<u>62,978</u>	<u>-</u>
Fund balances - beginning of year	-	5,568,888	5,568,888	-
Fund balances - end of year	\$ <u>(1,277,015)</u>	<u>5,631,866</u>	<u>5,631,866</u>	<u>-</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2004

(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, 2004

(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>Roads, Bridges, and Seawall</u>	<u>Port Authority Funds</u>
Budget (cash basis)	\$ 1,797,845	531,390	62,978
Increase (decrease):			
Net adjustment for revenue accruals	(7,756)	1,222,541	2,179
Net adjustment for expenditure accruals	<u>(2,258,979)</u>	<u>(1,809,113)</u>	<u>100,209</u>
GAAP Basis	\$ <u>(468,890)</u>	<u>(55,182)</u>	<u>165,366</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, 2004.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JACKSON COUNTY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2004

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice - Office of Justice Programs - Passed Through the Mississippi Department of Public Safety:			
Juvenile Accountability Incentive Block Grant	16.523	1JB1301	85,428
Byrne Formula Grant Program	16.579	3NM1301	157,074
Local Law Enforcement Block Grant	16.592	2003-LB-BX-1156	77,076
COPS Methamphetamine	16.710	2002CKWX0215	238,598
COPS Methamphetamine	16.710	2002CKWX0067	158,340
COPS Homeland Security Overtime Program	16.710	2003OMWX0124	68,948
Underage Alcohol Enforcement	16.727	3UA1301	11,275
Safe Streets Task Force	16.xxx	166E-JN-C20051	7,081
Triad Elderly Crime Prevention	16.xxx	4CA1301	8,000
Total U.S. Department of Justice			<u>811,820</u>
Department of Homeland Security - Federal Emergency Management Agency - Passed Through the Mississippi Emergency Management Agency:			
Domestic Preparedness Equipment	97.004	3SSG-3022	12,174
Domestic Preparedness Equipment	97.004	3SUP-54	11,604
Public Assistance - Hurricane Georges	97.036	1251-DR-MS	7,617
Public Assistance - Hurricane Ivan	97.036	1550-DR-MS	110,478
Hazard Mitigation	97.039	1251-037	7,390
Emergency Management Assistance Program	97.042	EMAP-2004	44,280
State Homeland Security Grant Program	97.xxx	2DPG-28	24,995
Total Federal Emergency Management Agency			<u>218,538</u>
U.S. Department of Transportation - Federal Highway Administration - Passed Through the Mississippi Department of Transportation:			
Highway Planning and Construction	20.205	BR NBIS 059B	8,470
Highway Planning and Construction	20.205	BR NBIS 060B	9,680
STEP Occupant Protection	20.602	4-IN-130-1	9,976
U.S. Department of Transportation - Federal Aviation Administration:			
Other transaction agreement	20.xxx	n/a	186,079
Airport improvement program	20.106	3-28-0101-017-2003	115,785
Total U.S. Department of Transportation			<u>329,990</u>
U.S. Department of Agriculture - Passed Through the Mississippi Department of Education:			
School Breakfast Program	10.553	12-35-2823	7,840
School Lunch Program	10.555	12-35-2823	11,759
Total U.S. Department of Agriculture			<u>19,599</u>
Office of National Drug Control Policy - Passed Through the Mississippi Department of Public Safety:			
High Intensity Drug Trafficking Area Award	07.UN	I2PGCP518	3,204
High Intensity Drug Trafficking Area Award	07.UN	I3PGCP518	23,747
Total Office of National Drug Control Policy			<u>26,951</u>
U.S. Department of Housing and Urban Development:			
Community Development Block Grant	14.228	1119-02-030-PF-01	177,500
EDI Special Impacts Program	14.xxx	B-02-SP-MS-0355	720,388
Total U.S. Department of Housing and Urban Development			<u>897,888</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	1,052,122
U.S. Department of Fisheries and Wildlife -			
USDFW grant	15.xxx	1448-40181-02-G-021	37,164
U.S. Department of Treasury -			
Gang Resistance Education and Training	21.053	ATC03000131	13,896
Total expenditures of federal awards			<u>\$ 3,407,968</u>

See accompanying notes to schedule of expenditures of federal awards.

JACKSON COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
September 30, 2004

(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

Jackson 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>83,711</u>
MS Coastal Impact Assistance Program	11.419	\$ <u>297,803</u>

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 Jackson County, Mississippi, as of and for the year ended September 30, 2004, and have issued our report thereon dated March 3, 2005. The auditor's 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 as required by accounting principles generally accepted in the United States of America. Except for the limitation referred to above, 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.

Compliance

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

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 opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Jackson County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as Findings 04-1, 04-2, 04-3, 04-4 and 04-5.

A material weakness is a 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of Jackson County, Mississippi, in a separate communication dated March 3, 2005.

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.

Breazeale, Saunders & O'Neil, LLP.

March 3, 2005

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, 2004. 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, 2004. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 04-6.

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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Jackson County, Mississippi's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 04-6.

A material weakness is a 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 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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.

Brazzale, Saunders & O'Neil, LLP

March 3, 2005

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, 2004. 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.

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

Finding – Purchasing Department

The County purchased asphalt from a vendor for \$30 per ton from May through August 2004. The vendor had submitted the low bid of \$28.75 per ton in bidding for the semi-annual asphalt contract with the County. Total overcharges were \$447.

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

Recommendation

The County should seek reimbursement for the over-charges.

Response

The County has requested and received reimbursement for the over-charges.

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

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

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.

Brazzale, Saunders & O'Neil, Inc.

March 3, 2005

Schedule 1

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
September 30, 2004

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

Schedule 2

JACKSON COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
September 30, 2004

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
5/04	Fuses for truck	\$ 10	NAPA	repair needed on Saturday
8/04	Repair security system	665	Lawson's Hardware	judge locked in courtroom
9/04	Propane	216	Blossman Gas	Propane needed for community center rental - *
9/04	Rental truck	283	U-Haul	Hurricane Ivan preparation
9/04	Moving records	9,643	Long's Transfer & Storage	Hurricane Ivan preparation

* - With proper planning, propane should not have been needed on an emergency basis for a community center rental.

Schedule 3

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases made
Noncompetitively from a Sole Source
September 30, 2004

<u>Items</u> <u>Date</u>	<u>Purchased</u>	<u>Vendor</u>	<u>Amount</u>
1/04	Stenographic equip.	Stenograph	\$ 7,935
1/04	Install variable speed drives	York International	60,840
2/04	Recorders & transcribers	Lanier	12,075
2/04	Radios & equip.	Motorola	4,361
4/04	Radios & equip.	Motorola	4,188
6/04	Radio interconnect system	Motorola	24,995

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2004

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. Five reportable conditions in internal control over financial reporting were disclosed during the audit of the primary government financial statements are reported in Section 2 of this Schedule.
4. One instance of non-compliance with requirements of major federal award programs is reported in Section 3 of this Schedule.
5. One reportable condition in internal control over compliance with requirements of major federal award programs is reported in Section 3 of this Schedule.
6. One audit finding that is required to be reported in accordance with Section 510(a) of OMB Circular A-133 is reported in Section 3 of this Schedule.
7. The programs tested as major programs were:

11.419	Mississippi Coastal Impact Assistance Program
14.xxx	EDI Special Impacts Program
8. The threshold for distinguishing Types A and B programs is \$300,000.
9. Jackson County, Mississippi, was determined to be a low-risk auditee.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2004

Section 2: Financial Statement Findings

Internal Control

04-1 Finding – Circuit Clerk

There is inadequate segregation of duties in relation to cash. The bookkeepers have the ability to write and sign checks.

Recommendation

All checks not signed by the Circuit Clerk should require the signatures of two authorized check signers.

04-2 Finding – Justice Court Clerk

There is inadequate segregation of duties in relation to cash. The bookkeeper has the ability to write and sign checks, as well as reconcile the bank statements and make deposits.

Recommendation

The bookkeeper should not be allowed to write and sign checks and make deposits. Ideally, bank reconciliations should be prepared by someone other than the bookkeeper. However, if the bookkeeper does prepare the bank reconciliations, at a minimum, the Clerk should receive the bank statements unopened from the bank, open and thumb through the bank statement, then forward to the bookkeeper. All bank reconciliations should be reviewed on a timely basis, and at least once each year, on a surprise basis, someone other than the bookkeeper should reconcile the bank statement. All checks not signed by the Justice Court Clerk should require the signatures of two authorized check signers.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2004

Section 2: Financial Statement Findings (Continued)

Internal Control (Continued)

04-3 Finding – Chancery Clerk

The Finance Deputy Clerk has the ability to write and sign checks, as well as reconcile the bank statements and make deposits. This is mitigated by close supervision and by a requirement that any checks not signed by the Chancery Clerk be signed by two authorized check signers. Also, there is no daily comparison of court fee bank deposits with the court fee journal.

Recommendation

Ideally, bank reconciliations should be prepared by someone other than the Finance Deputy Clerk. However, if the Finance Deputy Clerk does prepare the bank reconciliations, at a minimum, the Chancery Clerk should receive the bank statements unopened from the bank, open and thumb through the bank statement, then forward to the bookkeeper. All bank reconciliations should be reviewed on a timely basis, and at least once each year, on a surprise basis, someone other than the Finance Deputy Clerk should reconcile the bank statement.

Bank deposits should be reconciled to the court fees posted to the fee journal each day.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2004

Section 2: Financial Statement Findings (Continued)

Internal Control (Continued)

04-4 Finding – Finance and Inventory Control Departments

As reported in the prior year, many parcels of land that are titled in the County's name are not included in the capital assets inventory. In 2004, the County added virtually all of these parcels to its capital assets inventory. However, many of these parcels either are not truly owned by the County (sale-leaseback with a bargain purchase option, land forfeited to the state for non-payment of taxes, etc) or it is not clear which governmental entity should record the land in its accounting records. Due to the uncertainty regarding the parcels of land added to the capital assets inventory in 2004, the inventory was restated to its September 30, 2003 balance plus the 2004 activity.

Recommendation

The Finance Director should consult with the Board Attorney's Office and the State Auditor's Office and make a determination as to which parcels of land should be included in the County's capital assets inventory.

04-5 Finding – Finance and Inventory Control Departments

As reported in the prior year, there is no reconciliation done between the capital asset additions recorded in the capital asset inventory and the charges to the capital asset accounts in the general ledger. This could (and has in the past) result in a failure to detect when assets were capitalized at improper amounts (or not capitalized at all). In the past, one cause of this condition was the inconsistency of recording capital asset acquisitions in the general ledger. However, the County appears to have made substantial progress in charging items properly to the capital asset accounts in the general ledger in 2004.

Recommendation

The County should reconcile capital asset additions between the general ledger and the capital asset inventory.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2004

Section 3: Federal Award Findings and Questioned Costs

Compliance and Internal Control

04-6 Finding – Department of Finance

As reported in the prior year, the County has received reimbursement for costs incurred under its Mississippi Coastal Impact Assessment Program grant prior to actually making the expenditure being reimbursed. Twenty-eight (28) reimbursements totaling \$539,776 were received from eighteen (18) to ninety-eight (98) days prior to the related costs being paid. Interest earned by the County on the funds received in advance was about \$978. It should be noted that most of these occurred while the County was without a Finance Director.

Questioned Cost

We question the \$978 interest the County earned on the grant funds received in advance.

Recommendation

The County should contact the National Oceanic and Atmospheric Administration (“NOAA”) to determine whether it should refund the interest earned. The County should comply with the cash management requirements of its grants.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JACKSON COUNTY, MISSISSIPPI
Summary Schedule of Prior Audit Findings
September 30, 2004

02-5 Finding – Department of Finance

We found several instances where the County received reimbursement for reimbursements it made to sub-grantees under its Byrne Formula Grant prior to the County's reimbursement to the sub-grantee. Cash management requirements under reimbursement grants require that the County only be reimbursed for expenditures after actually making the expenditure being reimbursed.

Recommendation

The County should comply with the cash management requirements of its grants.

Follow Up

We found no significant instances where the County received reimbursement prior to making the expenditure being reimbursed.

03-6 Finding – Department of Finance

We found 11 instances totaling \$271,096 where the County received reimbursement for costs incurred under its Mississippi Coastal Impact Assessment Program grant. These reimbursements were received from 4 to 40 days prior to the related costs being paid. Cash management requirements under reimbursement grants require that the County only be reimbursed for expenditures after actually making the expenditure being reimbursed.

Recommendation

The County should comply with the cash management requirements of its grants.

Follow Up

The County has continued to be reimbursed for expenditures under this grant prior to making the expenditure. See Finding 04-7.

CORRECTIVE ACTION PLAN

BOARD OF SUPERVISORS

JACKSON COUNTY, MISSISSIPPI

Post Office Box 998
Pascagoula, Mississippi 39568
228-769-3089

June 23, 2005

Office of the State Auditor
501 North West Street, Suite 801
Jackson, MS 39201

Re: Corrective Action Plan, Jackson County, Mississippi, September 30, 2004

Gentlemen:

The findings from the Schedule of Findings and Questioned costs are addressed below. The findings are numbered consistently with the numbers assigned in the schedule.

- 04-1 We have implemented the recommendation.
- 04-2 Justice Court has changed its policy in which the Justice Court Clerk is now the only authorized signer on the accounts and the Justice Court Clerk is reviewing all bank reconciliations each month. The bookkeeper is not making bank deposits.
- 04-3 Cindy Pierce is the Finance Deputy Clerk and was employed primarily for bank reconciliations and check preparation. All checking accounts for the Chancery Clerk's office require two authorized signatures. The Chancery Clerk will review all bank statements along with required back up each month.
- 04-4 We will follow your recommendation.
- 04-5 We will continue to provide the inventory control department with reports to reconcile additions between the general ledger and the capital asset inventory.
- 04-6 We have contacted the National Oceanic and Atmospheric Administration ("NOAA") to determine how to refund the interest earned. We will continue to monitor this situation until it is resolved.

Sincerely,



Manly Barton, Board President