

JACKSON COUNTY, MISSISSIPPI

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

September 30, 2003
(With Independent Auditors' Report Thereon)

JACKSON COUNTY, MISSISSIPPI
September 30, 2003

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JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2003

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, 2003. 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. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

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 \$11,856,697, which represents an 87% increase from the prior fiscal year. This increase is materially due to a \$7.4 Million increase in capital assets or infrastructure and a \$2.1 Million reduction in debt. The County's ending cash balance increased by \$3,181,668, which represents an 18% increase from the prior fiscal year.

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The County had \$66,733,540 in total Governmental Funds revenues. Property tax revenues account for \$44,702,628 or 67% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$14,456,710 or 22% of total revenues.

The County had \$62,699,273 in total Governmental Funds expenses, which represents an increase of \$1,631,231 or 3% increase from the prior fiscal year. Expenditures in the amount of \$14,456,710 were offset by grants, or outside contributions. General revenues of \$52,276,830 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$35,094,489 in revenues and \$34,607,306 in expenditures. The General Fund's fund balance increased \$435,759 over the prior year. The reason for this increase was due to the fact that even though revenues received were under budget, expenditures were under budget by this much more.

Among major funds, the Roads, Bridges and Seawall had \$13,930,620 in revenues and \$13,112,427 in expenditures. The Roads, Bridges and Seawall's fund balance increased by \$780,542. The reason for the increase was due to the fact that some equipment purchases that were budgeted were not purchased.

Among major funds, the Port Authority Funds had \$4,233,534 in revenues and \$2,302,243 in expenditures. The Port Authority Funds fund balance increased by \$1,478,000. The reason for the increase was due to restructuring of bonds with a bond issue dated December 20, 2002.

Among major funds, the Refunding Bonds Funds had \$30,708 in revenues and \$658,007 in expenditures. The Refunding Bond Funds fund balance remained at \$0. These funds were created for the issuance of bonds on December 20, 2002 and August 7, 2003.

Capital assets, net, decreased by \$539,476. This was due to the County's adding \$20,000,000 in infrastructure assets, net; recording \$21,600,000 in accumulated depreciation on its existing non-infrastructure assets; adding \$9,200,000 of new assets in 2003; recording \$2,900,000 in depreciation expense in 2003, and removing \$5,200,000 of assets under the capitalization thresholds.

Long-term debt decreased by \$1,946,685. This was due to principal payments being made on debt in the amount of \$4,000,000 and \$2,000,000 of additional debt incurred to refund outstanding debt issues at lower interest rates.

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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

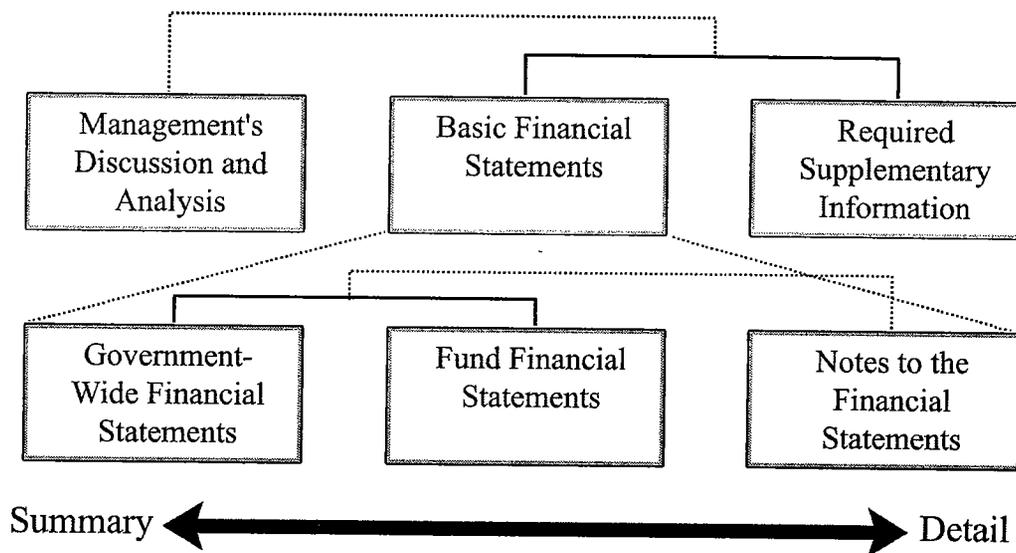


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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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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 - 45 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 46-51 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 52 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 \$26,525,408 as of September 30, 2003.

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By far, the largest portion of the County's net assets (145%) 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, 2003.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Current assets	\$ 66,583,672	\$ 638,070
Capital assets, net	<u>52,396,376</u>	<u>509,779</u>
Total assets	<u>118,980,048</u>	<u>1,147,849</u>
Current liabilities	52,491,420	30,272
Long-term debt outstanding	<u>41,023,275</u>	<u>57,522</u>
Total liabilities	<u>93,514,695</u>	<u>87,794</u>
Net assets:		
Invested in capital assets, net of related debt	37,962,634	461,551
Restricted	6,019,930	-
Unrestricted	<u>(18,517,211)</u>	<u>598,504</u>
Total net assets	<u>\$ 25,465,353</u>	<u>\$ 1,060,055</u>

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

- Roads and Bridges were added to the County's inventory, due to accounting changes implemented by the "Governmental Accounting Standards Board".
- On December 20, 2002 \$16,685,000 of General Obligation Refunding Bonds were issued and on August 7, 2003 \$7,165,000 of General Obligation Refunding Bonds were issued.

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Changes in Net Assets – Jackson County's total revenues for the fiscal year ended September 30, 2003 was \$67,379,386. The total cost for all services provided was \$55,522,689. The increase in net assets was \$11,856,697. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$ 3,961,329
Operating grants and contributions	11,252,079
Capital grants and contributions	3,204,631
General revenues	
Property taxes	44,702,627
Road and bridge privilege taxes	1,657,580
Interest income	1,389,129
Other	<u>1,212,011</u>
Total Revenues	<u>67,379,386</u>
Expenses:	
General government	20,734,525
Public safety	11,005,054
Public works	13,008,360
Health and welfare	1,435,200
Culture and recreation	2,671,328
Economic development	2,502,441
Interest on long-term debt	2,273,948
Other expenses	<u>1,891,833</u>
Total Expenses	<u>55,522,689</u>
Increase in Net Assets	<u>\$ 11,856,697</u>

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

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

	<u>Total Cost</u>	<u>Net Cost</u>
<u>Governmental activities:</u>		
General Government	\$ 20,734,525	\$ 11,563,060
Public Safety	11,005,054	9,189,584
Public Works	13,008,360	8,170,678
Health & Welfare	1,435,200	1,266,422
Culture & recreation	2,671,328	2,638,046
Education	894,550	431,848
Conservation of natural resources	282,191	282,191
Economic development	2,502,441	1,206,085
Interest on long-term debt	2,273,948	2,273,948
<u>Business-type activities:</u>		
Adult detention center canteen fund	3,358	(6,252)
Golf Course	504,628	63,023
Harbor	118,763	(6,902)
Heinz building	11,632	(43,792)

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 \$17,873,037, an increase of \$3,472,756. 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 \$23,850,000 in two separate issues of refunding bonds which reduced debt service payments.

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The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$435,759. This increase was primarily due to the receipt of unexpected revenues, as well as lower than expected cost on several projects that were on going during the fiscal year.

Business-type funds – Revenue from the all business-type activities increased by 58% to \$632,303 and expenses increased by 2% to \$636,885. Factors contributing to these results include higher usage at the golf course and a 2% increase in pay rates for the employees.

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 \$12,222.

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, 2003, Jackson County's total capital assets was \$85,770,047. 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 \$33,319,182. The majority of this increase is due to the addition of infrastructure, which was not included in fiscal year 2002 financial statements.

Total accumulated depreciation as of September 30, 2003 was \$34,432,769, including \$2,978,149 of depreciation expense for the year. The balance in total net capital assets was \$51,337,278 at year-end.

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Additional information on Jackson County's capital assets can be found in note 8 on page 30 of this report.

Debt Administration – At September 30, 2003, Jackson County had \$44,193,887 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, capital leases, other loans, and compensated absences liability.

In the past year, the County issued \$23,850,000 in refunding bonds. This reduces total debt service payments over the next 12 years by about \$2,095,000. 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 34 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Jackson County Port Authority is planning to construct, install, and equip 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 will be 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.

Singing River Hospital System plans to issue \$70,000,000 in Special Obligation Bonds of the Mississippi Development Bank for refinancing of current debt and to pay the cost of future expansion of the Hospital.

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

There is a ten year tax exemption that will expire for Chevron that will add an additional \$1,591,190 to the tax rolls for the next fiscal year. The millage rates and budgets for the next year have been adjusted accordingly.

The budget for the next fiscal year reflected an increase of \$15,603,659 or 20% in revenues and an increase of \$25,733,428 or 41% in expenses. This is expected to decrease the County's net assets.

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Jackson County has an unemployment rate of 5.5% versus 6.2% a year ago. This compares favorably with the state average rate of 6.3%.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

INDEPENDENT AUDITORS' REPORT 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, 2003, 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, 2003, 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, 2003, 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.

As described in Note 2, Jackson County, Mississippi implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2004, 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 47 through 52 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 inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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.

Braycald, Saunders & O'Neil, LLP.

February 27, 2004

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI

Statement of Net Assets

September 30, 2003

	Primary Government		
	Governmental	Business-Type	Totals
	Activities	Activities	
ASSETS			
Cash and investments	\$ 19,704,222	645,826	20,350,048
Property tax receivable	44,781,962	-	44,781,962
Accounts receivable, net	1,412,312	-	1,412,312
Fines receivable, net	574,636	-	574,636
Loans receivable, net	100,715	-	100,715
Inventories	-	2,069	2,069
Internal balances	9,825	(9,825)	-
Deferred debt expense, net	1,568,877	-	1,568,877
Capital assets, net	50,827,499	509,779	51,337,278
Total assets	118,980,048	1,147,849	120,127,897
 LIABILITIES			
Claims payable	1,866,582	7,077	1,873,659
Inter-governmental payables	1,389,320	-	1,389,320
Accrued expenses	1,291,297	12,883	1,304,180
Deferred revenue	44,841,443	-	44,841,443
Long-term liabilities:			
Due within one year	3,102,778	10,312	3,113,090
Due in more than one year	41,023,275	57,522	41,080,797
Total liabilities	93,514,695	87,794	93,602,489
 NET ASSETS			
Invested in capital assets, net of related debt	37,962,634	461,551	38,424,185
Restricted for capital projects	3,124,344	-	3,124,344
Restricted for debt service	2,895,586	-	2,895,586
Unrestricted net assets (deficit)	(18,517,211)	598,504	(17,918,707)
Total net assets	\$ 25,465,353	1,060,055	26,525,408

See accompanying notes to financial statements.

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Statement of Activities
Year Ended September 30, 2003

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Capital	Primary Government		Total
		Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 20,734,525	2,185,045	5,491,532	1,494,888	(11,563,060)	-	(11,563,060)
Public safety	11,005,054	640,322	964,517	210,631	(9,189,584)	-	(9,189,584)
Public works	13,008,360	91,099	3,247,471	1,499,112	(8,170,678)	-	(8,170,678)
Health and welfare	1,435,200	95,360	73,418	-	(1,266,422)	-	(1,266,422)
Culture and recreation	2,671,328	33,066	216	-	(2,638,046)	-	(2,638,046)
Education	894,550	-	462,702	-	(431,848)	-	(431,848)
Conservation of natural resources	282,191	-	-	-	(282,191)	-	(282,191)
Economic development and assistance	2,502,441	284,133	1,012,223	-	(1,206,085)	-	(1,206,085)
Interest on long-term debt	2,273,948	-	-	-	(2,273,948)	-	(2,273,948)
Loss on disposal of assets	76,711	-	-	-	(76,711)	-	(76,711)
Total governmental activities	54,884,308	3,329,025	11,252,079	3,204,631	(37,098,573)	-	(37,098,573)
Business-type activities:							
Adult detention center canteen fund	3,358	9,610	-	-	-	6,252	6,252
Golf course	504,628	441,605	-	-	-	(63,023)	(63,023)
Harbor	118,763	125,665	-	-	-	6,902	6,902
Heinz building	11,632	55,424	-	-	-	43,792	43,792
Total business-type activities	638,381	632,304	-	-	-	(6,077)	(6,077)
Total primary government	\$ 55,522,689	3,961,329	11,252,079	3,204,631	(37,098,573)	(6,077)	(37,104,650)
General revenues:							
Property taxes				\$ 44,702,628	-	-	44,702,628
Road and bridge privilege taxes				1,657,580	-	-	1,657,580
Interest income				1,377,998	11,131	11,131	1,389,129
Gain on sale of assets				-	377	377	377
Miscellaneous revenues				1,211,633	-	-	1,211,633
Transfers				(7,000)	7,000	-	-
Total general revenues and transfers				48,942,839	18,508	18,508	48,961,347
Change in net assets				11,844,266	12,431	12,431	11,856,697
Net assets - beginning of year				13,621,087	1,047,624	1,047,624	14,668,711
Net assets - end of year				\$ 25,465,353	1,060,055	1,060,055	26,525,408

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Balance Sheet - Governmental Funds
 September 30, 2003

	General	Roads, Bridges and Seawall	Refunding Bonds	Port Authority Funds	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 6,542,867	3,851,382	-	5,568,888	3,687,305	19,650,442
Property tax receivable	25,555,000	8,515,999	-	3,784,350	6,926,613	44,781,962
Fines receivable, net	574,636	-	-	-	-	574,636
Intergovernmental receivables	587,800	-	-	-	741,965	1,329,765
Due from other funds	1,279,586	227,522	-	41,179	98,285	1,646,572
Loans receivable, net	-	-	-	-	100,715	100,715
Amounts due from former officials	10,604	-	-	-	-	10,604
Total assets	<u>\$ 34,550,493</u>	<u>12,594,903</u>	<u>-</u>	<u>9,394,417</u>	<u>11,554,883</u>	<u>68,094,696</u>

LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Claims Payable	\$ 321,526	365,411	-	100,209	615,170	1,402,316
Accrued payroll	750,363	141,421	-	-	27,554	919,338
Intergovernmental payables	1,382,903	-	-	-	6,417	1,389,320
Due to other funds	366,986	-	-	-	727,620	1,094,606
Deferred revenue	26,129,636	8,515,999	-	3,784,350	6,986,094	45,416,079
Total liabilities	<u>28,951,414</u>	<u>9,022,831</u>	<u>-</u>	<u>3,884,559</u>	<u>8,362,855</u>	<u>50,221,659</u>

FUND BALANCES:						
Reserved for loans receivable	-	-	-	-	100,715	100,715
Reserved for amounts due from former officials	10,604	-	-	-	-	10,604
Unreserved, reported in:						
General funds	5,588,475	-	-	-	-	5,588,475
Special revenue funds	-	3,572,072	-	-	2,581,241	6,153,313
Debt service funds	-	-	-	2,716,690	178,896	2,895,586
Capital projects funds	-	-	-	2,793,168	331,176	3,124,344
Total fund balances	<u>5,599,079</u>	<u>3,572,072</u>	<u>-</u>	<u>5,509,858</u>	<u>3,192,028</u>	<u>17,873,037</u>
Total liabilities and fund balances	<u>\$ 34,550,493</u>	<u>12,594,903</u>	<u>-</u>	<u>9,394,417</u>	<u>11,554,883</u>	<u>68,094,696</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, 2003

Fund balances - total governmental funds	\$	17,873,037
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets		84,626,195
Less accumulated depreciation		<u>(33,798,696)</u>
		50,827,499
Fines receivable are not available to pay for current period expenditures and therefore are deferred in the general funds.		
		574,636
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds		
		(371,959)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
		(44,126,053)
Deferred debt expense is not a financial resource and therefore is not reported in the governmental funds		
		1,568,877
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities		
		<u>(880,684)</u>
Net Assets of Governmental Activities	\$	<u><u>25,465,353</u></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, 2003

	General	Roads, Bridges and Seawall	Refunding Bonds	Port Authority Funds	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 25,996,858	8,005,685	-	2,402,983	8,297,102	44,702,628
Road and bridge privilege taxes	-	1,657,580	-	-	-	1,657,580
Licenses, commissions and other revenue	1,614,582	-	-	-	-	1,614,582
Fines and forfeitures	1,110,861	-	-	-	332,691	1,443,552
Intergovernmental revenues	4,618,336	4,117,573	-	1,012,223	4,708,578	14,456,710
Charges for services	200,682	76,122	-	-	-	276,804
Interest income	369,116	71,431	30,708	818,328	80,468	1,370,051
Miscellaneous revenues	1,184,054	2,229	-	-	25,350	1,211,633
Total revenues	<u>35,094,489</u>	<u>13,930,620</u>	<u>30,708</u>	<u>4,233,534</u>	<u>13,444,189</u>	<u>66,733,540</u>
EXPENDITURES						
Current Operating:						
General government	18,118,439	-	-	-	1,946,907	20,065,346
Public safety	8,516,004	-	-	-	2,323,337	10,839,341
Public works	736,894	13,112,427	-	466,370	4,834,814	19,150,505
Health and welfare	2,025,468	-	-	-	-	2,025,468
Culture and recreation	2,562,220	-	-	-	-	2,562,220
Education	883,514	-	-	-	-	883,514
Conservation of natural resources	275,039	-	-	-	-	275,039
Economic development and assistance	974,157	-	-	-	-	974,157
Debt Service:						
Principal	436,587	-	100,000	872,778	2,624,550	4,033,915
Interest	78,984	-	558,007	963,095	289,682	1,889,768
Total expenditures	<u>34,607,306</u>	<u>13,112,427</u>	<u>658,007</u>	<u>2,302,243</u>	<u>12,019,290</u>	<u>62,699,273</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	-	-	-	-	40,000	40,000
Proceeds from sale of assets	34,833	16,104	-	-	-	50,937
Compensation for loss of capital assets	1,324	2,062	-	-	2,615	6,001
Transfers in	49,956	-	721,640	471,137	186,354	1,429,087
Transfers out	(137,537)	(55,817)	(367,320)	-	(875,413)	(1,436,087)
Intergovernmental transfers	-	-	-	(924,428)	-	(924,428)
Refunding bonds issued	-	-	23,850,000	-	-	23,850,000
Premiums on refunding bonds issued	-	-	174,103	-	-	174,103
Discount on refunding bonds issued	-	-	(1,407)	-	-	(1,407)
Issue costs on refunding bonds issued	-	-	(537,261)	-	-	(537,261)
Payment to bond refunding escrow agent	-	-	(23,212,456)	-	-	(23,212,456)
Net other financing sources (uses)	<u>(51,424)</u>	<u>(37,651)</u>	<u>627,299</u>	<u>(453,291)</u>	<u>(646,444)</u>	<u>(561,511)</u>
Net change in fund balances	<u>435,759</u>	<u>780,542</u>	<u>-</u>	<u>1,478,000</u>	<u>778,455</u>	<u>3,472,756</u>
Fund balances - beginning of year, as previously reported	5,466,610	2,791,530	-	4,031,858	2,840,643	15,130,641
Fund reclassifications	<u>(303,290)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(427,070)</u>	<u>(730,360)</u>
Fund balances - beginning of year, restated	<u>5,163,320</u>	<u>2,791,530</u>	<u>-</u>	<u>4,031,858</u>	<u>2,413,573</u>	<u>14,400,281</u>
Fund balances - end of year	<u>\$ 5,599,079</u>	<u>3,572,072</u>	<u>-</u>	<u>5,509,858</u>	<u>3,192,028</u>	<u>17,873,037</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, 2003

Net Change in Fund Balances - total governmental funds	\$	3,472,756
<p>Amounts reported for governmental activities in Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets	9,243,193	
Less current year depreciation	<u>(2,900,625)</u>	6,342,568
<p>Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting</p>		
		(5,912)
<p>Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year</p>		
		(126,839)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.</p>		
Debt proceeds	(23,525,435)	
Repayment of debt	26,073,915	
Deferred charges on issuance of refunding bonds	1,172,456	
Amortization and accretion of debt issue costs, discounts, and premiums	<u>(118,535)</u>	3,602,401
<p>Accrued interest expense reported in the Statement of Net Assets does not require the use of current financial resources and is therefore not reported as expenditures in the governmental funds</p>		
		(265,646)
<p>When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Activities</p>		
		(133,649)
<p>Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the Internal Service Funds is reported with the governmental activities</p>		
		<u>(1,041,413)</u>
	\$	<u>11,844,266</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Net Assets (Deficit) - Proprietary Funds
September 30, 2003

	<u>Business- Type Activities Non-Major Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
ASSETS		
Current assets:		
Cash and investments	\$ 645,826	53,780
Other receivables	-	71,943
Inventories	<u>2,069</u>	<u>-</u>
Total current assets	647,895	125,723
Non-current assets -		
Capital assets, net	<u>509,779</u>	<u>-</u>
Total assets	<u>1,157,674</u>	<u>125,723</u>
LIABILITIES		
Current liabilities:		
Claims payable	7,077	464,266
Accrued payroll	12,883	-
Due to other funds	9,825	542,141
Compensated absences liability	19,606	-
Current maturities of capital-related debt	<u>10,312</u>	<u>-</u>
Total current liabilities	59,703	1,006,407
Non-Current Liabilities -		
Capital-related debt	<u>37,916</u>	<u>-</u>
Total liabilities	<u>97,619</u>	<u>1,006,407</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	461,551	-
Unrestricted	<u>598,504</u>	<u>(880,684)</u>
Total net assets (deficit)	<u>\$ 1,060,055</u>	<u>(880,684)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
Year Ended September 30, 2003

	Business- Type Activities Non-Major Enterprise Funds	Governmental Activities Internal Service Funds
OPERATING REVENUES		
Sales and charges for services	\$ 632,303	-
Premium income	<u>-</u>	<u>3,611,883</u>
Total operating revenues	<u>632,303</u>	<u>3,611,883</u>
OPERATING EXPENSES		
Personal services	310,652	-
Contractual services	94,377	-
Materials and supplies	144,507	-
Depreciation	77,524	-
Indirect expense allocation	9,825	-
Claims payments	-	3,414,835
Insurance premiums	-	1,241,056
Miscellaneous expenses	<u>-</u>	<u>5,352</u>
Total operating expenses	<u>636,885</u>	<u>4,661,243</u>
Operating loss	<u>(4,582)</u>	<u>(1,049,360)</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	11,132	7,947
Gain on sale of capital assets	377	-
Interest expense	<u>(1,496)</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>10,013</u>	<u>7,947</u>
Net income (loss) before capital contributions and transfers	5,431	(1,041,413)
Transfers in	7,000	374,728
Transfers out	<u>-</u>	<u>(374,728)</u>
Change in net assets	<u>12,431</u>	<u>(1,041,413)</u>
Total net assets (deficit) - beginning of year, as previously reported	570,469	(154,141)
Fund reclassifications	<u>477,155</u>	<u>314,870</u>
Total net assets (deficit) - beginning of year, as restated	<u>1,047,624</u>	<u>160,729</u>
Total net assets (deficit) - end of year	\$ <u>1,060,055</u>	<u>(880,684)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2003

	Business- Type Activities Non-Major Enterprise Funds	Governmental Activities Internal Service Funds
Cash Flows From Operating Activities:		
Receipts from customers	\$ 632,303	-
Receipts for premiums	-	3,542,482
Payments to employees	(302,829)	-
Payments for claims	-	(3,295,338)
Payments for insurance premiums	-	(1,241,056)
Cash paid to suppliers	<u>(232,041)</u>	<u>(5,352)</u>
Net cash flows from operating activities	<u>97,433</u>	<u>(999,264)</u>
Cash Flows From Non-Capital Financing Activities -		
Transfers in	7,000	-
Loans from other funds	-	542,039
Net cash flows from non-capital financing activities	<u>7,000</u>	<u>542,039</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds of long-term debt	58,259	-
Proceeds from sale of capital assets	558	-
Acquisition of capital assets	(75,337)	-
Principal paid on long-term debt	(10,031)	-
Interest paid on debt	<u>(1,496)</u>	<u>-</u>
Net cash flows from capital and related financing activities:	<u>(28,047)</u>	<u>-</u>
Cash Flows From Investing Activities -		
Interest income	<u>11,132</u>	<u>7,947</u>
Net change in cash	87,518	(449,278)
Cash and cash equivalents - beginning of year	<u>558,308</u>	<u>503,058</u>
Cash and cash equivalents - end of year	\$ <u>645,826</u>	<u>53,780</u>
Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities:		
Operating loss	\$ (4,582)	(1,049,360)
Depreciation	77,524	-
Change in current assets and liabilities:		
Other receivables	-	(69,401)
Claims payable	6,843	119,497
Accrued payroll	2,068	-
Due to other funds	9,825	-
Compensated absences	<u>5,755</u>	<u>-</u>
Net cash flows from operating activities	\$ <u>97,433</u>	<u>(999,264)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2003

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 197,289
Inter-governmental receivables	<u>25,198</u>
Total assets	<u><u>222,487</u></u>
LIABILITIES	
Claims payable and other accrued liabilities	<u>222,487</u>
Total liabilities	<u><u>222,487</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(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
- Jackson County Airport 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, 2003

(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, 2003

(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, 2003

(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 Bond Issue Fund – This fund is used to account for proceeds of debt issued for construction of assets for the Jackson County Port Authority.

2002 Refunding Bond Issue Fund – This fund is used to account for proceeds of debt issued to refund several existing bond issues of the County.

The county reports no major proprietary funds.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(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, 2003

(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 uncollectable 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, 2003

(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, 2003

(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, 2003

(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, 2003

(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 collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

(m) Intergovernmental Revenues in Governmental Funds

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(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 \$1,003,719 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 \$19,606, which represents an amount up to a maximum of 30 days per employee.

(2) **Changes in Accounting Principles and Restatement of Fund Balance**

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(2) **Changes in Accounting Principles and Restatement of Fund Balance (continued)**

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Non-major funds are presented in total on the fund financial statements as other governmental funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

For the fiscal year ended September 30, 2003, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2003

(2) Changes in Accounting Principles and Restatement of Fund Balance (continued)

GASB Statement No. 34, as amended by Statement No. 37, creates new basic financial statements for reporting on the county's financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Non-major funds are presented in total on the fund financial statements as other governmental funds. Fund reclassifications and adjustments to the fund equities reported in the prior year financial statements were required as a result of the conversion to GASB Statement No. 34.

GASB Statement No. 38 requires certain note disclosures with the implementation of GASB Statement No. 34.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The provisions of these new statements have been incorporated into the financial statements and the accompanying notes. The following table summarizes the reclassifications and adjustments to the fund equity amounts reported in the prior year financial statements:

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(2) Changes in Accounting Principles and Restatement of Fund Balance (continued)

	Sept. 30, 2002	Fund and	Prior Period	Sept. 30, 2002
	As Previously	Account Group	Adjustments	As Restated
	Reported	Reclassifications		
Governmental Funds and Governmental Activities				
Major Funds:				
General Fund	\$ 5,466,610	(303,290)	-	5,163,320
Roads, Bridges and Seawall	2,791,530	-	-	2,791,530
2002 Refunding Bond Issue	-	-	-	-
Other Governmental Funds:				
Special Revenue	6,758,814	(533,385)	-	6,225,429
Debt Service	113,687	-	-	113,687
Capital Projects	-	106,315	-	106,315
Total Governmental Funds	15,130,641	(730,360)	-	14,400,281
Governmental Activities:				
Capital assets, net	-	51,364,607	(6,746,027)	44,618,580
Long-term liabilities	-	-	(46,139,051)	(46,139,051)
Internal service	-	160,729	-	160,729
Fines receivable, net	-	-	580,548	580,548
Total Governmental Funds and Governmental Activities	\$ 15,130,641	50,794,976	(52,304,530)	13,621,087
Proprietary Funds and Business-type Activities				
Non-Major Enterprise Funds	\$ 570,469	477,155	-	1,047,624
Internal Service Funds	(154,141)	154,141	-	-
Total Proprietary Funds and Business-type Activities	\$ 416,328	631,296	-	1,047,624
Fiduciary Funds				
Expendable Trust	\$ 355,292	(61,665)	(293,627)	-
Account Groups				
General Fixed Assets	\$ 51,364,607	(51,364,607)	-	-
General Long-term Debt	-	-	-	-
Total Account Groups	\$ 51,364,607	(51,364,607)	-	-

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(2) **Changes in Accounting Principles and Restatement of Fund Balance (continued)**

The \$6,746,027 prior period adjustment to capital assets, net is to record accumulated depreciation on capital assets at September 30, 2003, and to remove assets from the capital assets that do not meet the capitalization thresholds in footnote 1(i).

The \$46,139,051 prior period adjustment to long-term liabilities is to record long-term liabilities at September 30, 2002.

The \$580,548 prior period adjust to fines receivable, net is to record fines receivable, net at September 30, 2002.

The \$293,627 prior period adjustment to expendable trust fund balance is to properly reflect funds previously classified as expendable trust funds as agency funds.

(3) **Deposits**

The carrying amount of the county's total deposits with financial institutions at September 30, 2003, was \$20,547,337, and the bank balance was \$21,370,504. The collateral for public entities' deposits in financial institutions is now 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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(4) Inter-Fund Transactions and Balances

The following is a summary of inter-fund balances at September 31, 2003:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Non-major special revenue funds	\$ 727,620
General fund	Non-major internal service funds	542,141
General fund	Non-major enterprise funds	9,825
Roads, bridges and seawall	General fund	227,522
Port Authority funds	General fund	41,179
Non-major special revenue funds	General fund	60,490
Non-major debt service funds	General fund	<u>37,795</u>
Total		\$ <u>1,646,572</u>

All inter-fund balances are expected to be repaid within one year of the date of the financial statements.

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Non-major special revenue fund	\$ 49,956
Refunding bonds	Non-major debt service funds	721,640
Port Authority funds	Refunding bonds	367,320
Port Authority funds	Non-major debt service funds	103,817
Non-major special revenue funds	General fund	130,537
Non-major special revenue funds	Roads, bridges and seawall funds	55,817
Non-major enterprise funds	General fund	<u>7,000</u>
Total		\$ <u>1,436,087</u>

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(5) **Intergovernmental Receivables**

Intergovernmental receivables at September 30, 2003, consisted of the following:

<u>Description</u>	<u>Amount</u>
Motor vehicle license tax	\$ 583,691
Federal grants receivable	641,367
State grants receivable	<u>104,707</u>
 Total intergovernmental receivables	 \$ <u>1,329,765</u>

(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.

(7) **Loans Receivable**

Loans receivable at September 30, 2003, 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	35,980
Sophie Enterprises	12-02-97	4 %	02-01-07	7,062
Lagniappe House loan	12-02-97	4 %	02-01-07	<u>93,654</u>
 Loans receivable				 272,950
 Less: Reserve for bad debts				 <u>(172,235)</u>
 Loans receivable, net of bad debt reserve				 \$ <u>100,715</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(8) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2003:

	<u>Balance</u> <u>Oct. 1, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2003</u>
<u>Governmental Activities:</u>					
Land	\$ 5,275,215	11,144	(1,335)	-	5,285,024
Infrastructure	-	7,473,188	-	31,353,818	38,827,006
Buildings	25,844,976	-	-	(1,526,480)	24,318,496
Improvements other than buildings	-	320,948	-	602,371	923,319
Construction in progress	-	311,000	-	-	311,000
Mobile and other equipment	17,182,260	1,126,913	(1,159,001)	(4,678,358)	12,471,814
Leased property under capital lease	<u>3,062,156</u>	<u>-</u>	<u>-</u>	<u>(572,620)</u>	<u>2,489,536</u>
Total	51,364,607	9,243,193	(1,160,336)	25,178,731	84,626,195
Less accumulated depreciation	<u>-</u>	<u>(2,900,625)</u>	<u>1,026,687</u>	<u>(31,924,758)</u>	<u>(33,798,696)</u>
Net capital assets – governmental activities	\$ <u>51,364,607</u>	<u>6,342,568</u>	<u>(133,649)</u>	<u>(6,746,027)</u>	<u>50,827,499</u>
<u>Business-Type Activities:</u>					
Land	\$ 6,478				
Buildings	24,050	-	-	50,950	75,000
Building improvements	50,950	-	-	(50,950)	-
Improvements other than buildings	557,027	-	-	-	557,027
Mobile equipment	405,423	73,859	(11,500)	-	511,825
Other furniture and equipment	<u>42,330</u>	<u>1,502</u>	<u>(6,268)</u>	<u>-</u>	<u>-</u>
Total	1,086,258	75,362	(17,768)	-	1,143,852
Less accumulated depreciation	<u>(574,111)</u>	<u>(77,524)</u>	<u>17,562</u>	<u>-</u>	<u>(634,073)</u>
Net capital assets – business-type activities	\$ <u>512,147</u>	<u>(2,162)</u>	<u>(206)</u>	<u>-</u>	<u>509,779</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(8) **Capital Assets (continued)**

Depreciation expense was charged to the following functions:

<u>Description</u>	<u>Amount</u>
Governmental activities:	
General government	\$ 391,822
Public safety	340,203
Public works	1,847,325
Health and welfare	33,568
Culture and recreation	154,262
Education	11,036
Conservation of natural resources	1,431
Economic development and assistance	<u>120,978</u>
Total governmental activities depreciation expense	\$ <u>2,900,625</u>
Business-type activities:	
Golf course	\$ 70,596
Harbor	<u>6,928</u>
Total business-type activities depreciation expense	\$ <u>77,524</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(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 \$350,000 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, 2003, to January 1, 2004. 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:

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 \$60,000 and the aggregate policy covers all submitted claims in excess of \$940,000.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(9) Claims and Judgments (continued)

Risk Financing (continued)

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, 2003, the amount of these liabilities was \$463,778. An analysis of claims activities is presented below:

	Current Year Beginning of Fiscal Year <u>Liability</u>	Claims and Changes in Estimates	<u>Claims Payments</u>	Balance at Fiscal Year End
2001-2002	\$ 313,978	2,386,897	2,396,452	304,423
2002-2003	\$ 304,423	3,368,467	3,209,112	463,778

(10) Capital Leases

The county is obligated for the following assets acquired through capital leases as of September 30, 2003:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Other furniture and equipment	\$ 2,298,806
Mobile equipment	<u>190,730</u>
Total	2,489,536
Less accumulated depreciation	<u>(1,934,628)</u>
Leased Property Under Capital Leases	\$ <u>554,908</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(10) **Capital Leases (continued)**

The following is a schedule by years of the total payments due as of September 30, 2003:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 513,671	45,036
2005	347,370	24,415
2006	7,992	736
2007	8,252	476
2008	<u>8,521</u>	<u>207</u>
Total payments	\$ <u>885,806</u>	<u>70,870</u>

(11) **Long-term Debt**

Debt outstanding as of September 30, 2003, 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	\$ 450,000	4.8 – 6.5	5-1-09
Road improvement refunding	2,275,000	4.8 – 5.7	5-1-09
Sunplex bonds	265,000	8.3 – 10.0	2-1-05
Heinz building bonds	340,000	8.0 – 10.0	3-1-05
Louis Dreyfus grain elevator bonds	65,000	7.1	5-1-04
1998 Port improvement bonds	5,250,000	5.5	5-1-18
HAM Marine – MBIA bonds	2,930,919	2.0	11-1-11
Series 2002 refunding	16,685,000	2.0 – 4.0	12-1-14
Series 2003 refunding	<u>7,065,000</u>	1.15 – 5.1	3-1-14
Total General Obligation Bonds	\$ <u>35,325,919</u>		

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(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>Limited Obligation Bonds</u>			
Capital improvement COP	\$ <u>275,000</u>	4.8 – 6.4	9-1-04
Total Limited Obligation Bonds	\$ <u>275,000</u>		
(c) <u>Capital Leases:</u>			
Radio system – Motorola	\$ 619,739	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
Caterpillar-D6M dozer	13,214	4.59	1-24-04
Chevrolet Impala	6,673	6.55	7-10-04
Chevrolet Impala	10,661	6.00	2-10-05
Ford F-800	<u>40,000</u>	3.23	6-15-08
Total Capital Leases	\$ <u>885,806</u>		
(d) <u>Other Loans</u>			
Homeport construction	\$ 5,363,000	0.00	8-1-07
Vanceleave fire department	6,109	7.50	3-4-04
Franklin Creek – Forts Lake	86,628	4.56	7-27-08
Vanceleave fire department	79,349	4.84	5-26-08
Fontainbleau fire department	41,667	4.84	7-8-08
West Jackson County Volunteer Fire Department	53,462	4.84	5-26-08
Fire equipment promissory note	44,065	4.62	4-23-09
Vanceleave fire department	150,486	4.10	1-9-10
Fort Bayou fire department	526,182	5.26	1-15-17
West Jackson County fire department	<u>134,271</u>	4.05	7-15-08
Total Other Loans	\$ <u>6,485,219</u>		

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
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Business-Type Activities:

(a) **Other Loans**

Tractor loan	\$ <u>48,230</u>	3.0	11-12-07
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Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

<u>Year Ending September 30,</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 3,102,778	1,336,355	275,000	20,160
2005	3,177,778	1,225,076	-	-
2006	3,262,778	1,119,368	-	-
2007	3,362,778	1,014,184	-	-
2008	3,322,778	896,750	-	-
2009-2013	13,962,029	2,728,418	-	-
2014-2018	<u>5,135,000</u>	<u>471,770</u>	<u>-</u>	<u>-</u>
Total	\$ <u>35,325,919</u>	<u>8,791,921</u>	<u>275,000</u>	<u>20,160</u>

<u>Year Ending September 30,</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,486,043	61,956
2005	1,502,599	49,141
2006	1,491,180	41,140
2007	1,490,254	32,903
2008	103,958	24,262
2009-2013	237,662	77,131
2014-2018	<u>173,523</u>	<u>18,728</u>
Total	\$ <u>6,485,219</u>	<u>305,261</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

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

Business-Type Activities:

<u>Year Ending</u>		<u>Other Loans</u>	
<u>September 30,</u>		<u>Principal</u>	<u>Interest</u>
2004	\$	10,312	1,215
2005		11,583	992
2006		11,939	636
2007		12,308	267
2008		<u>2,088</u>	<u>8</u>
Total	\$	<u>48,230</u>	<u>3,118</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, 2003, the amount of outstanding debt was equal to 3.0% of the latest property assessments.

Advance Refunding – On December 20, 2002, the county issued \$16,685,000 in general obligation bonds with interest rates of 2.0% to 4.0% to advance refund \$15,850,000 of the following outstanding bond issues:

<u>Issue</u>	<u>Interest Rates</u>	<u>Amount Refunded</u>
Port road improvement	5.125 – 6.25	\$ 2,910,000
Water system	5.2 – 7.125	3,440,000
Courthouse improvement	5.4 – 7.5	3,255,000
Port of Pascagoula	5.1 – 7.1	4,365,000
Document management refunding	4.9 – 6.0	<u>1,880,000</u>
Total		\$ <u>15,850,000</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(11) Long-term Debt (continued)

These bonds were issued at a premium of \$174,103 and the County paid \$298,729 in underwriting fees and issue costs. The net proceeds of \$16,560,374 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The county advance refunded the above bonds to reduce its total debt service payments over the next 12 years by about \$1,047,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of about \$900,000.

Advance Refunding – On August 7, 2003, the county issued \$7,165,000 in general obligation bonds with interest rates of 1.15% to 5.1% to advance refund \$6,190,000 of the following outstanding bond issues:

<u>Issue</u>	<u>Interest Rates</u>	<u>Amount Refunded</u>
Sunplex	8.3 – 10.0	\$ 2,295,000
Heinz building	8.0 – 10.0	2,945,000
Louis Dreyfus grain elevator	7.125	<u>950,000</u>
Total		\$ <u>6,190,000</u>

These bonds were issued at a discount of \$1,407 and the County paid \$238,532 in underwriting fees and issue costs. The net proceeds of \$6,925,061 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the Statement of Net Assets.

The Sunplex bond issue had an outstanding balance of \$2,560,000 at the time of refunding, but only \$2,295,000 of the bond was refunded, leaving a remaining principal balance of \$265,000, none of which was redeemed in the year ended September 30, 2003.

The Heinz building bond issue had an outstanding balance of \$3,285,000 at the time of refunding, but only \$2,945,000 of the bond was refunded, leaving a remaining principal balance of \$340,000, none of which was redeemed in the year ended September 30, 2003.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(11) Long-term Debt (continued)

The Louis Dreyfus grain elevator bond issue had an outstanding balance of \$1,015,000 at the time of refunding, but only \$950,000 of the bond was refunded, leaving a remaining principal balance of \$65,000, none of which was redeemed in the year ended September 30, 2003.

The county advance refunded the above bonds to reduce its total debt service payments over the next 12 years by about \$1,048,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of about \$637,000.

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, 2003, \$23,575,000 (including bonds defeased in the year ended September 30, 2003) 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, 2003:

	Balance Oct. 1, 2002	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	Balance Sept. 30, 2003	Due Within One Year
Governmental Activities:						
Compensated absences	\$ 876,880	126,839	-	-	1,003,719	-
General obligation bonds	34,863,697	23,850,000	(1,347,778)	(22,040,000)	35,325,919	3,102,778
Limited obligation bonds	610,000	-	(295,000)	(40,000)	275,000	275,000
Capital leases	1,163,393	40,000	(317,587)	-	885,806	513,671
Other loans	8,558,768	-	(2,073,549)	-	6,485,219	1,486,043
Bond premiums, net	-	174,103	(23,713)	-	150,390	-
Total	\$ 46,072,738	24,190,942	(4,057,627)	(22,080,000)	44,126,053	5,377,492
Business-Type Activities:						
Compensated absences	\$ 13,851	5,755	-	-	19,606	-
Other loans	-	58,258	(10,030)	-	48,228	10,312
Total	\$ 13,851	64,013	(10,030)	-	67,834	10,312

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(12) Deficit Fund Balances of Individual Funds

The following funds reported deficits in fund balances at September 30, 2003:

<u>Fund</u>	<u>Fund Balance</u>
Special revenue funds:	
Juvenile accountability	\$ (419)
DEQ waste tire	(5,862)
MDEQ permanent site	(5,378)
Local law enforcement	(730)
Occupant protection	(2,217)
DUI enforcement	(112)
Capital projects funds:	
Helena press sewer and water	(62,250)
East Central community center	(1,980)
CIAP projects	(3,321)
East Central community center	(92,500)
Internal service fund –	
Self-insured health insurance	(907,615)

(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, 2003

(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 believes that much of the lawsuit has no merit and is vigorously defending the lawsuit. 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, 2003</u>
General obligation bonds	\$ <u>5,792,895</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, 2003, consists of the following:

<u>Description</u>	<u>Balance at September 30, 2003</u>
Revenue bonds	\$ 52,375,946
Other	<u>22,828,559</u>
Total	\$ <u>75,204,505</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(13) **Contingencies (continued)**

Volunteer Fire Department Loans – The County has borrowed money on behalf of certain volunteer fire departments within the County. These assets are not carried on the County’s fixed asset inventory and do not belong to the County. However, the County is contingently liable because the volunteer fire departments cannot legally enter into any interest-bearing indebtedness. The principal amount of such debt outstanding at September 30, 2003, consists of the following:

<u>Description</u>	<u>Balance at September 30, 2003</u>
Equipment loan	\$ <u>51,041</u>

Other

The County has expended approximately \$1,500,000 on an economic development project in prior 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, 2003</u>
Industrial revenue bonds and notes	\$ <u>281,210,706</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(15) Segment Information for Enterprise Funds

The County maintains four Enterprise Funds, which provide recreation and community services, rental services and food services. Summary financial information for each Enterprise Fund is presented for the year ended September 30, 2003:

	ADC Canteen	Ocean Springs Harbor	Golf Course	Heinz Building	Total
Condensed Statement of Net Assets:					
Current assets	\$ 208,003	74,602	35,581	329,709	647,895
Capital assets	-	19,216	490,563	-	509,779
Total assets	<u>208,003</u>	<u>93,818</u>	<u>526,144</u>	<u>329,709</u>	<u>1,157,674</u>
Current liabilities	-	10,368	47,892	1,443	59,703
Non-current liabilities	-	-	37,916	-	37,916
Total liabilities	<u>-</u>	<u>10,368</u>	<u>85,808</u>	<u>1,443</u>	<u>97,619</u>
Net assets:					
Invested in capital assets, net of related debt	-	19,216	442,335	-	461,551
Unrestricted	<u>208,003</u>	<u>64,234</u>	<u>(1,999)</u>	<u>328,266</u>	<u>598,504</u>
Total net assets	\$ <u>208,003</u>	<u>83,450</u>	<u>440,336</u>	<u>328,266</u>	<u>1,060,055</u>
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets:					
Operating revenues	\$ 9,610	125,666	441,603	55,424	632,303
Operating expenses	3,358	107,850	436,521	11,632	559,361
Depreciation expense	-	6,928	70,596	-	77,524
Operating income (loss)	<u>6,252</u>	<u>10,888</u>	<u>(65,514)</u>	<u>43,792</u>	<u>(4,582)</u>
Interest income	3,573	1,253	809	5,497	11,132
Interest expense	-	-	(1,496)	-	(1,496)
Gain on sale of capital assets	-	23	354	-	377
Transfers in	-	-	7,000	-	7,000
Change in net assets	9,825	12,164	(58,847)	49,289	12,431
Net assets – beginning	<u>198,178</u>	<u>71,286</u>	<u>499,183</u>	<u>278,977</u>	<u>1,047,624</u>
Net asset – ending	\$ <u>208,003</u>	<u>83,450</u>	<u>440,336</u>	<u>328,266</u>	<u>1,060,055</u>
Condensed Statement of Cash Flows:					
Net cash provided (used) by:					
Operating activities	\$ 6,252	22,768	23,178	45,235	97,433
Non-capital financing activities	-	-	7,000	-	7,000
Capital and related financing activities	-	23	(28,070)	-	(28,047)
Investing activities	<u>3,573</u>	<u>1,253</u>	<u>809</u>	<u>5,497</u>	<u>11,132</u>
Net change in cash	9,825	24,044	2,917	50,732	87,518
Cash – beginning	<u>198,178</u>	<u>50,558</u>	<u>30,595</u>	<u>278,977</u>	<u>558,308</u>
Cash – ending	\$ <u>208,003</u>	<u>74,602</u>	<u>33,512</u>	<u>329,709</u>	<u>645,826</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(16) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The governing body is a 27-member board of directors, one appointed by the Board of Supervisors of each member county, one from each of the six participating cities and six appointed at large by minority members. The County appropriated \$32,855 for support of Southern Mississippi Planning and Development District in fiscal year 2003.

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 \$153,605 for support of Jackson County Civic Action in fiscal year 2003.

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 2003.

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 2003.

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 \$5,317,229 for maintenance and support of the college in fiscal year 2003. This appropriation was settled to the college directly by the Tax Collector and is not included in the financial statements of the County.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2003

(16) 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.

(17) Defined Benefit Pension Plan

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The 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, 2003, 2002, and 2001, were \$1,588,470, \$1,561,984, and \$1,488,803, respectively, equal to the required contributions for each year.

(18) Other Information

As a result of revenue shortfalls, the State Tax Commission had to withhold 7% of the March 2003 homestead exemption reimbursement from local governments. The amount withheld from Jackson County during the 2002-2003 fiscal year was \$136,764.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund
 Year Ended September 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Property taxes	\$ 28,093,299	25,772,175	25,807,199	35,024
Licenses, commissions and other revenue	2,165,000	1,553,953	1,613,565	59,612
Fines and forfeitures	162,500	1,120,222	1,132,719	12,497
Intergovernmental revenues	4,587,000	4,592,770	4,595,239	2,469
Charges for services	206,000	168,041	169,191	1,150
Interest income	571,500	365,628	373,209	7,581
Miscellaneous revenues	759,327	1,167,898	1,187,522	19,624
Total revenues	<u>36,544,626</u>	<u>34,740,687</u>	<u>34,878,644</u>	<u>137,957</u>
EXPENDITURES				
Current Operating:				
General government	22,254,700	17,597,181	17,601,403	4,222
Public safety	8,574,586	8,434,300	8,418,762	(15,538)
Public works	735,843	723,124	723,124	-
Health and welfare	2,144,057	1,995,361	1,994,455	(906)
Culture and recreation	2,587,869	2,551,948	2,551,948	-
Education	926,000	883,507	883,507	-
Conservation of natural resources	311,699	271,574	271,574	-
Economic development and assistance	1,061,054	969,058	969,058	-
Debt Service:				
Principal	432,038	436,707	436,707	-
Interest	76,692	78,864	78,864	-
Total expenditures	<u>39,104,538</u>	<u>33,941,624</u>	<u>33,929,402</u>	<u>(12,222)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	34,833	34,833	-
Compensation for loss of capital assets	-	1,324	1,324	-
Transfers in	926,554	2,021,777	2,021,777	-
Transfers out	<u>(75,000)</u>	<u>(2,550,223)</u>	<u>(2,550,223)</u>	<u>-</u>
Net other financing sources (uses)	<u>851,554</u>	<u>(492,289)</u>	<u>(492,289)</u>	<u>-</u>
Net change in fund balances	<u>(1,708,358)</u>	<u>306,774</u>	<u>456,953</u>	<u>150,179</u>
Fund balances - beginning of year	<u>5,713,083</u>	<u>5,713,083</u>	<u>5,713,083</u>	<u>-</u>
Fund balances - end of year	<u>\$ 4,004,725</u>	<u>6,019,857</u>	<u>6,170,036</u>	<u>150,179</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, 2003

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u> <u>(Budgetary</u> <u>Basis)</u>	<u>Variance</u> <u>From Final</u> <u>Budget</u>
REVENUES				
Property taxes	\$ 8,062,886	7,975,583	7,975,667	(84)
Road and bridge privilege taxes	1,500,000	1,644,802	1,644,802	-
Intergovernmental revenues	3,183,000	2,978,621	2,978,621	-
Charges for services	-	71,374	71,374	-
Interest income	-	66,204	71,431	(5,227)
Miscellaneous revenues	-	2,229	2,229	-
Total revenues	<u>12,745,886</u>	<u>12,738,813</u>	<u>12,744,124</u>	<u>(5,311)</u>
EXPENDITURES				
Current Operating:				
Public works	<u>14,344,695</u>	<u>11,702,549</u>	<u>11,702,549</u>	<u>-</u>
Total expenditures	<u>14,344,695</u>	<u>11,702,549</u>	<u>11,702,549</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	16,104	16,104	-
Compensation for loss of capital assets	-	2,062	2,062	-
Transfers in	1,650,000	1,600,000	1,600,000	-
Transfers out	<u>(1,650,000)</u>	<u>(1,655,817)</u>	<u>(1,655,817)</u>	<u>-</u>
Net other financing sources (uses)	<u>-</u>	<u>(37,651)</u>	<u>(37,651)</u>	<u>-</u>
Net change in fund balances	<u>(1,598,809)</u>	<u>998,613</u>	<u>1,003,924</u>	<u>(5,311)</u>
Fund balances - beginning of year	<u>2,847,457</u>	<u>2,847,457</u>	<u>2,847,457</u>	<u>-</u>
Fund balances - end of year	\$ <u>1,248,648</u>	<u>3,846,070</u>	<u>3,851,381</u>	<u>(5,311)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Refunding Bonds Funds
 Year Ended September 30, 2003

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES					
Interest income	\$	-	31,648	30,708	(940)
Total revenues		<u>-</u>	<u>31,648</u>	<u>30,708</u>	<u>(940)</u>
EXPENDITURES					
Debt Service:					
Principal		-	100,000	100,000	-
Interest		<u>-</u>	<u>285,028</u>	<u>285,028</u>	<u>-</u>
Total expenditures		<u>-</u>	<u>385,028</u>	<u>385,028</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		-	721,640	721,640	-
Transfers out		<u>-</u>	<u>(367,320)</u>	<u>(367,320)</u>	<u>-</u>
Net other financing sources (uses)		<u>-</u>	<u>354,320</u>	<u>354,320</u>	<u>-</u>
Net change in fund balances		<u>-</u>	<u>940</u>	<u>-</u>	<u>(940)</u>
Fund balances - beginning of year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - end of year	\$	<u>-</u>	<u>940</u>	<u>-</u>	<u>(940)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund
 Year Ended September 30, 2003

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance From Final Budget
REVENUES				
Property taxes	\$ 2,430,720	2,392,752	2,392,804	52
Intergovernmental revenues	1,100,000	1,012,223	1,012,223	-
Interest income	312,000	809,831	818,328	8,497
Total revenues	<u>3,842,720</u>	<u>4,214,806</u>	<u>4,223,355</u>	<u>8,549</u>
EXPENDITURES				
Current Operating:				
Public works	50,000	343,927	366,151	22,224
Debt Service:				
Principal	1,859,983	872,778	872,778	-
Interest	<u>1,265,484</u>	<u>963,095</u>	<u>963,095</u>	<u>-</u>
Total expenditures	<u>3,175,467</u>	<u>2,179,800</u>	<u>2,202,024</u>	<u>22,224</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	816,827	816,827	-
Transfers out	<u>(3,971,653)</u>	<u>(1,292,342)</u>	<u>(1,270,118)</u>	<u>22,224</u>
Net other financing sources (uses)	<u>(3,971,653)</u>	<u>(475,515)</u>	<u>(453,291)</u>	<u>22,224</u>
Net change in fund balances	<u>(3,304,400)</u>	<u>1,559,491</u>	<u>1,568,040</u>	<u>8,549</u>
Fund balances - beginning of year	<u>4,000,849</u>	<u>4,000,849</u>	<u>4,000,849</u>	<u>-</u>
Fund balances - end of year	\$ <u>696,449</u>	<u>5,560,340</u>	<u>5,568,889</u>	<u>8,549</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2003

(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.

For the year ended September 30, 2003, the county implemented GASB Statement No. 41 - *Budgetary Comparison Schedules - Perspective Differences, which amends Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The statement clarifies the budgetary presentation requirements. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

JACKSON COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2003

(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>Refunding Bonds</u>
Budget (cash basis)	\$ 456,953	1,003,924	940
Increase (decrease):			
Net adjustment for revenue accruals	218,055	1,186,496	(940)
Net adjustment for expenditure accruals	<u>(245,161)</u>	<u>(1,409,878)</u>	<u>-</u>
GAAP Basis	\$ <u>429,847</u>	<u>780,542</u>	<u>-</u>

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

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2003:

<u>Fund</u>	<u>Excess</u>
Federal share - Treasury	\$ 188
1998 Port bond issue	22,224

All the funds listed above, are in violation of, Section 9-11-17, Miss. Code Ann. (1972). However, the county has no liability associated with these violations.

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JACKSON COUNTY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

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	0JB1301	34,920
Byrne Formula Grant Program	16.579	2NM1301	146,327
Local Law Enforcement Block Grant	16.592	2001-LB-BX-3677	2,665
Local Law Enforcement Block Grant	16.592	2002-LB-BX-3677	86,175
COPS Methamphetamine	16.710	2002CKWX0215	161,402
Underage Alcohol Enforcement	16.727	2UA1301	12,279
Triad Elderly Crime Prevention	16.xxx	2CA1301	182
Triad Elderly Crime Prevention	16.xxx	3CA1301	8,000
Total U.S. Department of Justice			<u>451,950</u>
Department of Homeland Security - Federal Emergency Management			
Agency - Passed Through the Mississippi Emergency Management Agency:			
Public Assistance - Tropical Storm Isidore	97.036	1436-DR-MS	425,637
Hazard Mitigation	97.039	1251-037	17,725
Hazard Mitigation	97.039	1360-006	16,031
Emergency Management Assistance Program	97.042	EMA-2001-GR-0005	1,427
Emergency Management Assistance Program	97.042	EMA-2002-GR-0005	51,327
Emergency Management Assistance Program Enhancement	97.042	LEMPEG-019	15,300
Total Federal Emergency Management Agency			<u>527,447</u>
U.S. Department of Transportation - Federal Highway			
Administration - Passed Through the Mississippi			
Department of Transportation:			
Highway Planning and Construction	20.205	BR NBIS 052B	2,310
Highway Planning and Construction	20.205	BR NBIS 053B	1,430
Occupant Protection	20.602	3-IN-130-1	3,543
Alcohol Incentive - DUI Enforcement	20.601	2-J7-130-1	474
Alcohol Incentive - DUI Enforcement	20.601	2-J8-130-1	41,447
Total U.S. Department of Transportation			<u>49,204</u>
U.S. Department of Agriculture - Passed Through the			
Mississippi Department of Education:			
School Breakfast Program	10.553	12-35-2823	8,808
School Lunch Program	10.555	12-35-2823	12,706
Total U.S. Department of Agriculture			<u>21,514</u>
Office of National Drug Control Policy - Passed			
Through the Mississippi Department of Public Safety			
High Intensity Drug Trafficking Area Award	07.UN	I2PGCP518	20,297
High Intensity Drug Trafficking Area Award	07.UN	I2PGCP569	19,181
Total Office of National Drug Control Policy			<u>39,478</u>
U.S. Department of Housing and Urban Development			
Community Development Block Grant	14.228	1119-02-030-PF-01	12,500
EDI Special Impacts Program	14.xxx	B-02-SP-MS-0355	279,612
Total U.S. Department of Housing and Urban Development			<u>292,112</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	1,310,513
U.S. Department of Treasury -			
Gang Resistance Education and Training	21.053	ATC03000131	1,374
Total expenditures of federal awards			\$ <u>2,693,592</u>

See accompanying notes to schedule of expenditures of federal awards.

JACKSON COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
September 30, 2003

(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:

Program Title	Federal CFDA Number	Amount Provided
Byrne Formula Grant Program	16.579	\$ <u>107,076</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, 2003, and have issued our report thereon dated February 27, 2004. 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 one instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as Finding 03-1.

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 03-2, 03-3, 03-4 and 03-5.

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, of the reportable conditions described above, we consider item 03-2 and 03-3 to be material weaknesses.

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 February 27, 2004.

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.

February 27, 2004

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, 2003. 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, 2003. 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 03-6.

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 03-6.

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

February 27, 2004

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, 2003. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Jackson County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Jackson County, Mississippi, has established centralized purchasing for all funds of the county and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Jackson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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

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.

Brazee, Saunders & O'Neil, LLP

February 27, 2004

Schedule 1

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
September 30, 2003

<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, 2003

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
11/02	Repair rest room	\$ 150	B&L Vacuum	Rest room at golf course failed
11/02	Kerosene	52	Lawson's Hardware	Needed to provide warmth for animals at shelter
1/03	Tow services	600	Tim's Auto Recovery	Saturated parking at fairground required tow truck to remove vehicles.
4/03	Repair septic tank	150	B&L Vacuum	Tank overflow

Schedule 3

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases made
Noncompetitively from a Sole Source
September 30, 2003

<u>Items</u> <u>Date</u>	<u>Purchased</u>	<u>Vendor</u>	<u>Amount</u>
10/02	Steno writers & software	Stenograph	\$ 20,115
10/02	Stenograph writer	Stenograph	3,295
1/03	Land redemption software	Delta Computer	7,360
2/03	Crisis communications kit	Professional Safety	10,399
2/03	Land redemption software	Hart Intercivic	12,000
8/03	Stenograph writer	Stenograph	4,495

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE
LAWS AND REGULATIONS

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, 2003, and have issued our report thereon dated February 27, 2004. 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. 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 procedures prescribed by the Office of the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations other than those discussed in the Schedule of Findings and Questioned Costs.

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 those specified parties.

Breazeale, Saunders & O'Neil, cos.

February 27, 2004

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2003

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. One instance 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 and as reported in Section 2 of this Schedule.
3. Four 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.xxx	Mississippi Coastal Impact Assistance Program
97.036	Public Assistance – Tropical Storm Isidore
8. The threshold for distinguishing Types A and B programs is \$300,000.
9. Jackson County, Mississippi, was not determined to be a low-risk auditee.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2003

Section 2: Financial Statement Findings

Compliance

03-1 Finding –Finance Department and Board of Supervisors

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2003:

<u>Fund</u>	<u>Excess</u>
Federal share - Treasury	\$ 188
1998 Port bond issue	22,224

All the funds listed above, are in violation of, Section 9-11-17, Miss. Code Ann. (1972).

Recommendation

We recommend the final budget be presented to the Board of Supervisors for approval only after all transactions have been posted. If any adjustments are made to the accounting records after the Board of Supervisors has approved the final budget, the budget should be amended.

Internal Control

03-2 Finding –Finance Department

As reported in prior years, cash accounts were not reconciled on a timely basis during the year. Failure to reconcile bank statements on a timely basis can have several negative consequences to the County. The County can not legally pay expenditures from a fund if there is not cash in that fund to pay the expenditure. Without a timely bank reconciliation (and timely adjustment in the general ledger of any applicable differences), it is not possible to know how much cash the County has or how much cash any fund has. Timely bank reconciliations are also an important internal control feature to safeguard cash. Without timely bank reconciliations, the County might not detect a misappropriation of cash. Timely bank reconciliations also allow the County to detect and correct many accounting errors that may have been made promptly. We believe this condition to be a material weakness. Subsequent to September 30, 2003, the Finance Department has brought the bank reconciliations up to date.

Recommendation

We strongly recommend that bank reconciliations continue to be performed each month by someone independent of the posting of transactions.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2003

Section 2: Financial Statement Findings (Continued)

Internal Control (Continued)

03-3 Finding –Finance and Inventory Control Departments

As reported in the prior year, due to a lack of coordination between the finance and inventory control departments and due to inconsistencies in the accounting for expenditures, we were unable to reconcile additions to the County's fixed assets per the fixed asset inventory and per the accounting records. For the year ended September 30, 2003, \$8,189,906 was charged to account 900, while only \$1,632,629 was added to the County's personal property inventory. We were not able to determine the amount of charges to account 900 that should not have been included in the County's personal property inventory or the amount of items added to the County's personal property inventory charged to accounts other than account 900.

We also at least one instance where the cost of an asset was entered into the fixed asset records incorrectly and we noted other instances where assets were not added to or deleted from the fixed assets inventory records promptly.

Recommendation

We recommend that only purchases that meet the state requirements for tracking (i.e. expenditures over \$500 or any expenditures for assets that can be easily moved) should be charged to account 900. Any purchases of real property should be charged to account 910 and inventory control should be notified of these purchases so they can update the real and personal property inventory lists. We recommend that someone reconcile the real and personal property additions per the inventory control records with the charges to accounts 900 and 910 at least quarterly. This reconciliation is necessary for the county to have any real assurance that all of its fixed assets are being accounted for and tracked properly.

03-4 Finding – Finance Department

We found that the County paid at least 3 note payments twice (claims 305474 & 306645, claims 306643 & 307471, and claims 306644 & 307470). In all cases, the notes related to fire dept. equipment. In at least 2 of these instances, the notes were paid once from a memo requesting payment and once from an invoice from the bank. The County's accounting system has a feature in place to catch most duplicate payments by comparing invoice numbers; however, with note payments there generally is no invoice number to compare.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2003

Section 2: Financial Statement Findings (Continued)

Internal Control (Continued)

Recommendation

We recommend the County maintain a master list of all note payments due (which could just be amortization schedules for each note filed in one separate file) and mark the claim number beside each payment as it is paid.

03-5 Finding – Finance and Inventory Control Departments

The County Administrator has compiled a list of all land owned by the County (more than 300 parcels). The County's records of property owned that have been included in the financial statements lists only about 100 parcels of land.

Recommendation

We recommend the county, to the extent feasible, determine the acquisition cost and year of acquisition of all land and buildings it owns and include that cost in its financial statements. Where it is not feasible to determine the actual cost and acquisition year of parcels of land and buildings owned by the County, costs and acquisition years should be estimated.

Section 3: Federal Award Findings and Questioned Costs

Compliance and Internal Control

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.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JACKSON COUNTY, MISSISSIPPI
Summary Schedule of Prior Audit Findings
September 30, 2003

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 that the County continued to receive reimbursements for amounts paid to sub-recipients prior to making payment to the sub-recipients in 2003. We recommend that the Finance Department notify the Narcotics Task Force when payments to sub-recipients are made and the Narcotics Task Force not request reimbursement for any costs until the costs have actually been paid.

CORRECTIVE ACTION PLAN

BOARD OF SUPERVISORS

Jackson County, Mississippi

John McKay, Board President
District Five Supervisor
Post Office Box 998
Pascagoula, Mississippi 39568

July 27, 2004

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

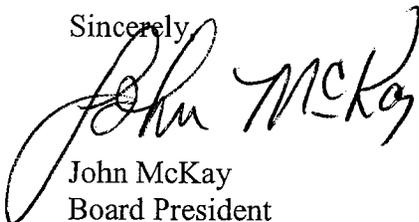
Re: Corrective Action Plan, Jackson County, Mississippi, September 30, 2003

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.

- 03-01 We will take steps to insure that the budget will be amended in September only after all transactions have been posted at September 30, 2004.
- 03-02 At the present time bank reconciliations are current and Jackson County has implemented procedures to maintain this process.
- 03-03 We will provide the inventory control department with reports at least quarterly to reconcile with additions to personal property.
- 03-04 The accounting software has a feature that has not been utilized in the past to pay debt payments. That software feature is now being utilized which will pay debt as it comes due automatically, thereby only one payment will be made.
- 03-05 The County has hired a temporary employee for Inventory Control to research and enter all land and buildings.
- 03-06 We are currently working on implementing a system which will comply with the cash management requirements of grants.

Sincerely



John McKay
Board President