

JACKSON COUNTY, MISSISSIPPI

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

September 30, 2001
(With Independent Auditors' Report Thereon)

JACKSON COUNTY, MISSISSIPPI
September 30, 2001

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Primary Government Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups.....	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds.....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types.....	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types.....	6
Combined Statement of Cash Flows - All Proprietary Fund Types.....	7
Notes to Financial Statements.....	8-38
Supplementary Financial Information:	
Schedule of Expenditures of Federal Awards.....	39
Notes to Schedule of Expenditures of Federal Awards	40

JACKSON COUNTY, MISSISSIPPI
September 30, 2001

TABLE OF CONTENTS (Continued)

	<u>Page</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 <i>Government Auditing Standards</i>	41-42
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	43-44
Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	45-49
Independent Auditors' Report on Compliance with State Laws and Regulations	50-51
Schedule of Findings and Questioned Costs	52-54
Summary Schedule of Prior Audit Findings	55-56
Corrective Action Plan	57

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, 2001, 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, 2001, 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 components units of Jackson County, Mississippi, do not purport to, and do not present fairly the financial position of Jackson, County, Mississippi, as September 30, 2001, 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
Page two**

In accordance with *Government Auditing Standards*, we have also issued a report dated February 1, 2002, 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.

February 1, 2002

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI
Combined Balance Sheet - All Fund Types and Account Groups
September 30, 2001

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals Memorandum Only Primary Government</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Debt</u>	
ASSETS									
Cash and investments (note 4)	\$ 6,187,202	9,284,230	222,223	56,023	126,849	391,144	-	-	16,267,671
Other receivables	-	-	-	-	88,974	-	-	-	88,974
Intergovernmental receivables	606,867	557,825	-	-	-	5,000	-	-	1,169,692
Interfund receivables (note 5)	113,872	204,487	50,507	-	-	12,394	-	-	381,260
Advances to other funds (note 5)	1,130,000	-	-	-	-	-	-	-	1,130,000
Loans receivable, net of allowance (note 7)	-	162,237	-	-	-	-	-	-	162,237
Amounts due from former officials (note 6)	65,110	-	-	-	-	-	-	-	65,110
Inventories	-	-	-	2,069	-	-	-	-	2,069
Fixed assets (net, where applicable, of accumulated depreciation) (note 8)	-	-	-	471,877	-	-	50,061,047	-	50,532,924
Amount available in debt service funds	-	-	-	-	-	-	-	267,730	267,730
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	50,602,095	50,602,095
Total Assets	\$ 8,103,051	10,208,779	272,730	529,969	215,823	408,538	50,061,047	50,869,825	120,669,762
LIABILITIES AND FUND EQUITY									
Liabilities:									
Claims payable	\$ 59,743	24,776	-	19,434	-	-	-	-	103,953
Accrued payroll	591,936	150,969	-	8,245	-	-	-	-	751,150
Amounts held in custody for others	-	-	-	-	-	38,929	-	-	38,929
Intergovernmental payables	1,153,610	12,842	-	-	-	-	-	-	1,166,452
Interfund payables (note 5)	265,737	68,129	5,000	-	12,394	30,000	-	-	381,260
Advances from other funds (note 5)	-	1,100,000	-	30,000	-	-	-	-	1,130,000
Claims and judgments liability (note 9)	-	-	-	-	313,978	-	-	-	313,978
Compensated absences liability (note 12)	-	-	-	13,425	-	-	-	928,029	941,454
General obligation bonds payable (note 11)	-	-	-	-	-	-	-	37,831,475	37,831,475
Limited obligation bonds payable (note 11)	-	-	-	-	-	-	-	955,000	955,000
Other loans payable (note 11)	-	-	-	-	-	-	-	9,703,085	9,703,085
Capital leases payable (note 11)	-	-	-	-	-	-	-	1,452,236	1,452,236
Total Liabilities	2,071,026	1,356,716	5,000	71,104	326,372	68,929	-	50,869,825	54,768,972
Fund Equity:									
Investment in general fixed assets	-	-	-	-	-	-	50,061,047	-	50,061,047
Contributed capital	-	-	-	455,885	-	-	-	-	455,885
Retained earnings - unrestricted	-	-	-	2,980	(110,549)	-	-	-	(107,569)
Fund balances:									
Reserved for future projects	165,750	-	-	-	-	-	-	-	165,750
Reserved for advances to other funds	1,130,000	-	-	-	-	-	-	-	1,130,000
Reserved for loans receivable	-	162,237	-	-	-	-	-	-	162,237
Reserved for debt service	-	-	267,730	-	-	-	-	-	267,730
Unreserved	4,736,275	8,689,826	-	-	-	339,609	-	-	13,765,710
Total Fund Equity	6,032,025	8,852,063	267,730	458,865	(110,549)	339,609	50,061,047	-	65,900,790
Total Liabilities and Fund Equity	\$ 8,103,051	10,208,779	272,730	529,969	215,823	408,538	50,061,047	50,869,825	120,669,762

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, 2001

	Governmental Fund Types			Fiduciary Fund Type	Totals Memorandum Only
	General	Special Revenue	Debt Service	Expendable Trust	Primary Government
Revenues:					
Property taxes	\$ 23,964,270	14,904,424	3,548,206	-	42,416,900
Licenses, commissions and other revenue	1,551,365	1,509,701	-	-	3,061,066
Fines and forfeitures	958,438	136,342	-	113,235	1,208,015
Intergovernmental revenues	3,770,303	5,122,720	-	-	8,893,023
Charges for services	449,351	-	-	-	449,351
Use of money and property	931,237	871,137	385,080	8,131	2,195,585
Miscellaneous revenues	1,022,651	200,205	-	-	1,222,856
Total Revenues	32,647,615	22,744,529	3,933,286	121,366	59,446,796
Expenditures:					
General government	16,710,804	151,250	-	1,184	16,863,238
Public safety	7,667,846	1,915,202	-	-	9,583,048
Public works	473,231	15,072,016	-	-	15,545,247
Health and welfare	2,023,207	-	-	-	2,023,207
Culture and recreation	1,992,148	1,637,905	-	-	3,630,053
Education	412,886	-	-	-	412,886
Conservation of natural resources	213,497	-	-	-	213,497
Economic development and assistance	1,015,830	-	-	-	1,015,830
Capital projects	525,125	-	-	-	525,125
Debt service:					
Principal retirement	1,010,177	4,315,246	3,125,000	-	8,450,423
Interest and fiscal charges	148,825	1,626,134	866,799	-	2,641,758
Other costs	-	-	-	20,871	20,871
Total Expenditures	32,193,576	24,717,753	3,991,799	22,055	60,925,183
Excess of Revenues Over (Under) Expenditures	454,039	(1,973,224)	(58,513)	99,311	(1,478,387)
Other Financing Sources (Uses):					
Proceeds of debt	960,537	2,100,000	-	-	3,060,537
Proceeds from sale of assets	23,701	202,289	-	-	225,990
Insurance recoveries	1,840	-	-	-	1,840
Operating transfers in	490,033	2,041,042	7,748	-	2,538,823
Operating transfers out	(499,349)	(2,035,195)	-	-	(2,534,544)
Operating transfers to component units	-	(1,502,324)	-	(89,356)	(1,591,680)
Total Other Financing Sources (Uses)	976,762	805,812	7,748	(89,356)	1,700,966
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,430,801	(1,167,412)	(50,765)	9,955	222,579
Fund Balance - Beginning of Year, as Previously Reported	4,804,413	10,146,198	318,495	329,654	15,598,760
Correction of an Error (note 3)	(203,189)	(126,723)	-	-	(329,912)
Fund Balance - Beginning of Year, as Restated	4,601,224	10,019,475	318,495	329,654	15,268,848
Fund Balance - End of Year	\$ 6,032,025	8,852,063	267,730	339,609	15,491,427

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, 2001

	General Funds			Special Revenue Funds			Debt Service Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Property taxes	\$ 23,442,610	23,829,668	387,058	15,025,746	14,910,590	(115,156)	3,551,415	3,551,081	(334)
Licenses, commissions and other revenue	1,890,210	1,561,680	(328,530)	1,610,000	1,619,343	9,343	-	-	-
Fines and forfeitures	933,210	978,753	45,543	49,291	136,342	87,051	-	-	-
Intergovernmental revenues	4,480,257	4,194,220	(286,037)	5,385,716	5,473,903	88,187	-	-	-
Charges for services	460,000	449,351	(10,649)	-	-	-	-	-	-
Use of money and property	959,565	912,955	(46,610)	862,500	864,250	1,750	385,252	385,080	(172)
Miscellaneous revenues	776,731	1,320,740	544,009	163,765	165,478	1,713	-	-	-
Total Revenues	<u>32,942,583</u>	<u>33,247,367</u>	<u>304,784</u>	<u>23,097,018</u>	<u>23,169,906</u>	<u>72,888</u>	<u>3,936,667</u>	<u>3,936,161</u>	<u>(506)</u>
Expenditures:									
General government	17,031,072	16,809,990	221,082	87,810	153,477	(65,667)	-	-	-
Public safety	7,801,712	7,674,422	127,290	1,790,794	1,783,335	7,459	-	-	-
Public works	488,115	472,917	15,198	15,688,513	15,336,155	352,358	-	-	-
Health and welfare	2,026,391	2,022,128	4,263	-	-	-	-	-	-
Culture and recreation	1,768,533	1,757,812	10,721	1,637,905	1,637,905	-	-	-	-
Education	888,900	889,086	(186)	-	-	-	-	-	-
Conservation of natural resources	181,428	213,414	(31,986)	-	-	-	-	-	-
Economic development and assistance	1,013,398	1,015,799	(2,401)	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Debt service	425,775	1,157,626	(731,851)	5,232,838	5,932,720	(699,882)	3,991,829	3,991,799	30
Total Expenditures	<u>31,625,324</u>	<u>32,013,194</u>	<u>(387,870)</u>	<u>24,437,860</u>	<u>24,843,592</u>	<u>(405,732)</u>	<u>3,991,829</u>	<u>3,991,799</u>	<u>30</u>
Excess of Revenues Over (Under) Expenditures	1,317,259	1,234,173	(83,086)	(1,340,842)	(1,673,686)	(332,844)	(55,162)	(55,638)	(476)
Other financing sources (uses)	468,220	379,307	(88,913)	70,557	715,555	644,998	15,000	7,748	(7,252)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1,785,479	1,613,480	<u>(171,999)</u>	(1,270,285)	(958,131)	<u>312,154</u>	(40,162)	(47,890)	<u>(7,728)</u>
Fund Balance - Beginning of Year	<u>3,691,101</u>	<u>4,084,638</u>		<u>10,113,419</u>	<u>9,090,819</u>		<u>86,340</u>	<u>265,114</u>	
Fund Balance - End of Year	<u>\$ 5,476,580</u>	<u>5,698,118</u>		<u>8,843,134</u>	<u>8,132,688</u>		<u>46,178</u>	<u>217,224</u>	

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, 2001

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals Memorandum Only Primary Government</u>
Revenues:			
Charges for sales and services	\$ 382,926	-	382,926
Premium income	-	2,764,272	2,764,272
Insurance recoveries	-	130,112	130,112
Other revenues	1,004	-	1,004
Total Operating Revenues	<u>383,930</u>	<u>2,894,384</u>	<u>3,278,314</u>
Operating Expenses:			
Personal services	273,686	-	273,686
Contractual services	36,859	-	36,859
Materials and supplies	67,857	-	67,857
Depreciation	76,137	-	76,137
Claims payments	-	2,335,417	2,335,417
Insurance premiums	-	576,411	576,411
Miscellaneous expenses	-	3,724	3,724
Total Operating Expenses	<u>454,539</u>	<u>2,915,552</u>	<u>3,370,091</u>
Net Loss Before Interfund Transfers	(70,609)	(21,168)	(91,777)
Operating Transfers Out	<u>(4,279)</u>	<u>-</u>	<u>(4,279)</u>
Net Loss	<u>(74,888)</u>	<u>(21,168)</u>	<u>(96,056)</u>
Retained Earnings - Beginning of Year, as Previously Reported	88,207	(89,381)	(1,174)
Correction of an Error (note 3)	<u>(10,339)</u>	<u>-</u>	<u>(10,339)</u>
Retained Earnings - Beginning of Year, as Restated	<u>77,868</u>	<u>(89,381)</u>	<u>(11,513)</u>
Retained Earnings - End of Year	<u>\$ 2,980</u>	<u>(110,549)</u>	<u>(107,569)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Combined Statement of Cash Flows -
All Proprietary Fund Types
Year Ended September 30, 2001

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals Memorandum Only Primary Government</u>
Cash Flows From Operating Activities:			
Net loss	(74,888)	(21,168)	(96,056)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	76,137	-	76,137
Change in assets and liabilities:			
Accounts receivable	-	194,539	194,539
Claims payable	16,100	-	16,100
Claims and judgement liability	-	50,490	50,490
Compensated absences	(3,863)	-	(3,863)
Net Cash Provided by Operating Activities	<u>13,486</u>	<u>223,861</u>	<u>237,347</u>
Cash Flows From Financing Activities:			
Repayments of loans from other funds	-	(97,606)	(97,606)
Capital contributions received	388,308	-	388,308
Net Cash Provided (Used) by Financing Activities	<u>388,308</u>	<u>(97,606)</u>	<u>290,702</u>
Cash Flows From Investing Activities -			
Acquisition and construction of capital assets	(408,642)	-	(408,642)
Net Increase (Decrease) in Cash and Cash Equivalents	(6,848)	126,255	119,407
Cash and Cash Equivalents - Beginning of Year	<u>62,871</u>	<u>594</u>	<u>63,465</u>
Cash and Cash Equivalents - End of Year	<u><u>56,023</u></u>	<u><u>126,849</u></u>	<u><u>182,872</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(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
- St. Andrews-Pinehurst Lighting District
- Triple Subdivision Lighting District
- Gulf Park Estates-St. Andrews Fire District
- Singing River Hospital System
- West Jackson County Utility District
- Gulf Hills Lighting District
- Helena Lighting District
- Jackson County Emergency Communications District

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(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, 2001

(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 or for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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, 2001

(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 government, 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, 2001

(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, 2001

(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, 2001

(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, 2001

(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 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, 2001

(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, 2001

(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 \$928,029 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 \$13,425, 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, 2001

(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

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Budget (Cash Basis)	\$ 1,613,480	(958,131)	(47,890)
Increase (Decrease)			
Net adjustment for revenue accruals	(388,266)	(437,815)	(2,875)
Net adjustment for expenditure accruals	<u>205,587</u>	<u>228,534</u>	<u>-</u>
GAAP Basis	\$ <u>1,430,801</u>	<u>(1,167,412)</u>	<u>(50,765)</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

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

(c) **Excess of Actual Expenditures over Budget in Individual Fund**

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2001:

Fund	Excess
General Funds:	
General fund	\$ 396,301
Excess bids	1,796
Flotilla	496
Special Revenue Funds:	
Sheriff forfeiture	\$ 174
Partnership for a healthy MS	7,950
Victim witness assistance	3,109
Juvenile accountability	62,692
DEQ tire waste	850
Hurricane Georges	4,611
Occupant protection grant	2,656
Solid waste	699,951
Highway 63	27,787
Trust and Agency Fund:	
Prior year funds	\$ 156

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

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

(d) **Individual Fund Deficits**

The following funds had deficit fund balances at September 30, 2001:

Fund	<u>Deficit Amount</u>
Special Revenue Funds:	
MDEQ permanent site	\$ 44,716
St. Andrews	3,979
Industrial water	1,077,326
Internal Service Fund -	
Self funded insurance	110,549

(3) **Prior Period Adjustments**

The effects of error corrections on the prior period financial statements are summarized in the tables below:

Governmental Fund Types

<u>General Funds</u>	<u>Fund Balance</u>
As previously reported	\$ 4,804,413
Cash balance error	350,592
Payroll accrual	<u>(553,781)</u>
As adjusted	\$ <u>4,601,224</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(3) **Prior Period Adjustments (continued)**

<u>Special Revenue Funds</u>	<u>Fund Balance</u>
As previously reported	\$ 10,146,198
Payroll accrual	<u>(126,723)</u>
As adjusted	\$ <u>10,019,475</u>
<u>Proprietary Fund Types</u>	<u>Retained Earnings</u>
<u>Enterprise Funds</u>	
As previously reported	\$ 88,207
Payroll accrual	<u>(10,339)</u>
As adjusted	\$ <u>77,868</u>

Because the County's cash balances were not properly reconciled on a monthly basis in 2001 and 2000, an understatement of \$350,592 in the County's cash balance at September 30, 2000, was not detected until late 2001. Also, the County did not record an accrual for payroll incurred prior to year-end to be paid after year-end as of September 30, 2000. These prior period adjustments had no material effect on the County's revenues or expenditures for the year ended September 30, 2000.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(4) Deposits and Investments

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2001, was \$16,494,205 (including cash belonging to a component unit), and the bank balance was \$21,490,236. The bank balance is categorized below to reflect the level of credit risk assumed by the county at year-end.

<u>Description</u>	<u>Amount</u>
Amount federally insured or collateralized with securities held by the county or its agent in the county's name	\$ 300,000
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the county's name	<u>21,190,236</u>
Total bank balance	\$ <u>21,490,236</u>

(5) Interfund Receivables and Payables

The composition of interfund balances at September 30, 2001, consists of the following:

Interfund Receivables/Payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Appraisal maintenance	General fund	\$ 10,744
Jackson/George library	General fund	23,313
Solid waste	General fund	37,047
Jackson County fire dist.	General fund	21,690
St Andrew	General fund	164
Lighting district	General fund	585
Gulf Hills	General fund	290
Helena lighting	General fund	54
Roads	General fund	55,114
Bridges	General fund	8,596
Homeport	General fund	18,376

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(5) Interfund Receivables and Payables (continued)

Interfund Receivables/Payables (continued):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
G.O. Courthouse	General fund	\$ 5,695
Library	General fund	1,396
GIS	General fund	3,868
Road & Bridge	General fund	15,368
Port	General fund	46,890
Records management	General fund	5,804
Capital Improvement	General fund	10,743
Payroll clearing	Self fund health	12,394
General fund	Task force forfeiture	6,996
General fund	Juvenile accountability	6,000
General fund	DEQ waste tire	5,000
General fund	MDEQ permanent site	44,989
General fund	Alcohol enforcement	944
General fund	St. Andrew	4,200
General fund	G.O. Courthouse	5,000
General fund	Payroll clearing	<u>30,000</u>
Total		\$ <u>381,260</u>

Advances to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Industrial water	\$ 1,100,000
General fund	Golf course	<u>30,000</u>
Total		\$ <u>1,130,000</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(6) Amounts Due From Former Officials

The County has recorded a receivable of \$65,110 on the balance sheet in the General Fund for amounts due from a former Chancery Clerk and a former Deputy Tax Assessor in restitution to the County.

In addition, the former Deputy Tax Assessor has agreed to repay the County an additional \$508,396 as a part of his sentencing agreement. This amount will be recorded as revenue as the funds are collected.

(7) Loans Receivable

Loans receivable at September 30, 2001, 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	44,290
Sophie Enterprises	12-02-97	4 %	02-01-07	14,763
Lagniappe House loan	12-02-97	4 %	02-01-07	<u>103,184</u>
Loans receivable				298,491
Less: Reserve for bad debts				<u>(136,254)</u>
Loans receivable, net of bad debt reserve				\$ <u>162,237</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(8) Fixed Assets

Changes in the General Fixed Assets Account Group at September 30, 2001, were as follows:

	<u>Balance</u> <u>Oct. 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2001</u>
<u>Governmental Funds:</u>					
Land	\$ 5,236,941	35,700	-	2,574	5,275,215
Buildings	25,216,461	489,425	-	(56,680)	25,649,206
Mobile equipment	10,114,334	1,093,311	(436,018)	(2,107,842)	8,663,785
Other furniture and equipment	5,058,867	1,132,467	(817,365)	2,059,301	7,433,270
Leased property under capital lease	<u>3,017,034</u>	<u>22,537</u>	<u>-</u>	<u>-</u>	<u>3,039,571</u>
Total	<u>48,643,637</u>	<u>2,773,440</u>	<u>(1,253,383)</u>	<u>(102,647)</u>	<u>50,061,047</u>

The Proprietary Fund fixed asset balances at September 30, 2001, are as follows:

<u>Proprietary Funds:</u>	<u>Amount</u>
Land	\$ 6,478
Buildings	24,050
Improvements	50,950
Improvement other than buildings	493,083
Furniture and fixtures	19,899
Mobile equipment	<u>393,168</u>
Total	987,628
Less: Accumulated depreciation	<u>(515,751)</u>
Net Book Value	\$ <u>471,877</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(9) Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$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, 2001, to January 1, 2002. 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, 2001

(9) Claims and Judgments (continued)

Risk Financing (continued)

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. At September 30, 2001, the amount of these liabilities was \$313,978. An analysis of claims activities is presented below:

	<u>Current Year Beginning of Fiscal Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
1999-2000	\$ 207,325	2,748,051	2,691,888	263,488
2000-2001	\$ 263,488	2,335,417	2,284,927	313,978

(10) Capital Leases

The county is obligated for the following assets acquired through capital leases as of September 30, 2001:

<u>Classes of Property</u>	<u>General Fixed Assets Group</u>
Other furniture and equipment	\$ <u>3,039,571</u>
Leased Property Under Capital Leases	\$ <u>3,039,571</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(10) Capital Leases (continued)

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2001, are as follows:

<u>Year Ending September 30:</u>	<u>General Long-term Debt Group</u>
2002	\$ 609,519
2003	374,198
2004	349,478
2005	<u>325,926</u>
Total minimum lease payments	1,659,121
Less: Amount representing interest	<u>(206,885)</u>
Present value of net minimum lease payments	\$ <u>1,452,236</u>

(11) Long-term Debt

Debt outstanding as of September 30, 2001, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
General Long-Term Debt Account Group:			
(a) <u>General Obligation Bonds:</u>			
Road Improvement	\$ 635,000	4.5 – 6.0	9-1-02
Library bond refunding	570,000	4.8 - 6.5	5-1-09
Road improvement refunding	2,890,000	4.8 – 5.7	5-1 -09
Water system	3,655,000	5.2 – 7.125	4-1-13
Courthouse	3,440,000	5.4 – 7.5	4-1-14
Port road improvement	3,095,000	5.125 – 6.25	9-12-12
Port of Pascagoula	4,605,000	5.1 – 7.1	6-1-14
\$3.2 million Sunplex	2,780,000	8.4 – 8.75	2-1-15
\$4.1 Million Heinz	3,570,000	8.0-10.0	3-1-15

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(11) Long-term Debt (continued)

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
General Long-Term Debt Account Group (continued):			
(a) <u>General Obligation Bonds (continued):</u>			
Document management refunding	2,195,000	4.9-6.0	9-1-07
Louis Dreyfus	1,130,000	7.125	5-1-14
Port improvement 1998	5,680,000	5.49	11-1-08
Ham Marine, Series 97	<u>3,586,475</u>	2.0	11-1-12
Total General Obligation Bonds	\$ <u>37,831,475</u>		
(b) <u>Limited Obligation Bonds</u>			
Capital improvement COP	\$ 890,000	4.8 – 6.4	9-1-04
Jackson County office building project	<u>65,000</u>	4.2 – 6.1	9-1-02
Total Limited Obligation Bonds	\$ <u>955,000</u>		
(c) <u>Capital Leases:</u>			
Radio system – Motorola	\$ 1,105,480	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	38,573	5.09	9-25-02
Caterpillar-D6M dozer	91,382	4.59	1-24-04
Chevrolet Impala	<u>21,282</u>	6.55	7-10-04
Total Capital Leases	\$ <u>1,452,236</u>		

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(11) Long-term Debt (continued)

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
General Long-Term Debt Account Group (continued):			
(d) <u>Other Loans</u>			
Homeport construction	\$ 8,043,000	0.0	8-1-07
Vancleave fire department	27,487	7.5	3-4-04
Vancleave fire department	35,852	6.0	10-1-06
West Jackson County volunteer fire Department	18,506	5.25	10-23-01
Franklin Creek – Forts lake fire trucks	115,869	4.56	7-27-08
Vancleave fire department	129,573	4.84	5-26-08
Fontainbleau fire department	55,722	4.84	7-8-08
West Jackson County volunteer fire Department	87,799	4.84	5-26-08
Fair barn note/general obligation note – Series 1998	800,000	3.9	7-1-03
Fire promissory note	151,277	4.62	4-23-09
Fair Elementary School	<u>238,000</u>	6.0	3-13-03
Total Other Loans	\$ <u>9,703,085</u>		

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(11) 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>
2002	\$ 5,117,197	405,210	2,027,270	7,549,677
2003	4,443,998	333,745	2,005,929	6,783,672
2004	4,462,970	335,160	1,447,806	6,245,936
2005	4,450,168	-	1,441,573	5,891,741
2006	4,434,781	-	1,441,526	5,876,307
Thereafter	<u>31,218,370</u>	<u>-</u>	<u>1,527,896</u>	<u>32,746,266</u>
Total	54,127,484	1,074,115	9,892,000	65,093,599
Less: Amounts representing interest	<u>(16,296,009)</u>	<u>(119,115)</u>	<u>(188,915)</u>	<u>(16,604,039)</u>
Total at present value	\$ <u>37,831,475</u>	<u>955,000</u>	<u>9,703,085</u>	<u>48,489,560</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, 2001, the amount of outstanding debt was equal to 4.2% 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, 2001, \$3,425,000 of bonds outstanding were considered defeased.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(11) Long-term Debt (continued)

The following changes occurred in liabilities reported at year end:

<u>Styling</u>	<u>Balance</u> <u>Oct. 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2001</u>
General long-term debt account group:					
Compensated absences	\$ 926,355	1,674	-	-	928,029
General obligation bonds	40,659,253	-	(2,827,778)	-	37,831,475
Limited obligation bonds	1,280,000	-	(325,000)	-	955,000
Capital leases	1,739,876	22,537	(310,177)	-	1,452,236
Other loans	<u>11,652,553</u>	<u>3,038,000</u>	<u>(4,987,468)</u>	-	<u>9,703,085</u>
Total	\$ <u>56,258,037</u>	<u>3,062,211</u>	<u>(8,450,423)</u>	-	<u>50,869,825</u>
Proprietary Funds:					
Compensated absences	\$ 17,288	-	(3,863)	-	13,425
Claims and Judgments	<u>263,488</u>	<u>2,335,417</u>	<u>(2,284,927)</u>	-	<u>313,978</u>
Total	\$ <u>280,776</u>	<u>2,335,417</u>	<u>(2,288,790)</u>	-	<u>327,403</u>

(12) Contingencies

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(12) Contingencies (continued)

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

General Obligation Debt Contingencies – The County issues general obligation bonds and loans to provide funds for constructing and improving capital facilities of the Jackson County Port Authority, a component unit of the County. Such debt is being retired from pledged resources of the port authority and therefore, is reported as a liability of the port authority. However, because general obligation bonds and loans are backed by the full faith, credit and taxing power of the County, the County remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

<u>Styling</u>	<u>Balance at September 30, 2001</u>
General obligation bonds	\$ 8,470,000
General obligation notes	<u>498,441</u>
Total	\$ <u>8,968,441</u>

Utility District Revenue Bonds – The County is contingently liable for certain obligations that are repaid by governmental entities. The principal amount of such debt issued by the Escatawpa Water Service outstanding at September 30, 2001, consists of the following:

<u>Styling</u>	<u>Balance at September 30, 2001</u>
Utility district revenue bonds	\$ <u>349,775</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(13) 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, 2001, consists of the following:

<u>Description or Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Revenue bonds	\$ 55,945,000	4.0 – 5.5	3-2023
Note – Series 1995	460,431	5.25	9-2005
Note payable to bank	4,500,000	6.5	12-2006
Sub. note payable to bank	<u>843,974</u>	7.0 – 9.0	2-2002
Total	\$ <u>61,749,405</u>		

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(13) Contingencies (continued)

Volunteer Fire Department Loans – The County has borrowed money on behalf of certain volunteer fire departments within the County. These assets are not carried on the County’s fixed asset inventory and, 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, 2001, consists of the following:

<u>Description or Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Three River volunteer fire department equipment	\$ 635	5.99	5-2005
East Central volunteer fire department equipment	<u>140,985</u>	6.19	5-2005
Total	\$ <u>141,620</u>		

Other

The County has expended approximately \$1,500,000 on an economic development project in prior years. The County anticipates that a portion of this cost will be reimbursed under a grant from the Mississippi Development Authority. However, it is not known at this time how much of the cost will ultimately be reimbursed. Therefore, no receivable has been recorded in the financial statements.

(14) No Commitment Debt (Not Included in Financial Statements)

No commitment debt is repaid only by the entities for 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, 2001</u>
Industrial revenue bonds and notes	\$ <u>312,050,706</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2001

(15) 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, 2001, is summarized below:

	<u>Golf Course Fund</u>	<u>Ocean Springs Harbor Fund</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 272,532	111,398	383,930
Depreciation	67,348	8,789	76,137
Operating income (loss)	(87,194)	12,306	(74,888)
Net income (loss)	(87,194)	12,306	(74,888)
Additions to fixed assets	408,642	-	408,642
Disposal of fixed assets	54,249	2,016	56,265
Current capital contributions	388,308	-	388,308
Net working capital	(12,973)	43,386	30,413
Long-term debt payable from operating revenues	8,725	4,700	13,425
Total assets	463,878	66,091	529,969
Total retained earnings	(41,321)	44,301	2,980
Total fund equity	399,573	59,292	458,865

(16) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The governing body is a 27-member board of directors, one appointed by the Board of Supervisors of each member county, one from each of the six participating cities and six appointed at large by minority members. The County appropriated \$28,811 for support of Southern Mississippi Planning and Development District in fiscal year 2001.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2001

(16) **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 \$153,877 for support of Jackson County Civic Action in fiscal year 2001.

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 2001.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of the Counties of Harrison and Jackson. The district is present 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 2001.

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 \$4,785,104 for maintenance and support of the college in fiscal year 2001.

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, 2001

(17) Defined Benefit Pension Plan

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

Funding Policy - PERS members are required to contribute 7.25% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2001, 2000, and 1999, were \$1,488,803, \$1,453,242 and \$1,344,059, respectively, equal to the required contributions for each year.

(18) 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.

SUPPLEMENTARY FINANCIAL INFORMATION

JACKSON COUNTY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2001

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice - Office of Justice Programs - Passed Through the Mississippi Department of Public Safety:			
Juvenile Accountability Incentive Block Grant	16.523	8JB1301	\$ 56,296
Juvenile Accountability Incentive Block Grant	16.523	9JB1301	20,461
Crime Victim Assistance Program	16.575	9VA1301	861
Byrne Formula Grant Program	16.579	0NM1301	140,714
Local Law Enforcement Block Grant	16.592	2000-LBPBX2556	28,460
Underage Alcohol Enforcement	16.727	1UA1301	1,467
Triad Elderly Crime Prevention	16.xxx	2CA1301	<u>8,000</u>
Total U.S. Department of Justice			<u>256,259</u>
Federal Emergency Management Agency - Passed Through the Mississippi Emergency Management Agency:			
Emergency Management Performance Grants:			
Emergency Management Assistance	83.552	EMA-2000-GR-0005	30,000
Terrorism Prevention	83.552	EMA-2000-GR-0005	10,343
Public Assistance Grant	83.xxx	1382-DR-MS	<u>17,514</u>
Total Federal Emergency Management Agency			<u>57,857</u>
U.S. Department of Transportation - Federal Highway Administration - Passed Through the Mississippi Department of Transportation:			
Bridge Inspection Program	20.205	ER 0030 23 B	3,300
Bridge Inspection Program	20.205	BR NBIS 048B	1,870
Bridge Inspection Program	20.205	BR NBIS 049B	1,650
Occupant Protection	20.602	0OP1301	8,915
Occupant Protection	20.602	1OP1301	<u>7,514</u>
Total U.S. Department of Transportation			<u>23,249</u>
U.S. Department of Agriculture - Passed Through the Mississippi Department of Education:			
Food Distribution Program	10.550	12-35-2823	1,145
School Breakfast Program	10.553	12-35-2823	8,004
School Lunch Program	10.555	12-35-2823	<u>10,079</u>
Total U.S. Department of Agriculture			<u>19,228</u>
Office of National Drug Control Policy - Passed Through the Mississippi Department of Public Safety			
High Intensity Drug Trafficking Area Award	07.UN	I0PGCP518	17,509
High Intensity Drug Trafficking Area Award	07.UN	I1PGCP569	<u>1,487</u>
Total Office of National Drug Control Policy			<u>18,996</u>
Total expenditures of federal awards			<u>\$ 375,589</u>

See accompanying notes to schedule of expenditures of federal awards.

JACKSON COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
September 30, 2001

(1) Basis of Presentation

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

(2) Subrecipients

Jackson County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Byrne Formula Grant Program	16.579	\$ 74,571

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, 2001, and have issued our report thereon dated February 1, 2002. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to the management of Jackson County, Mississippi, in the Independent Auditors' Report on Compliance with State Laws and Regulations dated February 1, 2002, included in this document.

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 01-1, 01-2, and 01-3.

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 items 01-1 and 01-2 to be material weaknesses.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of Jackson County, Mississippi, in a separate communication dated February 1, 2002.

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.

February 1, 2002

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, 2001. 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, 2001.

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.

February 1, 2002

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, 2001. 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.

February 1, 2002

Schedule 1

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
September 30, 2001

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

Schedule 2

JACKSON COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
September 30, 2001

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
8/01	A/C unit	\$ 10,289	Foster A/C, Inc.	Air conditioner needed in school

Schedule 3

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases made
Noncompetitively from a Sole Source
September 30, 2001

<u>Items Date</u>	<u>Purchased</u>	<u>Vendor</u>	<u>Amount</u>
10/00	Tower top pre-amp	Team One Communications	\$ 5,808
10/00	Counseling materials	Sunburst Technology Corp.	3,407
5/01	Tactical rifles	Tactical Operations, Inc.	11,380
6/01	4-track dual recorder	Lanier Worldwide	3,106
9/01	Computer software	Esri, Inc.	2,231
1/01	Radio equipment	Motorola	59,216

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, 2001, and have issued our report thereon dated February 1, 2002. 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.

The results of our procedures and our audit of the primary government financial statements disclosed certain immaterial instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are disclosed below.

1 Finding – Board of Supervisors

Section 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors. Actual expenditures exceeded budgeted amounts in several funds due to an error in using the proper budget report to generate the final budget. The report that was used would appear, at first glance, to show each fund's actual vs. budgeted expenditures. However, that report did not include any actual expenditures for accounts which had no original budget (even if there had been a subsequent budget amendment allocating budget dollars to that account).

Recommendation

The County should not make expenditures in excess of budgeted amounts. Care should be taken to use the report GLMEOY10 – Final Budget Amendments to prepare the final approved budget for the year.

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

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.

February 1, 2002

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2001

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. Three reportable conditions disclosed during the audit of the primary government financial statements are reported in Section 2 of this Schedule. Two of the reportable conditions are reported as material weaknesses.
3. No instances of noncompliance material to the primary government financial statements of Jackson County, Mississippi that would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in Section 2 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. No audit findings relative to the major federal award programs are reported in this Schedule.
7. The programs tested as major programs were:

16.523	Juvenile Accountability Incentive Block Grant
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, 2001

Section 2: Financial Statement Findings

Compliance

The results of our tests did not disclose any instances of compliance that are required to be reported by *Government Auditing Standards*.

Internal Control

01-1 Finding – Director of Finance

Cash accounts were not reconciled on a timely basis at any time during the year. The September 30, 2001, bank reconciliations were not finished until January 18, 2002. An essential part of a bank reconciliation is comparing the bank balance to the general ledger balance. If the bank balance and the general ledger balance are not both reconciled to the true cash balance and any differences between the general ledger cash balance and the true cash balance are posted to the general ledger, a bank reconciliation is not complete. 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 finished no later than the 10th business day of the following month.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2001

Section 2: Financial Statement Findings (Continued)

Internal Control (Continued)

01-2 Finding – Director of Finance and Inventory Control Clerk

Due to a lack of coordination between the finance and inventory control departments, many of the assets the County purchased during the year were not added to the fixed asset inventory records. For the year ended September 30, 2001, \$5,188,067 was charged to account 900, while only \$2,234,745 was added to the County's personal property inventory. We were able to identify about \$2,000,000 of real property purchased, road projects, and port improvements that were charged to account 900 and we also noted many charges to account 900 that appear to be for personal property that does not meet the state requirements for capitalization. However, there appear to be many assets purchased that should have been included in the personal property inventory that were not. We believe this condition to be a material weakness.

Recommendation

We recommend that the finance department inform inventory control of any assets that have been purchased and charged to account 900. Additionally, 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 property inventory list. 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.

01-3 Finding – Board of Supervisors and Finance Director

There were numerous instances where the Board of Supervisors did not approve advances from one fund to another fund.

Recommendation

We recommend that the Board of Supervisors approve all inter-fund transactions prior to the transaction being recorded.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings or questioned costs related to federal awards.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS



BOARD OF SUPERVISORS

Jackson County, Mississippi
Post Office Box 998
Pascagoula, Mississippi 39568-0998

June 21, 2002

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

Re: Schedule of Prior Year Audit Findings, September 30, 2001

Gentlemen:

The Jackson County Board of Supervisors respectfully submits the following summary of Schedule of Prior Year Audit Findings for the year ended September 30, 2001.

00-5 Program

83.544 – Public Assistance Grant; Federal Emergency Management Agency, passed through the Mississippi Emergency Management Agency

Condition

The auditors questioned \$10,144 charged to the grant for work not included in the scope of the federal award.

Recommendation

The auditors recommended that the County take care to ensure that only actual costs incurred on work approved for reimbursement be submitted for reimbursement.

Current Status

FEMA sent a May 30, 2002 letter to MEMA that states "The documentation you have supplied meets the requirements of FEMA regulations 44 CFR part 206, section 206.205 concerning the payment of all projects. ... Therefore, this Subgrantee is now considered officially closed." When the final payment was made to us, this \$10,144 questioned cost was taken into consideration.

00-6 Program

16.579 – Byrne Formula Grant Program; U. S. Department of Justice, Office of Justice Programs, passed through the Mississippi Department of Public Safety.

Condition

The auditors questioned \$3,573 charged to the grant for work not properly documented.

Recommendation

The auditors recommended that the County take care to ensure that only actual costs incurred be submitted for reimbursement.

Current Status

Costs charged to this award program are properly documented for the year ended September 30, 2001. The Division of Public Safety Planning, Justice Programs, "Confidential Funds Monitoring Report" for the same period of time indicated the use of confidential funds was acceptable. Therefore, no action has been taken on the \$3,573 questioned cost.

00-7 Condition

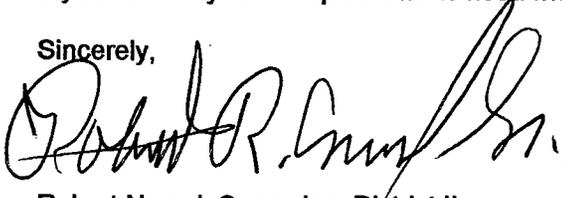
The County does not have effective controls in place to identify the sources of grants and other awards it receives.

Current Status

The county has established separate funds for each significant federal award program and uses those funds to records costs charged those programs.

If you have any further questions or need more clarification, please contact me at (228)769-3170.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert R. Norvel". The signature is fluid and cursive, with a large initial "R" and "N".

Robert Norvel, Supervisor District II
President, Jackson County Board of Supervisors

CORRECTIVE ACTION PLAN



BOARD OF SUPERVISORS

Jackson County, Mississippi
Post Office Box 998
Pascagoula, Mississippi 39568-0998

June 21, 2002

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

Re: Corrective Action Plan, Jackson County, Mississippi, September 30, 2001

Gentlemen:

The Jackson County Board of Supervisors respectfully submits the following corrective action plan for the year ended September 30, 2001.

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

- 01-1 Bank statement reconciliations and comparisons to the general ledger are being prepared on a timely basis.
- 01-2 There is now coordination between the finance and inventory control departments to maintain fixed asset inventory records. Additions to the general ledger fixed asset accounts will be reconciled to additions to the fixed asset inventory records at least quarterly.
- 01-3 The Finance Director will present all inter-fund transfers to the Board of Supervisors for approval.

Section 3: Federal Award Findings and Questioned Costs

There are no findings.

Auditor's Report on Compliance with State Laws and Regulations

- 1 Final budget amendments will be prepared using the report GLMEOY10.

If you have any further questions or need more clarification, please contact me at (228)769-3170.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Norvel".

Robert Norvel, Supervisor District II
President, Jackson County Board of Supervisors