

**JACKSON COUNTY, MISSISSIPPI**

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

September 30, 2002  
(With Independent Auditors' Report Thereon)

**JACKSON COUNTY, MISSISSIPPI**  
September 30, 2002

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**JACKSON COUNTY, MISSISSIPPI**  
September 30, 2002

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**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 primary government financial statements of Jackson County, Mississippi, as of and for the year ended September 30, 2002, as listed in the table of contents. These primary government financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these primary government 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.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government of Jackson County, Mississippi, as of September 30, 2002, and the results of its operations and cash flows of its Proprietary Fund Types for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of Jackson County, Mississippi, do not purport to, and do not present fairly the financial position of Jackson, County, Mississippi, as September 30, 2002, and the results of its operations and cash flows of its Proprietary Fund Types for the year then ended in conformity with accounting principles general accepted in the United States of America.

**Members of the Board of Supervisors  
Jackson County, Mississippi  
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In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2003, 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.

Our audit was performed for the purpose of forming an opinion 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.

*Brazel, Saunders & O'Neil, LLP*

February 25, 2003

**PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**JACKSON COUNTY, MISSISSIPPI**  
**Combined Balance Sheet - All Fund Types and Account Groups**  
**September 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups			Totals Memorandum Only
	General	Special Revenue	Debt Service	Enterprise	Internal Service		Trust and Agency	General Fixed Assets	General Long-Term Debt	
Cash and investments (note 3)	\$ 6,668,057	9,961,218	101,669	81,153	149,649	403,923	-	-	-	17,365,669
Other receivables	-	-	-	-	2,542	-	-	-	-	2,542
Intergovernmental receivables	729,668	69,531	-	-	-	-	-	-	-	799,199
Inter-fund receivables (note 4)	620,007	303,976	44,600	-	-	3,940	-	-	-	972,523
Advances to other funds (note 4)	30,000	-	-	-	-	-	-	-	-	30,000
Loans receivable, net of allowance (note 6)	-	147,527	-	-	-	-	-	-	-	147,527
Amounts due from former officials (note 5)	10,604	-	-	-	-	-	-	-	-	10,604
Inventories	-	-	-	2,069	-	-	-	-	-	2,069
Fixed assets (net, where applicable, of accumulated depreciation) (note 7)	-	-	-	512,147	-	-	51,364,607	-	-	51,876,754
Amount available in debt service funds	-	-	-	-	-	-	-	113,687	-	113,687
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	45,959,051	-	45,959,051
<b>Total Assets</b>	<b>\$ 8,058,336</b>	<b>10,482,252</b>	<b>146,269</b>	<b>595,369</b>	<b>152,191</b>	<b>407,863</b>	<b>51,364,607</b>	<b>46,072,738</b>	<b>-</b>	<b>117,279,625</b>

**ASSETS**

**LIABILITIES AND FUND EQUITY**

<b>Liabilities:</b>										
Claims payable	\$ 223,176	168,441	-	234	1,807	-	-	-	-	393,658
Accrued payroll	663,930	189,176	-	10,815	-	-	-	-	-	863,921
Amounts held in custody for others	-	-	-	-	-	22,541	-	-	-	22,541
Intergovernmental payables	1,241,070	9,010	-	-	-	-	-	-	-	1,250,080
Inter-fund payables (note 4)	463,550	476,259	32,582	-	102	30	-	-	-	972,523
Advances from other funds (note 4)	-	-	-	-	-	30,000	-	-	-	30,000
Deferred grant revenues	-	89,022	-	-	-	-	-	-	-	89,022
Claims and judgments liability (note 8)	-	-	-	-	304,423	-	-	-	-	304,423
Compensated absences liability (note 10)	-	-	-	13,851	-	-	-	876,880	-	890,731
General obligation bonds payable (note 10)	-	-	-	-	-	-	-	34,863,697	-	34,863,697
Limited obligation bonds payable (note 10)	-	-	-	-	-	-	-	610,000	-	610,000
Other loans payable (note 10)	-	-	-	-	-	-	-	8,558,768	-	8,558,768
Capital leases payable (note 9)	-	-	-	-	-	-	-	1,163,393	-	1,163,393
<b>Total Liabilities</b>	<b>2,591,726</b>	<b>931,908</b>	<b>32,582</b>	<b>24,900</b>	<b>306,332</b>	<b>52,571</b>	<b>-</b>	<b>46,072,738</b>	<b>-</b>	<b>50,012,757</b>

**Fund Equity:**

Investment in general fixed assets	-	-	-	-	-	-	51,364,607	-	-	51,364,607
Contributed capital	-	-	-	695,888	-	-	-	-	-	695,888
Retained earnings (deficit) - unrestricted	-	-	-	(125,419)	(154,141)	-	-	-	-	(279,560)
<b>Fund balances:</b>										
Reserved for advances to other funds	30,000	-	-	-	-	-	-	-	-	30,000
Reserved for loans receivable	-	147,527	-	-	-	-	-	-	-	147,527
Reserved for amounts due from former officials	10,604	-	-	-	-	-	-	-	-	10,604
Reserved for debt service	-	-	113,687	-	-	-	-	-	-	113,687
Unreserved	5,426,006	9,402,817	-	-	-	355,292	-	-	-	15,184,115
<b>Total Fund Equity</b>	<b>5,466,610</b>	<b>9,550,344</b>	<b>113,687</b>	<b>570,469</b>	<b>(154,141)</b>	<b>355,292</b>	<b>51,364,607</b>	<b>-</b>	<b>-</b>	<b>67,266,868</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 8,058,336</b>	<b>10,482,252</b>	<b>146,269</b>	<b>595,369</b>	<b>152,191</b>	<b>407,863</b>	<b>51,364,607</b>	<b>46,072,738</b>	<b>-</b>	<b>117,279,625</b>

See accompanying notes to financial statements.

**JACKSON COUNTY, MISSISSIPPI**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**All Governmental Fund Types and Expendable Trust Funds**  
**Year Ended September 30, 2002**

	Governmental Fund Types			Fiduciary Fund Type	Totals Memorandum Only
	General	Special Revenue	Debt Service	Expendable Trust	Primary Government
<b>Revenues:</b>					
Property taxes	\$ 25,862,725	13,553,472	3,209,687	-	42,625,884
Licenses, commissions and other revenue	1,425,418	1,726,377	-	-	3,151,795
Fines and forfeitures	998,709	113,125	-	135,309	1,247,143
Intergovernmental revenues	4,114,661	6,329,454	-	-	10,444,115
Charges for services	151,568	23,873	-	-	175,441
Use of money and property	457,977	571,946	342,476	8,134	1,380,533
Miscellaneous revenues	890,879	163,412	-	-	1,054,291
<b>Total Revenues</b>	<u>33,901,937</u>	<u>22,481,659</u>	<u>3,552,163</u>	<u>143,443</u>	<u>60,079,202</u>
<b>Expenditures:</b>					
General government	18,405,263	286,973	-	1,184	18,693,420
Public safety	8,356,437	2,997,205	-	-	11,353,642
Public works	698,360	14,460,137	-	-	15,158,497
Health and welfare	2,008,170	-	-	-	2,008,170
Culture and recreation	2,306,511	50,262	-	-	2,356,773
Education	392,836	-	-	-	392,836
Conservation of natural resources	231,918	-	-	-	231,918
Economic development and assistance	1,023,405	-	-	-	1,023,405
Capital projects	195,770	-	-	-	195,770
Debt service:					
Principal retirement	458,068	2,280,255	2,940,000	-	5,678,323
Interest and fiscal charges	87,409	1,541,835	766,206	-	2,395,450
Other costs	-	-	-	35,503	35,503
<b>Total Expenditures</b>	<u>34,164,147</u>	<u>21,616,667</u>	<u>3,706,206</u>	<u>36,687</u>	<u>59,523,707</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(262,210)</u>	<u>864,992</u>	<u>(154,043)</u>	<u>106,756</u>	<u>555,495</u>
<b>Other Financing Sources (Uses):</b>					
Proceeds of debt	22,885	909,500	-	-	932,385
Proceeds from sale of assets	33,955	6,899	-	-	40,854
Insurance recoveries	1,191	3,789	-	-	4,980
Operating transfers in	1,226,735	3,121,970	-	-	4,348,705
Operating transfers out	(1,587,971)	(2,754,414)	-	(1,193)	(4,343,578)
Operating transfers to component units	-	(1,454,455)	-	(89,880)	(1,544,335)
<b>Total Other Financing Sources (Uses)</b>	<u>(303,205)</u>	<u>(166,711)</u>	<u>-</u>	<u>(91,073)</u>	<u>(560,989)</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>(565,415)</u>	<u>698,281</u>	<u>(154,043)</u>	<u>15,683</u>	<u>(5,494)</u>
<b>Fund Balance - Beginning of Year</b>	<u>6,032,025</u>	<u>8,852,063</u>	<u>267,730</u>	<u>339,609</u>	<u>15,491,427</u>
<b>Fund Balance - End of Year</b>	<u>\$ 5,466,610</u>	<u>9,550,344</u>	<u>113,687</u>	<u>355,292</u>	<u>15,485,933</u>

See accompanying notes to financial statements.

**JACKSON COUNTY, MISSISSIPPI**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances -**  
**Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types**  
**Year Ended September 30, 2002**

	General Funds			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>									
Property taxes	\$ 26,227,935	26,088,121	(139,814)	13,582,077	13,582,077	-	3,215,594	3,215,594	-
Licenses, commissions and other revenue	1,419,175	1,459,780	40,605	1,618,883	1,618,883	-	-	-	-
Fines and forfeitures	1,019,603	1,020,925	1,322	113,125	113,125	-	-	-	-
Intergovernmental revenues	4,515,961	4,521,091	5,130	6,865,341	6,889,909	24,568	-	-	-
Charges for services	149,229	151,568	2,339	23,873	23,873	-	-	-	-
Use of money and property	723,565	758,104	34,539	265,765	281,170	15,405	342,476	342,476	-
Miscellaneous revenues	978,544	982,645	4,101	163,412	163,412	-	-	-	-
<b>Total Revenues</b>	<b>35,034,012</b>	<b>34,982,234</b>	<b>(51,778)</b>	<b>22,632,476</b>	<b>22,672,449</b>	<b>39,973</b>	<b>3,558,070</b>	<b>3,558,070</b>	<b>-</b>
<b>Expenditures:</b>									
General government	18,463,298	18,240,283	223,015	233,800	233,800	-	-	-	-
Public safety	8,292,356	8,291,235	1,121	2,211,714	2,211,264	450	-	-	-
Public works	693,920	693,920	-	14,332,397	14,332,397	-	-	-	-
Health and welfare	2,005,615	2,004,510	1,105	-	-	-	-	-	-
Culture and recreation	2,538,903	2,368,597	170,306	50,262	50,262	-	-	-	-
Education	847,396	847,396	-	-	-	-	-	-	-
Conservation of natural resources	231,572	231,572	-	-	-	-	-	-	-
Economic development and assistance	1,021,687	1,021,687	-	-	-	-	-	-	-
Capital projects	43,780	43,780	-	-	-	-	-	-	-
Debt service	549,764	549,764	-	3,822,090	3,822,090	-	3,706,206	3,706,206	-
<b>Total Expenditures</b>	<b>34,688,291</b>	<b>34,292,744</b>	<b>395,547</b>	<b>20,650,263</b>	<b>20,649,813</b>	<b>450</b>	<b>3,706,206</b>	<b>3,706,206</b>	<b>-</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>345,721</b>	<b>689,490</b>	<b>343,769</b>	<b>1,982,213</b>	<b>2,022,636</b>	<b>40,423</b>	<b>(148,136)</b>	<b>(148,136)</b>	<b>-</b>
<b>Other financing sources (uses)</b>	<b>(672,048)</b>	<b>(507,048)</b>	<b>165,000</b>	<b>(918,618)</b>	<b>(936,295)</b>	<b>(17,677)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(326,327)</b>	<b>182,442</b>	<b>508,769</b>	<b>1,063,595</b>	<b>1,086,341</b>	<b>22,746</b>	<b>(148,136)</b>	<b>(148,136)</b>	<b>-</b>
<b>Fund Balance - Beginning of Year</b>	<b>6,000,038</b>	<b>6,000,038</b>		<b>8,123,097</b>	<b>8,123,097</b>		<b>217,224</b>	<b>217,224</b>	
<b>Fund Balance - End of Year</b>	<b>\$ 5,673,711</b>	<b>6,182,480</b>		<b>9,186,692</b>	<b>9,209,438</b>		<b>69,088</b>	<b>69,088</b>	

See accompanying notes to financial statements.

**JACKSON COUNTY, MISSISSIPPI**  
**Combined Statement of Revenues, Expenses and Changes in Retained Earnings -**  
**All Proprietary Fund Types**  
**Year Ended September 30, 2002**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals Memorandum Only Primary Government</u>
<b>Revenues:</b>			
Sales and charges for services	\$ 400,417	-	400,417
Premium income	-	2,985,938	2,985,938
Insurance recoveries	-	8,534	8,534
Use of money and property	-	4,272	4,272
	<u>400,417</u>	<u>2,998,744</u>	<u>3,399,161</u>
<b>Total Operating Revenues</b>			
<b>Operating Expenses:</b>			
Personal services	283,349	-	283,349
Contractual services	57,902	-	57,902
Materials and supplies	121,232	-	121,232
Depreciation	61,206	-	61,206
Claims payments	-	2,386,897	2,386,897
Insurance premiums	-	633,259	633,259
Miscellaneous expenses	-	22,180	22,180
	<u>523,689</u>	<u>3,042,336</u>	<u>3,566,025</u>
<b>Total Operating Expenses</b>			
<b>Net Loss Before Inter-fund Transfers</b>	(123,272)	(43,592)	(166,864)
<b>Operating Transfers Out</b>	<u>(5,127)</u>	<u>-</u>	<u>(5,127)</u>
<b>Net Loss</b>	(128,399)	(43,592)	(171,991)
<b>Retained Earnings - Beginning of Year</b>	<u>2,980</u>	<u>(110,549)</u>	<u>(107,569)</u>
<b>Retained Earnings - End of Year</b>	\$ <u><u>(125,419)</u></u>	<u><u>(154,141)</u></u>	<u><u>(279,560)</u></u>

See accompanying notes to financial statements.

**JACKSON COUNTY, MISSISSIPPI**  
**Combined Statement of Cash Flows -**  
**All Proprietary Fund Types**  
**Year Ended September 30, 2002**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals Memorandum Only Primary Government</u>
<b>Cash Flows From Operating Activities:</b>			
Net loss	\$ (128,399)	(43,592)	(171,991)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	61,206	-	61,206
Change in assets and liabilities:			
Other receivables	-	86,432	86,432
Claims payable	(19,200)	1,807	(17,393)
Accrued payroll	2,570	-	2,570
Claims and judgments liability	-	(9,555)	(9,555)
Compensated absences	426	-	426
	<u>426</u>	<u>-</u>	<u>426</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>(83,397)</u>	<u>35,092</u>	<u>(48,305)</u>
<b>Cash Flows From Financing Activities:</b>			
Repayments of loans from other funds	(30,000)	(12,292)	(42,292)
Capital contributions received	240,003	-	240,003
	<u>240,003</u>	<u>-</u>	<u>240,003</u>
<b>Net Cash Provided (Used) by Financing Activities</b>	<u>210,003</u>	<u>(12,292)</u>	<u>197,711</u>
<b>Cash Flows From Investing Activities -</b>			
Acquisition and construction of capital assets	(101,476)	-	(101,476)
	<u>(101,476)</u>	<u>-</u>	<u>(101,476)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	25,130	22,800	47,930
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>56,023</u>	<u>126,849</u>	<u>182,872</u>
<b>Cash and Cash Equivalents - End of Year</b>	\$ <u>81,153</u>	<u>149,649</u>	<u>230,802</u>

See accompanying notes to financial statements.

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

**(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

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

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

(a) **Financial Reporting Entity (continued)**

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

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

(b) **Basis of Presentation**

The accompanying financial statements of the primary government have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. However, the primary government financial statements, because they do not include the financial data of the county's component units, do not present fairly, in all material respects, the financial position and results of operations and cash flows of its Proprietary Fund Types for the entire reporting entity.

(c) **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 1994 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 1993 by the Office of the State Auditor.

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

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

(d) **Fund Accounting**

The financial activities of the county are recorded in individual funds and account groups used to report financial position and results of operations. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. An account group is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources. The following fund categories, which are further subdivided into separate "fund types", are utilized by the county:

***Governmental Fund Types***

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

**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.

***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.

**JACKSON COUNTY, MISSISSIPPI**

Notes to Financial Statements

September 30, 2002

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

(d) **Fund Accounting (continued)**

*Proprietary Fund Types (continued)*

**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*

**Expendable Trust Funds** - These funds are used to account for assets held by the county in a formal trustee capacity where the principal and income may be expended in the course of designated operations.

**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.

*Account Groups* - The General Fixed Assets Account Group is used to account for general fixed assets not accounted for in Proprietary Funds. The General Long-Term Debt Account Group is used to account for general long-term debt and certain other liabilities that are not specific liabilities of Proprietary Funds.

(e) **Basis of Accounting/Measurement Focus**

**Governmental Fund Types and Expendable Trust and Agency Funds** - All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**JACKSON COUNTY, MISSISSIPPI**

Notes to Financial Statements

September 30, 2002

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

**(e) Basis of Accounting/Measurement Focus (continued)**

The modified accrual basis of accounting is used by all Governmental Fund Types, Expendable Trust Funds and Agency Funds. Under this method, revenues are recognized in the accounting period in which they become both available and measurable to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current year or soon enough after year end to liquidate liabilities existing at the end of the year. Expenditures are recognized in the accounting period in which the fund liability is incurred. Modifications to the accrual basis of accounting include:

- Licenses, fees, fines and forfeits and other miscellaneous revenues are recognized when received since they normally are only measurable at that time.
- Property taxes are recognized as revenue when received because the remaining delinquent property taxes not collected before the close of the fiscal year are considered immaterial. See note 1(l) for further explanation.
- Principal and interest on general long-term debt are recognized when due.
- Obligations for accumulated unpaid employee benefits are recognized when paid.

**Proprietary Fund Types** – All Proprietary Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized. Under this method, revenues are recognized when earned and the expenses are recognized at the time liabilities are incurred.

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

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

(f) **Cash 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.

(g) **Receivables**

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

(h) **Interfund Receivables/Payables**

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 "interfund receivables/payables". Non-current portions of inter-fund receivables and payables are reported as "advances to/from other funds." Advances between funds are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(i) **Inventories**

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

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

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

(j) **Fixed Assets**

Fixed assets are not capitalized in the funds used to acquire or construct them (except in Proprietary Funds). Instead, capital acquisition and construction are reflected as expenditures in Governmental Funds, and the related assets are reported in the General Fixed Assets Account Group. All purchased fixed assets are stated at cost where historical records are available and at an estimated historical cost where no historical records exist. The extent to which fixed assets costs have been estimated and the methods of estimation are not readily available. Donated fixed assets are recorded at their fair 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 general fixed assets. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the county, are not capitalized. Depreciation is not provided on general fixed assets.

Fixed 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 fixed assets are recorded at their fair value at the time of donation. Proprietary Fund fixed assets, excluding land, are depreciated on the straight-line method over the following estimated useful lives of the respective assets:

Buildings and facilities	30 years
Mobile equipment	3 - 5 years
Other furniture and equipment	3 - 7 years

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

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

**(k) Fund Equity**

Unreserved fund balance represents the amount available for budgeting future operations. Unreserved retained earnings represents the net assets available for future operations or distribution. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Contributed capital represents equity acquired through capital grants, contributions from other funds or fixed assets transferred from the General Fixed Assets Account Group.

**(l) Property Tax Revenues**

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

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

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

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

**(l) Property Tax Revenues (continued)**

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue 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, 2002

(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 in Governmental Funds to the extent that they are to be paid with current assets and the remainder of the liability to be reported in the General Long-term Debt Account Group, representing the county's commitment to fund such costs from future operations. Due to immateriality, the current portion of the liability was not estimated and reported in the Governmental Funds. Therefore, the county's full liability in the amount of \$876,880 for accumulated unpaid personal leave up to a maximum of 30 days per employee payable from the Governmental Funds is reported in the General Long-term Debt Account Group of the accompanying combined balance sheet. In the Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$13,851, which represents an amount up to a maximum of 30 days per employee.

(o) **Total Column on Primary Government Financial Statements**

The total column on the primary government financial statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**JACKSON COUNTY, MISSISSIPPI**

Notes to Financial Statements

September 30, 2002

(2) **Stewardship, Compliance and Accountability**

(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) **Budget/GAAP Reconciliation**

The following schedule reconciles the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual to the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances:

**Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses**

	<b>Governmental Fund Types</b>		
	<b><u>General</u></b>	<b><u>Special Revenue</u></b>	<b><u>Debt Service</u></b>
<b>Actual (Budget Basis)</b>	\$ 182,442	1,086,341	(148,136)
<b>Increase (Decrease)</b>			
<b>Net adjustment for revenue accruals</b>	(947,264)	472,856	(5,907)
<b>Net adjustment for expenditure accruals</b>	<u>199,407</u>	<u>(860,916)</u>	<u>-</u>
<b>Actual (GAAP Basis)</b>	\$ <u>(565,415)</u>	<u>698,281</u>	<u>(154,043)</u>

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

(2) **Stewardship, Compliance and Accountability (continued)**

(c) **Individual Fund Deficits**

The following funds had deficit fund balances at September 30, 2002:

<b>Fund</b>	<b><u>Deficit Amount</u></b>
Special Revenue Funds:	
Triad	226
Hazard Mitigation	5,820
Juvenile Accountability	1,350
DEQ Waste Tire	4,549
MDEQ Permanent Site	61,426
Occupant Protection	3,547
Helena Press Sewer and Water	25,000
East Central Community Center	25,632
CIAP Projects	61,820
Debt Service Funds:	
G.O. Courthouse	10,045
Records Management	11,826
Internal Service Fund -	
Self funded insurance	154,141

**JACKSON COUNTY, MISSISSIPPI**

Notes to Financial Statements

September 30, 2002

**(3) Deposits**

The carrying amount of the county's total deposits with financial institutions at September 30, 2002, was \$17,365,669, and the bank balance was \$18,992,978. 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.

**(4) Interfund Receivables and Payables**

The composition of interfund balances at September 30, 2002, consists of the following:

**Interfund Receivables/Payables:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Reappraisal Maintenance	General Fund	\$ 11,034
Solid Waste	General Fund	32,221
Jackson County Fire Dist.	General Fund	23,028
St Andrew	General Fund	456
Lighting District	General Fund	598
Gulf Hills	General Fund	268
Helena Lighting	General Fund	45
Roads	General Fund	174,913
Bridges	General Fund	9,813
Homeport	General Fund	17,770
G.O. Courthouse	General Fund	5,081
Library	General Fund	1,215
Roads	General Fund	14,904
Port	General Fund	31,000

**JACKSON COUNTY, MISSISSIPPI**

Notes to Financial Statements

September 30, 2002

**(4) Interfund Receivables and Payables (Continued)**

**Interfund Receivables/Payables (Continued):**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Records Management	General Fund	5,630
Capital Improvement	General Fund	11,034
Task Force Forfeiture	General Fund	20,600
Federal Share Justice	General Fund	3,940
General Fund	Task Force Forfeiture	3,618
General Fund	Reappraisal Maintenance	100,000
General Fund	Triad	44
General Fund	Juvenile Accountability	8,864
General Fund	DEQ Waste Tire	27,502
General Fund	MDEQ permanent site	53,711
General Fund	Alcohol enforcement	944
General Fund	Occupant Protection	2,217
General Fund	DUI Enforcement	10,141
General Fund	Step Occupant Grant	4,240
General Fund	Solid Waste	300,000
General Fund	St. Andrew	5,700
General Fund	G.O. Courthouse	15,125
General Fund	Records Management	17,456
General Fund	Helena Press Water and Sewer	25,000
General Fund	East Central Community Center	25,632
General Fund	CIAP Projects	8,647
General Fund	Self Funded Health Insurance	102
General Fund	State Fees Clearing	<u>30</u>
<b>Total</b>		<b>\$ <u>972,523</u></b>

**Advances to Other Funds -**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Payroll Clearing	<b>\$ <u>30,000</u></b>

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

**(5) 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.

**(6) Loans Receivable**

Loans receivable at September 30, 2002, consist of the following:

<u>Styling</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Sandco Industries	10-01-91	4 %	11-04-04	\$ 50,000
Bayou Blend	09-22-94	4 %	09-01-99	86,254
Superior Optical	09-21-95	4 %	10-21-05	35,981
Sophie Enterprises	12-02-97	4 %	02-01-07	12,307
Lagniappe House loan	12-02-97	4 %	02-01-07	<u>99,239</u>
<b>Loans receivable</b>				<b>283,781</b>
Less: Reserve for bad debts				<u>(136,254)</u>
<b>Loans receivable, net of bad debt reserve</b>				<b>\$ <u>147,527</u></b>

**JACKSON COUNTY, MISSISSIPPI**

Notes to Financial Statements

September 30, 2002

**(7) Fixed Assets**

Changes in the General Fixed Assets Account Group at September 30, 2002, were as follows:

	<u>Balance</u> <u>Oct. 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2002</u>
<b><u>Governmental Funds:</u></b>				
Land	\$ 5,275,215	-	-	5,275,215
Buildings	25,649,206	195,770	-	25,844,976
Mobile equipment	8,663,785	745,467	(122,212)	9,287,040
Other furniture and equipment	7,433,270	1,416,995	(955,045)	7,895,220
Leased property under capital lease	<u>3,039,571</u>	<u>22,585</u>	<u>-</u>	<u>3,062,156</u>
<b>Total</b>	\$ <u>50,061,047</u>	<u>2,380,817</u>	<u>(1,077,257)</u>	<u>51,364,607</u>

The Proprietary Fund fixed asset balances at September 30, 2002, are as follows:

<b><u>Proprietary Funds:</u></b>	<b><u>Amount</u></b>
Land	\$ 6,478
Buildings	24,050
Building improvements	50,950
Improvement other than buildings	557,027
Furniture and fixtures	42,330
Mobile equipment	<u>405,423</u>
<b>Total</b>	1,086,258
Less: Accumulated depreciation	<u>(574,111)</u>
<b>Net Book Value</b>	\$ <u>512,147</u>

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

**(8) Claims and Judgments**

**Risk Financing**

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$350,000 for each accident and completely covers all 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, 2002, to January 1, 2003. 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 coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. 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, 2002

**(8) 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, 2002, the amount of these liabilities was \$304,423. An analysis of claims activities is presented below:

	<b>Current Year Beginning of Fiscal Year <u>Liability</u></b>	<b>Claims and Changes in <u>Estimates</u></b>	<b><u>Claims Payments</u></b>	<b>Balance at Fiscal Year End</b>
2000-2001	\$ 263,488	2,335,417	2,284,927	313,978
2001-2002	\$ 313,978	2,386,897	2,396,452	304,423

**(9) Capital Leases**

The county is obligated for the following assets acquired through capital leases as of September 30, 2002:

<b><u>Classes of Property</u></b>	<b>General Fixed Assets <u>Group</u></b>
Other furniture and equipment	\$ 2,871,426
Mobile equipment	<u>190,730</u>
<b>Leased Property Under Capital Leases</b>	<b>\$ <u>3,062,156</u></b>

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

**(9) Capital Leases (continued)**

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2002, are as follows:

<u>Year Ending September 30:</u>	<u>General Long-term Debt Group</u>
2003	\$ 584,935
2004	357,796
2005	<u>329,393</u>
<b>Total minimum lease payments</b>	<b>1,272,124</b>
Less: Amount representing interest	<u>(108,731)</u>
<b>Present value of net minimum lease payments</b>	<b>\$ <u>1,163,393</u></b>

**(10) Long-term Debt**

Debt outstanding as of September 30, 2002, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
<b>General Long-Term Debt Account Group:</b>			
<b>(a) <u>General Obligation Bonds:</u></b>			
Library bond refunding	\$ 510,000	4.8 – 6.5	5-1-09
Road improvement refunding	2,590,000	4.8 – 5.7	5-1-09
Water system	3,440,000	5.2 – 7.125	4-1-13
Courthouse	3,255,000	5.4 – 7.5	4-1-14
Port road improvement	2,910,000	5.125 – 6.25	9-12-12
Port of Pascagoula	4,365,000	5.1 – 7.1	6-1-14
\$3.2 million Sunplex	2,675,000	8.4 – 8.75	2-1-15
\$4.1 Million Heinz	3,435,000	8.0 – 10.0	3-1-15

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

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

<b><u>Description and Purpose</u></b>	<b><u>Amount Outstanding</u></b>	<b><u>Interest Rates (%)</u></b>	<b><u>Final Maturity Date</u></b>
<b>General Long-Term Debt Account Group (continued):</b>			
<b>(a) <u>General Obligation Bonds (continued):</u></b>			
Document management refunding	1,880,000	4.9 – 6.0	9-1-07
Louis Dreyfus	1,075,000	7.125	5-1-14
Port improvement 1998	5,470,000	5.49	11-1-08
Ham Marine, Series 97	<u>3,258,697</u>	2.0	11-1-12
<b>Total General Obligation Bonds</b>	<b>\$ <u>34,863,697</u></b>		
<b>(b) <u>Limited Obligation Bonds</u></b>			
Capital improvement COP	\$ <u>610,000</u>	4.8 – 6.4	9-1-04
<b>Total Limited Obligation Bonds</b>	<b>\$ <u>610,000</u></b>		
<b>(c) <u>Capital Leases:</u></b>			
Radio system – Motorola	\$ 877,249	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
Printer – Hewlett Packard	3,564	5.09	9-25-02
Caterpillar-D6M dozer	54,791	4.59	1-24-04
Chevrolet Impala	14,216	6.55	7-10-04
Chevrolet Impala	<u>18,054</u>	6.00	2-10-05
<b>Total Capital Leases</b>	<b>\$ <u>1,163,393</u></b>		

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

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

<b><u>Description and Purpose</u></b>	<b><u>Amount Outstanding</u></b>	<b><u>Interest Rates (%)</u></b>	<b><u>Final Maturity Date</u></b>
<b>General Long-Term Debt Account Group (continued):</b>			
<b>(d) <u>Other Loans</u></b>			
Homeport construction	\$ 6,703,000	0.00	8-1-07
Vancleave fire department	22,404	7.50	3-4-04
Franklin Creek – Forts lake fire trucks	101,342	4.56	7-27-08
Vancleave fire department	108,428	4.84	5-26-08
Fontainbleau fire department	48,872	4.84	7-8-08
West Jackson County volunteer fire Department	73,478	4.84	5-26-08
Fair barn note/general obligation note – Series 1998	410,000	3.90	7-1-03
Fire promissory note	84,954	4.62	4-23-09
Fair Elementary School	119,000	6.00	3-13-03
Vancleave fire department	169,895	4.10	1-9-10
Fort Bayou fire department	552,395	5.26	1-15-17
West Jackson County fire department	<u>165,000</u>	4.05	7-15-08
<b>Total Other Loans</b>	<b>\$ <u>8,558,768</u></b>		

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

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

Annual debt service requirements to maturity for the following debt reported in the General Long-term Debt Account Group are as follows:

<u>Year Ending September 30,</u>	<u>General Obligation Bonds</u>	<u>Limited Obligation Bonds</u>	<u>Other Loans</u>	<u>Total</u>
2003	\$ 4,431,136	333,745	2,124,193	6,889,074
2004	4,450,716	335,160	1,565,950	6,351,826
2005	4,437,129	-	1,559,837	5,996,966
2006	4,420,638	-	1,530,285	5,950,923
2007	4,415,877	-	1,554,402	5,970,279
Thereafter	<u>26,661,916</u>	<u>-</u>	<u>623,698</u>	<u>27,285,614</u>
<b>Total</b>	48,817,412	668,905	8,958,365	58,444,682
Less: Amounts representing interest	<u>(13,953,715)</u>	<u>(58,905)</u>	<u>(399,597)</u>	<u>(14,412,217)</u>
<b>Total at present value</b>	\$ <u>34,863,697</u>	<u>610,000</u>	<u>8,558,768</u>	<u>44,032,465</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, 2002, the amount of outstanding debt was equal to 3.6% of the latest property assessments.

**Prior Year Defeasance of Debt** – In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2002, \$3,100,000 of bonds outstanding were considered defeased.

**JACKSON COUNTY, MISSISSIPPI**

Notes to Financial Statements

September 30, 2002

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

The following changes occurred in liabilities reported at year end:

<u>Styling</u>	<u>Balance</u> <u>Oct. 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2002</u>
<b>General long-term debt account group:</b>				
Compensated absences \$	928,029	-	(51,149)	876,880
General obligation bonds	37,831,475	-	(2,967,778)	34,863,697
Limited obligation bonds	955,000	-	(345,000)	610,000
Capital leases	1,452,236	22,885	(311,728)	1,163,393
Other loans	<u>9,703,085</u>	<u>909,500</u>	<u>(2,053,817)</u>	<u>8,558,768</u>
<b>Total</b>	<b>\$ <u>50,869,825</u></b>	<b><u>932,385</u></b>	<b><u>(5,729,472)</u></b>	<b><u>46,072,738</u></b>
<b>Proprietary Funds:</b>				
Compensated absences \$	13,425	426	(-)	13,851
Claims and Judgments	<u>313,978</u>	<u>2,386,897</u>	<u>(2,396,452)</u>	<u>304,423</u>
<b>Total</b>	<b>\$ <u>327,403</u></b>	<b><u>2,387,323</u></b>	<b><u>(2,396,452)</u></b>	<b><u>318,274</u></b>

**(11) Contingencies**

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

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

(11) **Contingencies (continued)**

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

**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:

<b><u>Styling</u></b>	<b><u>Balance at September 30, 2002</u></b>
General obligation bonds	\$ <u>6,890,000</u>

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

**(11) Contingencies (continued)**

**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, 2002, consists of the following:

<u>Description or Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Revenue bonds	\$ 54,550,000	4.6 – 5.5	3-2023
Note – Series 1995	349,441	5.25	9-2005
Notes payable to bank	6,807,155	4.75 – 6.33	12-2006
Sub. notes payable to bank	<u>3,010,345</u>	5.0 – 9.0	2-2002
<b>Total</b>	<b>\$ <u>64,716,941</u></b>		

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

**(11) 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, in fact, 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, 2002, consists of the following:

<u>Description or Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
East Central volunteer fire department equipment	\$ 96,284	6.19	5-2005
<b>Total</b>	<b>\$ 96,284</b>		

**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.

**(12) No Commitment Debt (Not Included in Financial Statements)**

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

<u>Styling</u>	<u>Balance at September 30, 2002</u>
Industrial revenue bonds and notes	\$ <u>309,150,706</u>

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

**(13) Segment Information for Enterprise Funds**

The County maintains two Enterprise Funds, which provide recreation and community services. Segment information as of and for the year ended September 30, 2002, is summarized below:

	<b>Golf Course Fund</b>	<b>Ocean Springs Harbor Fund</b>	<b>Total Enterprise Funds</b>
Operating revenues	\$ 278,171	122,246	400,417
Depreciation	54,489	6,717	61,206
Operating income (loss)	(140,393)	11,994	(128,399)
Net income (loss)	(140,393)	11,994	(128,399)
Additions to fixed assets	101,476	-	101,476
Disposal of fixed assets	-	-	-
Current capital contributions	240,003	-	240,003
Net working capital	24,090	48,083	72,173
Long-term debt payable from operating revenues	10,911	2,940	13,851
Total assets	518,667	76,702	595,369
Total retained earnings (deficit)	(181,714)	56,295	(125,419)
Total fund equity	499,183	71,286	570,469

**(14) 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 2002.

## JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2002

### (14) Jointly Governed Organizations (continued)

Jackson County Civic Action is jointly governed by various public entities as well as by certain corporations and civic groups. The Jackson County Board of Supervisors appoints two of the 15 members of the board of directors. The County appropriated \$192,346 for support of Jackson County Civic Action in fiscal year 2002.

Gulf Regional Planning and Development District operates in a district composed of the Counties of Hancock, Harrison, and Jackson. The governing body is a nine-member board of directors, three appointed by the Board of Supervisors of each member county. The County appropriated \$12,470 for support of Gulf Regional Planning and Development District in fiscal year 2002.

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 2002.

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 \$4,927,305 for maintenance and support of the college in fiscal year 2002. This appropriation was settled to the college directly by the Tax Collector and is not included in the financial statements of the County.

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

## JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2002

### (15) 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, 2002, 2001, and 2000, were \$1,561,984, \$1,488,803 and \$1,453,242, respectively, equal to the required contributions for each year.

### (16) Other Information

As a result of revenue shortfalls, the State Tax Commission had to withhold 11% of the March 2002 homestead exemption reimbursement from local governments. The amount withheld from Jackson County during the 2001-2002 fiscal year was \$94,167.

### (17) Accounting Standard to be Adopted in the Future

The GASB recently issued Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments." This Statement establishes accounting and financial reporting standards for external financial reporting, and also establishes specific standards for the basic financial statements, management discussion and analysis and certain other required supplementary information. The Statement will apply to all fiscal years of the County ending after January 1, 2003. The County has not determined what impact, if any, the adoption of Statement 34 will have on its financial position or results of operations.

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
September 30, 2002

**(18) Subsequent Event**

On December 20, 2002, the county issued \$16,685,000 in general obligation bonds with interest rates ranging from 2.0% to 4.0% to refund the following outstanding bond issues:

<u>Issue</u>	<u>Interest Rate</u>	<u>Outstanding Amount Refunded</u>
Water system	5.2 – 7.125	\$ 3,440,000
Courthouse	5.4 – 7.5	3,255,000
Port of Pascagoula	5.1 – 7.1	4,365,000
Port road improvement	5.125 – 6.25	2,910,000
1996 refunding	4.9 – 6.0	<u>1,880,000</u>
<b>Total Bonds Refunded</b>		<b>\$ <u>15,850,000</u></b>

**SUPPLEMENTARY FINANCIAL INFORMATION**

**JACKSON COUNTY**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2002**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<b>U.S. Department of Justice - Office of Justice Programs - Passed Through the Mississippi Department of Public Safety:</b>			
Juvenile Accountability Incentive Block Grant	16.523	9JB1301	\$ 15,466
Juvenile Accountability Incentive Block Grant	16.523	0JB1301	8,619
Byrne Formula Grant Program	16.579	1NM1301	176,245
Local Law Enforcement Block Grant	16.592	2001-LB-BX-3677	18,590
Underage Alcohol Enforcement	16.727	1UA1301	10,106
COPS Technology Initiative	16.xxx	2001CKWX0062	129,714
Triad Elderly Crime Prevention	16.xxx	2CA1301	<u>7,818</u>
<b>Total U.S. Department of Justice</b>			<u>366,558</u>
<b>Federal Emergency Management Agency - Passed Through the Mississippi Emergency Management Agency:</b>			
Public Assistance - Tropical Storm Allison	83.544	1382-DR-MS	58,007
Public Assistance - Tropical Storm Isidore	83.544	1436-DR-MS	10,094
Hazard Mitigation	83.548	1251-037	17,460
Emergency Management Performance	83.552	EMA-2000-GR-0005	2,673
Emergency Management Performance	83.552	EMA-2001-GR-0005	<u>30,000</u>
<b>Total Federal Emergency Management Agency</b>			<u>118,234</u>
<b>U.S. Department of Transportation - Federal Highway Administration - Passed Through the Mississippi Department of Transportation:</b>			
Highway Planning and Construction	20.205	BR NBIS 047B	8,910
Highway Planning and Construction	20.205	BR NBIS 051B	8,470
Occupant Protection	20.602	1OP1301	2,300
Occupant Protection	20.602	2IN1301	4,240
Alcohol Incentive - DUI Enforcement	20.xxx	2-J7-130-1	<u>19,223</u>
<b>Total U.S. Department of Transportation</b>			<u>43,143</u>
<b>U.S. Department of Agriculture - Passed Through the Mississippi Department of Education:</b>			
Food Distribution Program	10.550	12-35-2823	1,270
School Breakfast Program	10.553	12-35-2823	9,257
School Lunch Program	10.555	12-35-2823	<u>10,974</u>
<b>Total U.S. Department of Agriculture</b>			<u>21,501</u>
<b>Office of National Drug Control Policy - Passed Through the Mississippi Department of Public Safety</b>			
High Intensity Drug Trafficking Area Award	07.UN	I1PGCP518	31,255
High Intensity Drug Trafficking Area Award	07.UN	I1PGCP569	14,163
High Intensity Drug Trafficking Area Award	07.UN	I2PGCP518	3,266
High Intensity Drug Trafficking Area Award	07.UN	I2PGCP569	<u>12,719</u>
<b>Total Office of National Drug Control Policy</b>			<u>61,403</u>
<b>Total expenditures of federal awards</b>			<b>\$ <u>610,839</u></b>

See accompanying notes to schedule of expenditures of federal awards.

**JACKSON COUNTY, MISSISSIPPI**  
Notes to Schedule of Expenditures of Federal Awards  
September 30, 2002

(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:

<b><u>Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Amount Provided</u></b>
Byrne Formula Grant Program	16.579	\$ <u>99,678</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 Jackson County, Mississippi, as of and for the year ended September 30, 2002, and have issued our report thereon dated February 25, 2003. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the County's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**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 two instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 02-01 and 02-02. We also noted certain immaterial instances of noncompliance that we have reported to the management in a separate communication dated February 25, 2003.

**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 02-3 and 02-4.

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 02-3 to be a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of Jackson County, Mississippi, in a separate communication dated February 25, 2003.

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.

*Bryant, Saunders & O'Neil, LTD.*

February 25, 2003

**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, 2002. 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, 2002. 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 02-5.

**Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Brazel, Saunders & O'Neil, LLP.*

February 25, 2003

**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, 2002. 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.

*Brazel, Saunders & O'Neil, CTO.*

February 25, 2003

**Schedule 1**

**JACKSON COUNTY, MISSISSIPPI**  
Schedule of Purchases Not Made From the Lowest Bidder  
September 30, 2002

<b><u>Date</u></b>	<b><u>Item Purchased</u></b>	<b><u>Bid Accepted</u></b>	<b><u>Vendor</u></b>	<b><u>Lowest Bid</u></b>	<b>Reasons for For Accepting Other Than the <u>Lowest Bid</u></b>
1/02	Dump truck	\$ 70,154	Hol-Mac	69,863	Preference given to in-state bidder

**Schedule 2**

**JACKSON COUNTY, MISSISSIPPI**  
Schedule of Emergency Purchases  
September 30, 2002

<b><u>Date</u></b>	<b><u>Item Purchased</u></b>	<b><u>Amount Paid</u></b>	<b><u>Vendor</u></b>	<b><u>Reasons for Emergency Purchase</u></b>
1/02	Heat & A/C unit	\$ 20,439	Foster A/C, Inc.	Air conditioner needed in school
3/02	Entrance lock	38	Pop-A-Lock	Entrance lock malfunctioned
6/02	Repair lift station	1,800	Air Masters Mechanical	Lift station malfunctioned
7/02	Entrance lock	13	Lowes Home Center	Entrance lock malfunctioned
9/02	Tire	64	Pasc. Tire & Service	New tire for sheriff's vehicle
9/02	Roof repairs	8,866	Solomon Sherman	Roof repairs needed prior to Tropical Storm

**Schedule 3**

**JACKSON COUNTY, MISSISSIPPI**  
Schedule of Purchases made  
Noncompetitively from a Sole Source  
September 30, 2002

<b><u>Items</u></b> <b><u>Date</u></b>	<b><u>Purchased</u></b>	<b><u>Vendor</u></b>	<b><u>Amount</u></b>
12/01	Dual cassette recorder	Lanier Healthcare	\$ 3,634
5/02	Screening belt, deflectors	P.G. Griener, Inc.	4,756
6/02	Stenograph machine	Stenograph, LLC	3,821
2/02	Mobile radios	Motorola	16,671

**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 Jackson County, Mississippi as of and for the year ended September 30, 2002, and have issued our report thereon dated February 25, 2003. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the County's component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by 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, LLP*

February 25, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JACKSON COUNTY, MISSISSIPPI**  
Schedule of Findings and Questioned Costs  
September 30, 2002

**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. Two reportable conditions disclosed during the audit of the primary government financial statements are reported in Section 2 of this Schedule. One reportable condition is reported as a material weakness.
3. Two instances of noncompliance material to the primary government financial statements of Jackson County, Mississippi that would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit and are reported in Section 2 of this Schedule.
4. One reportable condition relating to the audit of the major federal award programs is reported in Section 3 of this Schedule.
5. The auditors' report on compliance for the major federal award programs for Jackson County, Mississippi, expresses an unqualified opinion on all major federal programs.
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:

16.xxx	COPS Technology Initiative
16.579	Byrne Formula Grant Program
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, 2002

**Section 2: Financial Statement Findings**

**Compliance**

**02-1 Finding – Board of Supervisors and Comptroller**

We found numerous instances where funds paid expenditures in excess of the funds' cash balances and where inter-fund advances were not approved by the Board of Supervisors.

**Recommendation**

We recommend the Comptroller prepare a list of inter-fund advances needed to prevent any fund from expending more cash than is in the fund and submit this list for approval by the Board of Supervisors each month when the claims docket is submitted for approval.

**02-2 Finding – Board of Supervisors**

The County expended the proceeds of the 1 mill tax levy under Section 27-39-329(2)(b) of the Mississippi Code Annotated 1972 prior to receiving clearance from the State Tax Commission. The County received clearance to expend the proceeds of this levy for the 2001-2002 fiscal year on October 31, 2002, however, the County expended the proceeds as they were collected.

**Recommendation**

We recommend the County place the proceeds of this tax levy in an escrow fund until clearance to expend the proceeds is received, at which time the County could transfer the proceeds from the escrow fund into any of the County's general funds.

**JACKSON COUNTY, MISSISSIPPI**  
Schedule of Findings and Questioned Costs  
September 30, 2002

**Section 2: Financial Statement Findings (Continued)**

**Internal Control**

**02-3 Finding – Director of Finance**

As reported in prior years, cash accounts were not reconciled on a timely basis at any time 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.

**Recommendation**

We strongly recommend that someone independent of the posting of transactions prepare bank reconciliations each month. We recommend the Board set a policy that all bank reconciliations will be completed no later than the 10<sup>th</sup> business day of the following month.

**02-4 Finding – Director of Finance and Inventory Control Clerk**

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, 2002, \$4,580,881 was charged to account 900, while only \$2,185,047 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.

**JACKSON COUNTY, MISSISSIPPI**  
Schedule of Findings and Questioned Costs  
September 30, 2002

**Section 2: Financial Statement Findings (Continued)**

**Internal Control (Continued)**

**Recommendation**

We recommend that only purchases that meet the state requirements for capitalization (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.

**Section 3: Federal Award Findings and Questioned Costs**

**Compliance**

**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.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**JACKSON COUNTY, MISSISSIPPI**  
Summary Schedule of Prior Audit Findings  
September 30, 2002

There were no prior audit findings reported.

**CORRECTIVE ACTION PLAN**



# JACKSON COUNTY BOARD OF SUPERVISORS

FRANK LEACH  
DISTRICT IV SUPERVISOR

POST OFFICE BOX 998  
PASCAGOULA, MISSISSIPPI 39568  
frank\_leach@co.jackson.ms.us

OFFICE: (228) 769-3457  
FAX: (228) 769-3482  
TOLL FREE: (877) 542-0975

May 30, 2003

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

Re: Corrective Action Plan, Jackson County, Mississippi, September 30, 2002

Gentlemen:

The Jackson County Board of Supervisors respectfully submits the following corrective action plan for the year ended September 30, 2002.

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.

Section 1: Summary of Auditor's Results

Does not include findings and is not addressed.

Section 2: Financial Statement Findings

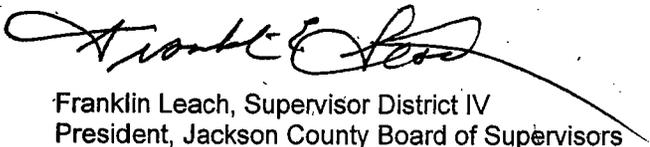
- 02-1 We currently have accurate balance sheet account balances in the County general ledger, which will facilitate the monitoring of cash balances and interfund loans. The Comptroller will present interfund activity to the Board of Supervisors for approval each month.
- 02-2 The County submitted an Application for Certification to expend the one (1) mill for the 2002 property rolls in September 2002. The State Tax Commission approved this Application in October 2002 with no notification of errors or corrections. The 2002 property rolls were complete and certified at that time. We are submitting another Application for Certification to expend the one (1) mill for the 2002 property rolls. We will submit an Application for Certification for the 2003 property rolls in September 2003.
- 02-3 Someone independent of the posting of transactions will prepare bank reconciliations each month on a regular schedule.
- 02-4 The Finance Department will work with Purchasing and department heads to capitalize only purchases that meet the state requirements for capitalization. The County will reconcile the real and personal property additions to the inventory control records.

Section 3: Federal Award Findings and Questioned Costs

- 02-5 The County will comply with the cash management requirements of grants.

If you have any further questions or need more clarification, please contact me at (228) 769-3457.

Sincerely,



Franklin Leach, Supervisor District IV  
President, Jackson County Board of Supervisors