

JACKSON COUNTY, MISSISSIPPI

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

September 30, 2000
(With Independent Auditors' Report Thereon)

JACKSON COUNTY, MISSISSIPPI
September 30, 2000

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JACKSON COUNTY, MISSISSIPPI
December 31, 2000

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

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited the accompanying primary government financial statements of Jackson County, Mississippi, as of and for the year ended September 30, 2000, 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 generally accepted auditing standards 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 positions of the primary government of Jackson County, Mississippi, as of September 30, 2000, and the results of its operations and cash flows of its Proprietary Fund Types for the year then ended, in conformity with generally accepted accounting principles.

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, 2000, and the results of its operations and cash flows of its Proprietary Fund Types for the year then ended in conformity with general accepted accounting principles.

**Members of the Board of Supervisors
Jackson County, Mississippi
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In accordance with *Government Auditing Standards*, we have also issued a report dated April 27, 2001, 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 conjunction 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.

Bryancale, Saunders & O'Neil, LLP.

April 27, 2001

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI
 Combined Balance Sheet - All Fund Types and Account Groups
 September 30, 2000

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type		Account Groups			Totals Memorandum	
	General	Special Revenue	Debt Service	Enterprise	Internal Service		Trust and Agency	General Fixed Assets	General	Long-Term Debt	Primary	Government	
					Trust and Agency	Internal Service							
ASSETS													
Cash and investments (note 5)	4,125,554	10,379,680	271,614	62,871	594	383,210	-	-	-	-	15,223,523		
Other receivables	-	-	-	-	283,513	-	-	-	-	-	283,513		
Intergovernmental receivables	569,420	934,029	-	-	-	-	-	-	-	-	1,503,449		
Interfund receivables (note 6)	1,507,338	320,295	53,381	-	-	-	-	-	-	-	1,881,014		
Loans receivable, net of allowance (note 8)	-	180,288	-	-	-	-	-	-	-	-	180,288		
Amounts due from former officials (note 7)	300,774	-	-	-	-	-	-	-	-	-	300,774		
Inventories	-	-	-	2,069	-	-	-	-	-	-	2,069		
Fixed assets (net, where applicable, of accumulated depreciation) (note 9)	-	-	-	139,372	-	-	48,643,637	-	-	-	48,783,009		
Amount available in debt service funds	-	-	-	-	-	-	-	-	318,495	-	318,495		
Amount to be provided for retirement of general long-term debt	-	-	-	-	-	-	-	-	55,939,542	-	55,939,542		
Total Assets	6,503,086	11,814,292	324,995	204,312	284,107	383,210	48,643,637	56,258,037	55,939,542	124,415,676			
LIABILITIES AND FUND EQUITY													
Liabilities:													
Claims payable	177,689	308,851	-	1,240	-	1,140	-	-	-	-	488,920		
Amounts held in custody for others	-	-	-	-	-	23,053	-	-	-	-	23,053		
Intergovernmental payables	1,136,635	9,078	-	-	-	29,363	-	-	-	-	1,175,076		
Interfund payables (note 6)	384,349	1,350,165	6,500	30,000	110,000	-	-	-	-	-	1,881,014		
Claims and judgments liability (note 10)	-	-	-	-	263,488	-	-	-	-	-	263,488		
Compensated absences liability (note 12)	-	-	-	17,288	-	-	-	-	926,355	-	943,643		
General obligation bonds payable (note 12)	-	-	-	-	-	-	-	-	40,659,253	-	40,659,253		
Limited obligation bonds payable (note 12)	-	-	-	-	-	-	-	-	1,280,000	-	1,280,000		
Other loans payable (note 12)	-	-	-	-	-	-	-	-	11,652,553	-	11,652,553		
Capital leases payable (note 12)	-	-	-	-	-	-	-	-	1,739,876	-	1,739,876		
Total Liabilities	1,698,673	1,668,094	6,500	48,528	373,488	53,556	48,643,637	56,258,037	60,106,876	60,106,876			
Fund Equity:													
Investment in general fixed assets	-	-	-	-	-	-	48,643,637	-	-	-	48,643,637		
Contributed capital	-	-	-	67,577	-	-	-	-	-	-	67,577		
Retained earnings - unrestricted	-	-	-	88,207	(89,381)	-	-	-	-	-	(1,174)		
Fund balances:													
Reserved for future projects	165,750	-	-	-	-	-	-	-	-	-	165,750		
Reserved for loans receivable	-	180,288	-	-	-	-	-	-	-	-	180,288		
Reserved for debt service	-	-	318,495	-	-	-	-	-	-	-	318,495		
Unreserved	4,638,663	9,965,910	-	-	-	329,654	-	-	-	-	14,934,227		
Total Fund Equity	4,804,413	10,146,198	318,495	155,784	(89,381)	329,654	48,643,637	56,258,037	64,308,800	124,415,676			
Total Liabilities and Fund Equity	6,503,086	11,814,292	324,995	204,312	284,107	383,210	48,643,637	56,258,037	124,415,676				

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, 2000

	Governmental Fund Types			Fiduciary Fund Type	Totals Memorandum Only
	General	Special Revenue	Debt Service	Expendable Trust	Primary Government
Revenues:					
Property taxes	\$ 20,337,169	16,242,687	3,723,723	-	40,303,579
Licenses, commissions and other revenue	1,217,111	1,428,899	-	-	2,646,010
Fines and forfeitures	992,720	208,734	-	194,349	1,395,803
Intergovernmental revenues	3,377,433	8,109,992	-	-	11,487,425
Charges for services	990,621	339,204	-	-	1,329,825
Use of money and property	1,042,944	257,297	321,539	-	1,621,780
Miscellaneous revenues	856,989	267,203	199	-	1,124,391
Total Revenues	28,814,987	26,854,016	4,045,461	194,349	59,908,813
Expenditures:					
General government	15,599,162	2,331,098	-	20,569	17,950,829
Public safety	7,338,577	2,337,159	-	76,473	9,752,209
Public works	-	15,085,441	-	-	15,085,441
Health and welfare	2,061,264	-	-	-	2,061,264
Culture and recreation	1,445,123	1,651,023	-	-	3,096,146
Education	379,069	-	-	-	379,069
Conservation of natural resources	510,936	-	-	-	510,936
Economic development and assistance	667,941	669,085	-	-	1,337,026
Capital projects	156,354	61,813	-	-	218,167
Debt service:					
Principal retirement	3,228,504	4,892,225	3,118,250	-	11,238,979
Interest and fiscal charges	150,675	1,969,612	970,666	-	3,090,953
Other costs	341	-	-	-	341
Total Expenditures	31,537,946	28,997,456	4,088,916	97,042	64,721,360
Excess of Revenues over (under) Expenditures	(2,722,959)	(2,143,440)	(43,455)	97,307	(4,812,547)
Other Financing Sources (Uses):					
Proceeds of debt	2,932,000	960,745	73,250	-	3,965,995
Proceeds from sale of assets	620,990	153,020	-	-	774,010
Insurance recoveries	40,110	100,816	-	-	140,926
Operating transfers in	258,243	1,161,917	-	25,000	1,445,160
Operating transfers out	(338,032)	(1,107,098)	(30)	-	(1,445,160)
Operating transfers to component units	-	(1,001,356)	-	-	(1,001,356)
Total Other Financing Sources (Uses)	3,513,311	268,044	73,220	25,000	3,879,575
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	790,352	(1,875,396)	29,765	122,307	(932,972)
Fund balance - beginning of year, as previously reported	4,182,872	11,724,943	288,730	207,347	16,403,892
Correction of an error (note 3)	-	432,905	-	-	432,905
Fund balance - beginning of year, as restated	4,182,872	12,157,848	288,730	207,347	16,836,797
Bad debts	(168,811)	(136,254)	-	-	(305,065)
Fund balance - end of year	\$ 4,804,413	10,146,198	318,495	329,654	15,598,760

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, 2000

	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	\$ 24,435,000	20,346,578	(4,088,422)	16,538,450	16,294,758	(243,692)	3,735,000	3,728,699	(6,301)
Licenses, commissions and other revenue	37,500	1,216,806	1,179,306	1,720,000	1,433,313	(286,687)	-	-	-
Fines and forfeitures	1,500,000	992,595	(507,405)	65,300	208,734	143,434	-	-	-
Intergovernmental revenues	4,400,000	4,285,392	(114,608)	8,629,475	8,513,654	(115,821)	-	-	-
Charges for services	1,200,000	961,976	(238,024)	340,000	339,204	(796)	-	-	-
Use of money and property	814,500	1,042,217	227,717	486,500	265,550	(220,950)	322,000	321,539	(461)
Miscellaneous revenues	1,450,000	856,909	(593,091)	166,900	267,204	100,304	-	199	199
Total Revenues	33,837,000	29,702,473	(4,134,527)	27,946,625	27,322,417	(624,208)	4,057,000	4,050,437	(6,563)
Expenditures:									
General government	16,231,130	16,072,126	159,004	2,454,950	2,437,006	17,944	-	-	-
Public safety	7,349,303	7,368,090	(18,787)	2,646,974	2,369,223	277,751	-	-	-
Public works	-	-	-	15,231,977	14,687,097	544,880	-	-	-
Health and welfare	2,063,500	2,061,264	2,236	-	-	-	-	-	-
Culture and recreation	1,453,310	1,445,123	8,187	1,800,000	1,651,023	148,977	-	-	-
Education	837,600	837,569	31	-	-	-	-	-	-
Conservation of natural resources	512,600	510,936	1,664	-	-	-	-	-	-
Economic development and assistance	669,400	667,941	1,459	670,000	669,085	915	-	-	-
Capital projects	156,406	156,354	52	61,813	61,813	0	-	-	-
Debt service	2,963,200	3,355,833	(392,633)	6,967,808	7,545,335	(577,527)	4,210,490	4,088,917	121,573
Other	-	341	(341)	-	-	-	-	-	-
Total Expenditures	32,236,449	32,475,577	(239,128)	29,833,522	29,420,582	412,940	4,210,490	4,088,917	121,573
Excess of Revenues over (under) Expenditures	1,600,551	(2,773,104)	(4,373,655)	(1,886,897)	(2,098,165)	(211,268)	(153,490)	(38,480)	115,010
Other financing sources (uses)	(60,200)	3,299,482	3,359,682	(123,304)	196,578	319,882	73,250	73,220	(30)
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	1,540,351	526,378	(1,013,973)	(2,010,201)	(1,901,587)	108,614	(80,240)	34,740	114,980
Fund balance beginning of year	2,150,750	3,558,260		12,123,620	10,992,406		166,580	230,374	
Fund balance end of year	\$ 3,691,101	4,084,638		10,113,419	9,090,819		86,340	265,114	

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, 2000

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals Memorandum Only Primary Government</u>
Revenues:			
Charges for sales and services	\$ 542,209	-	542,209
Premiums	-	2,551,450	2,551,450
Insurance recoveries	-	489,388	489,388
	<u>542,209</u>	<u>3,040,838</u>	<u>3,583,047</u>
Operating Expenses:			
Personal services	297,121	-	297,121
Contractual services	39,960	-	39,960
Materials and supplies	126,012	-	126,012
Depreciation	85,770	-	85,770
Claims payments	-	2,748,051	2,748,051
Insurance premiums	-	602,854	602,854
Miscellaneous expenses	-	4,412	4,412
	<u>548,863</u>	<u>3,355,317</u>	<u>3,904,180</u>
Net loss	<u>(6,654)</u>	<u>(314,479)</u>	<u>(321,133)</u>
Retained earnings - beginning of year, as previously reported	94,861	81,793	176,654
Correction of an error (note 3)	-	143,305	143,305
	<u>94,861</u>	<u>225,098</u>	<u>319,959</u>
Retained earnings - beginning of year, as restated	<u>94,861</u>	<u>225,098</u>	<u>319,959</u>
Retained earnings - end of year	<u>\$ 88,207</u>	<u>(89,381)</u>	<u>(1,174)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Combined Statement of Cash Flows
All Proprietary Fund Types
Year Ended September 30, 2000

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals Memorandum Only Primary Government</u>
Cash flows from operating activities:			
Net loss	(6,654)	(314,479)	(321,133)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:			
Depreciation	85,770	-	85,770
Change in assets and liabilities:			
Accounts receivable	-	(140,208)	(140,208)
Interfund receivables	-	201,849	201,849
Claims payable	1,240	-	1,240
Claims and judgement liability	-	56,163	56,163
Compensated absences	2,275	-	2,275
	<u>82,631</u>	<u>(196,675)</u>	<u>(114,044)</u>
Net cash provided (used) by operating activities			
	<u>82,631</u>	<u>(196,675)</u>	<u>(114,044)</u>
Cash flows from noncapital financing activities:			
Loans from other funds	-	110,000	110,000
Repayments of loans from other funds	(45,000)	-	(45,000)
	<u>(45,000)</u>	<u>110,000</u>	<u>65,000</u>
Net cash provided (used) by noncapital financing activities			
	<u>(45,000)</u>	<u>110,000</u>	<u>65,000</u>
Cash flows from investing activities -			
Acquisition and construction of capital assets	(8,621)	-	(8,621)
	<u>(8,621)</u>	<u>-</u>	<u>(8,621)</u>
Net increase (decrease) in cash and cash equivalents	29,010	(86,675)	(57,665)
Cash and cash equivalents at beginning of year	<u>33,861</u>	<u>87,269</u>	<u>121,130</u>
Cash and cash equivalents at end of year	<u><u>62,871</u></u>	<u><u>594</u></u>	<u><u>63,465</u></u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(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. Generally accepted accounting principles require Jackson County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county.

Management has to omit from these financial statements the following component units which have significant operational or financial relationships with county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with generally accepted accounting principles.

- Singing River Mental Health
- Jackson-George Regional Library System
- Jackson County Port Authority
- St. Martin-Gulf Hills Utility District
- 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

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-Collector
- Sheriff

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2000

(1) Significant Accounting Policies (continued)

(b) Basis of Presentation

The accompanying financial statements of the primary government have been prepared in conformity with generally accepted accounting principles 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.

(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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

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

(d) **Fund Accounting (Continued)**

GOVERNMENTAL FUND TYPES (Continued)

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.

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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

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

(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.

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, 2000

(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".

(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, 2000

(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 years
Other furniture and equipment	3 years

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2000

(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 Asset 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, which 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.

Generally accepted accounting principles 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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(1) Significant Accounting Policies (continued)

(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.

(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. Generally accepted accounting principles 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 \$926,355 for accumulated unpaid personal leave up to a maximum of 30 days per employee 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 \$17,288, which represents an amount up to a maximum of 30 days per employee.

Certain county employees are allowed to accrue compensatory time for overtime worked in lieu of being paid for overtime. The County's compensatory time liability of \$50,522 is included in the compensated absences liability in the General Long-term Debt Account Group.

(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 generally accepted accounting principles. 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, 2000

(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

	Governmental Fund Types		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Budget (Cash Basis)	\$ 526,378	(1,901,587)	34,740
Increase (Decrease)			
Net adjustment for revenue accruals	(845,799)	(348,743)	(4,975)
Net adjustment for expenditure accruals	<u>1,109,773</u>	<u>374,934</u>	<u>-</u>
GAAP Basis	\$ <u>790,352</u>	<u>(1,875,396)</u>	<u>29,765</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(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, 2000:

Fund	<u>Excess</u>
General Funds:	
Excess Bid Fund	\$ 90
Workers Comp. Trust Fund	22,909
Special Revenue Funds:	
Jackson/George Library	33,023
Solid Waste Management	39,308
Triad / Elderly Crime Prevention	100

(d) **Individual Fund Deficits**

The following funds had deficit fund balances at September 30, 2000:

Fund	<u>Deficit Amount</u>
Special Revenue Funds:	
Solid Waste Management	\$ 230,397
St. Andrews/Pinehurst Lighting Dist.	416
Industrial Water Supply Construction	1,059,541
Internal Service Fund -	
Jackson County Insurance	89,381

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(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>Special Revenue Funds</u>	<u>Fund Balance</u>
As previously reported	\$ 11,724,943
Intergovernmental receivables	<u>432,905</u>
As adjusted	\$ <u>12,157,848</u>

A receivable from Mississippi Emergency Management Agency for the state matching amount on the Hurricane Georges clean-up federal award in the amount of \$340,971 was not recorded in the September 30, 1999, financial statements. Also, the receivable from Federal Emergency Management Agency at September 30, 1999, was understated by \$91,934. Revenues for the year ended September 30, 1999, were understated by \$432,905 as a result of these errors.

Proprietary Fund Types

<u>Internal Service Fund</u>	<u>Retained Earnings</u>
As previously reported	\$ 81,793
Other receivables	<u>143,305</u>
As adjusted	\$ <u>225,098</u>

A receivable from the County's reinsurance carrier for medical expenses paid by the County's self-insurance fund in excess of the County's deductible in the amount of \$143,305 was not recorded in the September 30, 1999, financial statements. Revenues for the year ended September 30, 1999, were understated by \$143,305 as a result of this error.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(4) Fund Reclassification

In the year ended September 30, 2000, the Jackson County Emergency Communications District, which is a component unit of the County, assumed responsibility for handling its own finances and accounting. These had previously been handled by the County and had been recorded in a special revenue fund. A transfer out to the component unit in the amount of \$1,001,356 has been recorded in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types and Expendable Trust Funds for the year ended September 30, 2000.

(5) Deposits and Investments

Deposits:

The County's cash and other deposits with financial institutions as of September 30, 2000, were entirely covered by federal depository insurance or by collateral held by the County or its agent in the County's name.

(6) Interfund Receivables and Payables

The composition of interfund balances at September 30, 2000, consists of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Industrial Water Supply	\$ 1,100,000
General fund	Solid Waste Management	85,000
General fund	Geographical Information	1,500
General fund	Hurricane Pass-Through	4,992
General fund	Golf Course Fund	30,000
General fund	EMA Grant	3,146
General fund	DEQ Waste Tire Grant	1,142
General fund	MDEQ Permanent Site	7,989
General fund	Right-Way-To-Throw-Away	18,648
General fund	Jackson County Insurance Fund	110,000
General fund	Hurricane George Clean Up	125,000
General fund	Drug Task Force Fund	3,498
General fund	St. Andrew/Pine Hurst Lgt	750
General fund	G.O Courthouse Bonds Ser 1994	5,000

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

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

The composition of interfund balances at September 30, 2000, consists of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road Maintenance	General fund	164,514
Port Bond Redemption	General fund	57,199
St. Andrew/Pinehurst Lighting	General fund	115
Bridge and Culvert	General fund	8,543
Triple Subdivision Lighting	General fund	619
Gulf Hills Lighting	General fund	293
Jackson/George library	General fund	23,161
Fire Department Operating	General fund	22,467
Capital Improvements	General fund	10,673
Road Improvement Bond	General fund	16,332
Courthouse Bonds	General fund	5,978
Homeport Bonds	General fund	19,432
Geographical Information		
System Notes	General fund	4,064
Records Management Notes	General fund	6,191
Reappraisal Maintenance	General Fund	10,673
Solid Waste Management	General Fund	32,711
Library Series 1989 BISF	General Fund	<u>1,384</u>
Total		\$ <u>1,881,014</u>

(7) **Amounts Due From Former Officials**

The County has recorded a receivable of \$145,217, net of an allowance for bad debts of \$168,811, on the balance sheet in the General Fund for amounts due from the former Chancery Clerk of the County for fees earned in excess of amounts allowed by state law. The County has also recorded a receivable of \$155,557 on the balance sheet in the General Fund for amounts due from the 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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(8) Loans Receivable

Loans receivable at September 30, 2000, consist of the following:

<u>Date of Styling</u>	<u>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	55,734
Sophie Enterprises	12-02-97	4 %	02-01-07	16,881
Lagniappe House loan	12-02-97	4 %	02-01-07	<u>107,673</u>
Loans receivable				316,542
Less: Reserve for bad debts				<u>(136,254)</u>
Loans receivable, net of bad debt reserve				\$ <u>180,288</u>

(9) Fixed Assets

Changes in the General Fixed Assets Account Group at September 30, 2000, were as follows:

	<u>Balance</u> <u>Oct. 1, 1999</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2000</u>
<u>Governmental Funds:</u>					
Land	\$ 5,351,757	-	(114,816)	-	5,236,941
Buildings	19,273,423	156,354	(63,116)	5,849,800	25,216,461
Construction in progress	5,787,987	61,813	-	(5,849,800)	-
Mobile equipment	9,816,761	1,245,518	(947,945)	-	10,114,334
Other furniture and equipment	4,834,949	466,397	(242,479)	-	5,058,867
Leased property under capital lease	<u>2,871,039</u>	<u>145,995</u>	<u>-</u>	<u>-</u>	<u>3,017,034</u>
Total	<u>47,935,916</u>	<u>2,076,077</u>	<u>(1,368,356)</u>	<u>-</u>	<u>48,643,637</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(9) **Fixed Assets (Continued)**

The Proprietary Fund fixed asset balances at September 30, 2000 are as follows:

Proprietary Funds:

Land	\$ 6,490
Buildings	24,050
Improvements	50,950
Improvement other than buildings	146,054
Furniture and fixtures	21,912
Mobile equipment	<u>385,805</u>
Total	635,237
Less: Accumulated depreciation	<u>(495,877)</u>
Net Book Value	\$ <u>139,372</u>

(10) **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, 2000, to January 1, 2001. 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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(10) Claims and Judgments (continued)

Risk Financing (continued)

Premium payments to the risk management fund are determined on an actuarial basis. A local insurance company services all claims for risk of loss to which the county is exposed for the risk management fund. 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. The 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.

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, 2000, the amount of these liabilities was \$263,488. 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>
1998-1999	179,348	2,294,620	2,266,643	207,325
1999-2000	207,325	2,748,051	2,691,888	263,488

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(11) Capital Leases

As Lessee:	General Fixed Assets Group
<u>Classes of Property</u>	
Other furniture and equipment	\$ <u>3,017,034</u>
Leased Property Under Capital Leases	\$ <u>3,017,034</u>

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2000, are as follows:

<u>Year Ending September 30:</u>	General Long-term Debt Group
2001	\$ 663,494
2002	410,355
2003	365,948
2004	342,603
2005	325,926
Thereafter	<u> -</u>
Total minimum lease payments	2,108,326
Less: Amount representing interest	<u>(368,450)</u>
Present value of net minimum lease payments	\$ <u>1,739,876</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(12) Long-term Debt

Debt outstanding as of September 30, 2000, 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) General Obligation Bonds:

Road Improvement	\$ 1,235,000	4.5 – 6.0	9-1-02
Library bond refunding	625,000	4.8 - 6.5	5-1- 09
Road improvement refunding	3,175,000	4.8 –5.7	5-1 -09
Water system	3,860,000	5.2 – 7.125	4-1-13
Courthouse	3,620,000	5.4 – 7.5	4-1-14
Port road improvement	3,270,000	5.125 – 6.25	9-12-12
Port of Pascagoula	4,830,000	5.1 – 7.1	6-1-14
\$3.2 million Sunplex	2,880,000	8.4 – 8.75	2-1-15
\$4.1 Million Heinz	3,695,000	8.0-10.0	3-1-15
Document management refunding	2,495,000	4.9-6.0	9-1-7
Louis Dreyfus	1,180,000	7.125	5-1-14
Port improvement 1998	5,880,000	5.49	11-1-8
Ham Marine, Series 97	<u>3,914,253</u>	2.0	11-1-12

Total General Obligation Bonds \$ 40,659,253

(b) Limited Obligation Bonds

Capital improvement COP	\$ 1,150,000	4.8 – 6.4	9-1-4
Jackson County office building project	<u>130,000</u>	4.2 – 6.1	9-1-2

Total Limited Obligation Bonds 1,280,000

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(12) Long-term Debt (continued)

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
(c) <u>Capital Leases:</u>			
Radio system – Motorola	\$ 1,338,514	6.94	1-1-5
Computer – Hewlett Packard	4,186	6.43	7-9-1
Computer – Hewlett Packard	120,985	6.10	7-9-1
Computer – Hewlett Packard	59,169	6.10	7-9-1
Computer – Hewlett Packard	15,365	6.44	1-15-2
Printer – Hewlett Packard	75,323	5.09	9-25-2
Caterpillar-D6M dozer	<u>126,334</u>	4.59	1-24-4
Total Capital Leases	<u>1,739,876</u>		
(d) <u>Other Loans</u>			
Homeport construction	\$ 9,383,000	0.0	8-1-7
West Jackson County Volunteer fire department	82,065	7.0	5-2-1
Vancleave fire department	37,045	7.5	3-4-4
GIS notes	265,000	4.8	9-1-1
Franklin Creek – Forts Lake fire trucks	14,223	5.25	4-1-1
Vancleave fire department	41,885	6.0	10-1-6
West Jackson County volunteer fire Department	53,996	5.25	10-23-1
Franklin Creek – Forts lake fire trucks	129,672	4.56	7-27-8
Vancleave fire department	147,147	4.84	5-26-8
Fontainbleau fire department	62,246	4.84	7-8-8
West Jackson County volunteer fire Department	99,707	4.84	5-26-8
Fair barn note/general obligation note – Series 1998	1,170,000	3.9	7-1-3
Fire promissory note	<u>166,567</u>	4.62	4-23-9
Total Other Loans	<u>\$ 11,652,553</u>		

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

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

Annual debt service requirements to maturity for the following debt reported that in the General Long-term Debt Account Group is 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>
2001	\$ 5,136,545	405,100	2,403,731	7,945,376
2002	5,117,198	405,210	1,957,233	7,479,641
2003	4,443,998	333,745	1,922,437	6,700,180
2004	4,462,971	335,160	1,469,287	6,267,418
2005	4,450,168	-	1,458,402	5,908,570
Thereafter	<u>35,653,153</u>	<u>-</u>	<u>2,991,680</u>	<u>38,644,833</u>
Total	59,264,033	1,479,215	12,202,770	72,946,018
Less: Amounts representing interest	<u>(18,604,780)</u>	<u>(199,215)</u>	<u>(550,217)</u>	<u>(19,354,212)</u>
Total at present value	\$ <u>40,659,253</u>	<u>1,280,000</u>	<u>11,652,553</u>	<u>53,591,806</u>

Legal Debt Margin - The amount of general obligation bonded debt that can be incurred by the County is limited by state statute. Total outstanding general obligation bonded 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, 2000, the amount of outstanding general obligation bonded debt was equal to 4.6% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2000, \$ 3,715,000 of bonds outstanding were considered defeased.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(12) Long-term Debt (continued)

Prior Year Defeasance of Debt (Continued)

The following changes occurred in liabilities reported at year end:

<u>Styling</u>	<u>Balance</u> <u>Oct. 1, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2000</u>
General long-term debt account group:					
Compensated absences	\$ 880,643	45,712	-	-	926,355
General obligation bonds	39,480,000	-	(2,936,297)	4,115,550	40,659,253
Limited obligation bonds	1,585,000	-	(305,000)	-	1,280,000
Capital leases	1,890,386	145,995	(296,505)	-	1,739,876
Other loans	<u>15,600,165</u>	<u>3,820,000</u>	<u>(7,701,177)</u>	<u>(66,435)</u>	<u>11,652,553</u>
Total	\$ <u>59,436,194</u>	<u>4,011,707</u>	<u>(11,238,979)</u>	<u>4,049,115</u>	<u>56,258,037</u>
Proprietary Funds:					
Compensated absences	\$ 15,013	2,275	-	-	17,288
Claims and Judgments	<u>207,325</u>	<u>2,748,051</u>	<u>(2,691,888)</u>	<u>-</u>	<u>263,488</u>
Total	\$ <u>222,338</u>	<u>2,750,326</u>	<u>(2,691,888)</u>	<u>-</u>	<u>280,776</u>

The \$4,115,550 adjustment above is to record the 1997 HAM Marine bond as an obligation of the County. The \$66,435 adjustment above is to record the payment of fire department note by the Latimer Volunteer Fire Department and to correct the financial statements for a note that was paid off in a prior year.

(13) Contingencies

Federal Grants The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreement 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. As of September 30, 2000, the single audit performed on these federal grants disclosed instances of noncompliance, resulting in questioned costs by the auditors in the amount of \$13,717. Any disallowance by the awarding agency could result in a liability of the County, but ultimate resolution cannot presently be determined. Accordingly, 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, 2000

(13) 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, 2000</u>
General obligation bonds	\$ 9,955,000
General obligation notes	<u>592,039</u>
Total	\$ <u>10,547,039</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, 2000, consists of the following:

<u>Styling</u>	<u>Balance at September 30, 2000</u>
Utility district revenue bonds	\$ <u>660,000</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(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, 2000, consists of the following:

<u>Description or Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Singing River Hospital revenue bonds	\$ 57,275,000	4.0 – 5.5	3-2023
Singing River Hospital note – Series 1995	562,533	5.25	9-2005
Singing River Hospital note – Series 1996	<u>420,030</u>	5.25	4-2001
Total	\$ <u>58,257,563</u>		

Hospital Certificates of Participation – The County has issued Certificates of participation (COP) on behalf of the Singing River Hospital for the purpose of constructing certain medical facilities. Although the hospital has recorded the COP and assets on its financial statements, the County remains contingently liable for such debt. The principal amount of such debt outstanding at September 30, 2000, is \$5,630,000. These COP were defeased by the hospital in December 2000.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(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, 2000, 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	\$ 36,787	5.99	5-2005
East Central volunteer fire department equipment	<u>67,930</u>	6.19	5-2005
Total	\$ <u>104,717</u>		

Other

The County has expended approximately \$1,500,000 on an economic development project. 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 which the debt was issued and includes debt that either bears the County’s name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default. Because a default may adversely affect the County’s own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

<u>Styling</u>	<u>Balance at September 30, 2000</u>
Industrial revenue bonds and notes	\$ <u>312,015,324</u>

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(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, 2000, is summarized below:

	Golf Course Fund	Ocean Springs Harbor Fund	Total Enterprise Funds
Operating revenues	\$ 429,837	112,372	542,209
Depreciation	77,108	8,662	85,770
Operating Income (loss)	3,245	(9,899)	(6,654)
Operating interfund transfers	-	-	-
Net income (loss)	3,245	(9,899)	(6,654)
Additions to fixed assets	5,773	2,848	8,621
Disposal of fixed assets	16,690	50	16,740
Current capital contributions	-	-	-
Net working capital	8,902	24,798	33,700
Long-term debt payable from			
Operating revenues	12,163	5,125	17,288
Total assets	150,170	54,142	204,312
Total retained earnings	54,181	34,026	88,207
Total fund equity	106,767	49,017	155,784

(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 counties contribute only a small part of the entity's total revenue.

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 2000.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(16) Jointly Governed Organizations (continued)

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 counties contribute only a small part of the entity's total revenues.

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. Each member government appropriates a modest amount of financial support to the district.

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 \$4,658,096 for maintenance and support of the college in fiscal year 2000.

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

(17) Defined Benefit Pension Plan

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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2000

(17) Defined Benefit Pension Plan (continued)

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, 2000, 1999, and 1998, were \$1,453,242, \$1,344,059 and \$1,266,414, respectively, equal to the required contributions for each year.

(18) Subsequent Events

Subsequent to September 30, 2000, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/00	4.73%	\$ 5,000,000	Tax anticipation note	Tax levy

Subsequent to September 30, 2000, two of the County's larger industrial taxpayers announced plans to close their plants located within the County. These two plants generate approximately \$940,000 in property tax revenues to the County annually. In addition, another of the County's larger industrial taxpayers filed for Chapter 11 bankruptcy protection.

SUPPLEMENTARY FINANCIAL INFORMATION

JACKSON COUNTY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2000

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Natural Resources			
Conservation Service:			
Emergency Watershed Protection Program, 69-4423-9-6979	10.xxx	N/A	\$ 34,697
Emergency Watershed Protection Program, 69-4423-9-6980	10.xxx	N/A	97,682
U.S. Department of Agriculture - Passed Through the Mississippi Department of Education			
School Breakfast Program	10.553	12-35-2823	18,578
School Lunch Program	10.555	12-35-2823	23,517
Food Distribution Program	10.550	12-35-2823	<u>2,744</u>
Total U.S. Department of Agriculture			<u>177,218</u>
U.S. Department of Justice - Office of Justice Programs - Passed Through the Mississippi Department of Public Safety:			
Byrne Formula Grant Program	16.579	1078NM1301	117,789
Crime Victim Assistance Program	16.575	8VA1301	14,146
Juvenile Accountability Incentive Block Grant	16.523	8JB1301	<u>2,723</u>
Total U.S. Department of Justice			<u>134,658</u>
Federal Emergency Management Agency - Passed Through the Mississippi Emergency Management Agency:			
Public Assistance Grant	83.544	N/A	51,726
Emergency Management Performance Grants:			
Mitigation Assistance	83.552	7211-HP	4,992
Terrorism Prevention - 99/00	83.552	EMA-2000-GR-0005	7,129
Terrorism Prevention - 00-01	83.552	EMA-2000-GR-0005	247
Emergency Management Assistance	83.552	EMA-2000-GR-0005	<u>24,903</u>
Total Federal Emergency Management Agency			<u>88,997</u>
U.S. Department of Housing and Urban Development - Passed through the Mississippi Department of Economic and Community Development -			
Community Development Block Grant	14.228	5-030-PF-01	<u>63,369</u>
Total U.S. Department of Housing and Urban Development			<u>63,369</u>
U.S. Department of Transportation - Federal Highway Administration - Passed Through the Mississippi Department of Transportation:			
Bridge Inspection Program	20.205	BR NBIS 046B	6,490
Bridge Inspection Program	20.205	BR NBIS 047B	10,720
Bridge Inspection Program	20.205	ER 0030 23 B	<u>11,478</u>
Total U.S. Department of Transportation			<u>28,688</u>
Office of National Drug Control Policy - Passed Through the Mississippi Department of Public Safety			
High Intensity Drug Trafficking Area Award	07.UN	I9PGCP518	<u>10,323</u>
Total Office of National Drug Control Policy			<u>10,323</u>
Total expenditures of federal awards			<u>\$ 503,253</u>

See accompanying notes to schedule of expenditures of federal awards.

JACKSON COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
September 30, 2000

(1) Basis of Presentation

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

(2) Subrecipients

Jackson County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Byrne Formula Grant Program	16.579	\$ <u>59,816</u>

SPECIAL REPORTS

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

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

We have audited the primary government financial statements of Jackson County, Mississippi, as of and for the year ended September 30, 2000, and have issued our report thereon dated April 27, 2001. 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 generally accepted auditing standards 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 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 April 27, 2001, and in a separate communication dated April 27, 2001.

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 00-1, 00-2, 00-3, and 00-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to the management of Jackson County, Mississippi, in a separate communication dated April 27, 2001.

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.

Braycale, Saunders & O'Neil, LLP

April 27, 2001

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, 2000. 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 generally accepted auditing standards; 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.

As described in items 00-5 and 00-6 in the accompanying Schedule of Findings and Questioned Costs, Jackson County, Mississippi, did not comply with requirements regarding allowable costs that are applicable to its Federal Emergency Management Agency Public Assistance Grant and Byrne Formula Grant Program. Compliance with such requirements is necessary, in our opinion, for Jackson County, Mississippi, to comply with requirements applicable to those programs.

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

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, Jackson County, Mississippi, did not comply in all material respects with the requirements referred to above that are applicable to its Federal Emergency Management Agency Public Assistance Grant and Byrne Formula Grant Program.

Internal Control Over Compliance

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Jackson County, Mississippi's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 00-7.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

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

Bryan Cole, Saunders & O'Neil, LLP

April 27, 2001

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, 2000. 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.

Brayce, Saunders & O'Neil, LLP

April 27, 2001

Schedule 1

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
September 30, 2000

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reasons For Accepting Other Than the Lowest Bid</u>
4/00	Dump trailers	\$ 19,333	Palmer Machine Works	19,330	Preference given to in-state bidder
8/00	Road sweeper	\$ 27,514	Tubb Equipment	26,233	Selected bid was determined to be a better product

Schedule 2

JACKSON COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
September 30, 2000

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
12/99	Auto towing	\$ 120	Pearl auto	County vehicle needed road-side service
3/00	Dead-bolt	13	West Building Material	County building needed a lock replaced
7/00	Air conditioner	11,110	Air Masters	Replace a/c unit for disabled children at Singing River Industries
9/00	Repair signal light	200	Don Forsman	Traffic signal light needed repair

Schedule 3

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases made
Noncompetitively from a Sole Source
September 30, 2000

<u>Items</u> <u>Date</u>	<u>Purchased</u>	<u>Vendor</u>	<u>Amount</u>
11/99	Batteries	Southern Linc	\$ 2,890
4/99	Radio	Motorola	6,480
4/00	Computer software	Stenograph Corp.	4,290
6/00	Court reporter	Lanier Worldwide	2,445

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, 2000, and have issued our report thereon dated April 27, 2001. 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 generally accepted auditing standards 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.

Recommendation

The County should not make expenditures in excess of budgeted amounts.

**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.

Brazzale, Saunders & O'Neil, LLC.

April 27, 2001

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2000

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. The audit of the primary government financial statements did not disclose any material weaknesses in internal control over financial reporting. As described in Section 2 of this schedule, reportable conditions in internal control over financial reporting were disclosed by the audit of the primary government financial statements.
3. The audit did not disclose any noncompliance, which is material to the primary government financial statements.
4. As described in Section 3 of this schedule, a reportable condition in internal control over major programs was disclosed by the audit. The reportable condition described in Finding 00-7 is considered a material weakness.
5. The auditors' report on compliance for the major federal award programs for Jackson County, Mississippi, expresses an adverse opinion on all major federal programs.
6. The audit disclosed audit findings, which are required to be reported under Section 510(a) of OMB Circular A-133. The findings are described in Section 3 of this schedule.
7. The programs tested as major programs were:

83.544	Public Assistance 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, 2000

Section 2: Financial Statement Findings

Compliance

No reportable conditions noted.

Internal Control

00-1 Finding – Director of Finance

As noted by prior accountants in previous audits, we found that the County did not perform bank reconciliations on a timely basis.

Recommendation

The Director of Finance should ensure that the book cash balance is properly reconciled to the bank balance on a monthly basis.

00-2 Finding – Director of Finance

As noted by prior accountants in previous audits, the County's accounting system does not always carry forward balances properly. Also, the system does not adequately document all transactions and lacks a consistent internal double-entry balancing feature to ensure that all funds are in balance.

Recommendation

On October 1, 2000, the County converted its accounting information to a new software system that is used by several other counties in Mississippi. We fully concur with this action.

00-3 Finding – Computer Manager

As noted by prior accountants in previous audits, the County does not have adequate controls to restrict physical access to the computer room. Access is not limited to operators and others whose job duties require physical access. The computer room door is not kept locked. The computer room does not have solid walls that are fire resistant extending to the ceiling or fire resistant doors, floors, furniture or other furnishings. The computer room does not have an alternative power source or emergency lighting.

Recommendation

Access to the computer room should be restricted. The entry door should be solid and kept locked. An alternative power source, as well as emergency lighting, should be installed.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2000

Section 2: Financial Statement Findings (Continued)

00-4 Finding – Computer Manager

As noted by prior accountants in previous audits, the County has inadequate controls over logical access to production programs or data. The County does not have a written policy for access security. The computer department is not always notified when an employee is terminated or changes job duties.

Recommendation

Software and data should be kept in a restricted access area. The County should develop written policies for access security. The County should use an automated log to record and monitor access to program documentation, system software, production programs, production data files and on-line application systems. The computer department should be notified immediately when an employee terminates or job duties are changed.

Section 3: Federal Award Findings and Questioned Costs

Compliance

00-5 Program

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

Compliance requirement

Allowable Costs

Finding – Board of Supervisors

The County performed work in excess of the scope of work approved at two beaches under Damage Survey Report (“DSR”) 93968. The County submitted for reimbursement the total amount approved by the DSR, even though they had realized cost savings from the estimated costs in the DSR for the other two beaches. These cost savings were more than offset by scope of the additional work done. However, we do not believe the costs associated with work not approved for reimbursement should be charged to the grant.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2000

Section 3: Federal Award Finding and Questioned Cost (Continued)

Compliance (Continued)

00-5 Questioned Cost

We question the reimbursement in excess of the federal government's share of the actual cost for the scope of work performed at the two beaches where work was performed. The amount of the known questioned cost is \$10,144. Projected questioned cost based on our sample of \$51,726 out of a population of \$51,726 is \$10,144.

Recommendation

We recommend the County take care to ensure that only actual costs incurred on work approved for reimbursement be submitted for reimbursement.

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.

Compliance requirement

Allowable Costs

Findings – Board of Supervisors

Some of the time charged to the grant by the county was not documented with a time sheet. The County was also reimbursed for some time not worked on the task force and charged more cost to the grant than it should have for one officer on the task force.

Questioned Cost

We question the cost that is not documented by a time sheet, the cost for time not worked on the task force and also the cost in excess of actual regular salary for one officer. The amount of the known questioned cost is \$3,573. Projected questioned cost based on our sample of \$48,635 out of a population of \$117,791 is \$8,654.

Recommendation

We recommend the County take care to ensure that only actual costs incurred be submitted for reimbursement.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2000

Section 3: Federal Award Finding and Questioned Cost (Continued)

Internal Control

00-7 Finding – Board of Supervisors

The County does not have effective controls in place to identify the sources of grants and other awards it receives. Many federal awards that were passed through state agencies were recorded as state awards. This can result in a lack of awareness of the laws and regulations that govern awards the County receives, which can result in non-compliance with those laws and regulations.

Recommendation

The County should take care to identify the source of all grants and awards it applies for and should also identify all laws, regulations and requirements it is required to comply with in relation to those awards. Preferably, one person should be given responsibility to ensure that all grant provisions are properly complied with.

Accounting should be notified of any awards when the award is approved. Costs associated with each award should be segregated and accumulated in the accounting records through the use of a separate fund and/or department coding for each grant or award. To the extent practical, these costs should be charged to the proper grant or award when the expenditure is made, rather than through the use of journal entries after the fact.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

BOARD OF SUPERVISORS
JACKSON COUNTY, MISSISSIPPI
Post Office Box 998
Pascagoula, Mississippi 39568
228-769-3089

June 27, 2001

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

Gentlemen:

The Jackson County Board of Supervisors respectfully submits the following summary of Schedule of Prior Year Audit Findings ended September 30, 2000.

99-6 Program

11.307- Special Economic Development and Adjustment Assistance Program; U.S. Department of Commerce, Economic Development Administration.

Condition

This finding was a material weakness that the County did not follow sub recipient monitoring requirements with respect to this grant passed through to the Jackson County Port Authority.

Recommendation

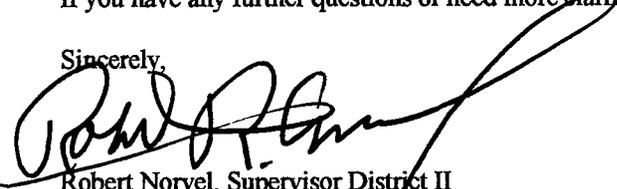
The auditors recommended that the County initiate monitoring procedures to provide reasonable assurance that the subrecipient has complied with all requirements of the Single Audit Act.

Current Status

The U.S. Department of Commerce has determined that Jackson County and the Jackson County Port Authority are co-grantees on this grant. Therefore, Jackson County is not required to perform subrecipient monitoring since the Jackson County Port Authority is a primary grantee, not a subrecipient.

If you have any further questions or need more clarification, please contact me at (228) 769-3089.

Sincerely,



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

CORRECTIVE ACTION PLAN

BOARD OF SUPERVISORS

JACKSON COUNTY, MISSISSIPPI

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

June 27, 2001

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

Gentlemen:

The Jackson County Board of Supervisors respectfully submit the following corrective action plan for the year ended September 30, 2000.

The findings from the Schedule of Findings and Questioned Costs as discussed 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

- OO-1 Bank accounts are currently being reconciled through the financial software system on a monthly basis.
- OO-2 On October 1, 2000, the County converted its accounting information to a new finance software system.
- OO-3 Alternatives are currently being considered to restrict access to the computer room.
- OO-4 Procedures have been implemented to ensure notification to computer management when an employee terminates.

Section 3: Federal Award Findings and Questioned Costs

- OO-5 Procedures will be implemented by staff to ensure that only actual costs incurred on work approved for reimbursement be submitted for reimbursement.
- OO-6 Actual pay records are now being reviewed prior to submission for reimbursement.
- OO-7 Grant and award reimbursements are currently being reviewed and monitored by the finance department. The County is reviewing alternatives for consolidating the management and solicitation of grants and awards.

Auditor's Report on Compliance with State Laws and Regulations

1. Final budget amendments will be prepared after all disbursements have been recorded for the fiscal year.

If you have any further questions or need more clarification, please contact me at (228)769-3089.

Sincerely,



Robert Novel, Supervisor District II
Vice President, Jackson County Board of Supervisors