

JACKSON COUNTY, MISSISSIPPI

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

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

JACKSON COUNTY, MISSISSIPPI
September 30, 2004

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INDEPENDENT AUDITORS' REPORT

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

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Jackson County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jackson County, Mississippi, as of September 30, 2004, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Members of the Board of Supervisors
Jackson County, Mississippi
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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Jackson County, Mississippi, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2005, on our consideration of Jackson County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages i through xiii and the Budgetary Comparison Schedules and corresponding notes on pages 42 through 46 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the primary government financial statements of Jackson County, Mississippi, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the primary government financial statements. Such information has been subjected to the auditing procedures applied in the audit of the primary government financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.

Brazoal, Saunders & O'Neil, LLP.

March 3, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

INTRODUCTION

The discussion and analysis of Jackson County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2004. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

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

Jackson County is located in southeastern Mississippi along the Mississippi Gulf Coast. The population, according to the 2000 census, is 131,420. The local economic base is driven mainly by Industrial Manufacturing.

FINANCIAL HIGHLIGHTS

Jackson County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

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

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

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

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

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

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

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

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

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

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OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

Figure 1 – Required Components of the County's Annual Report

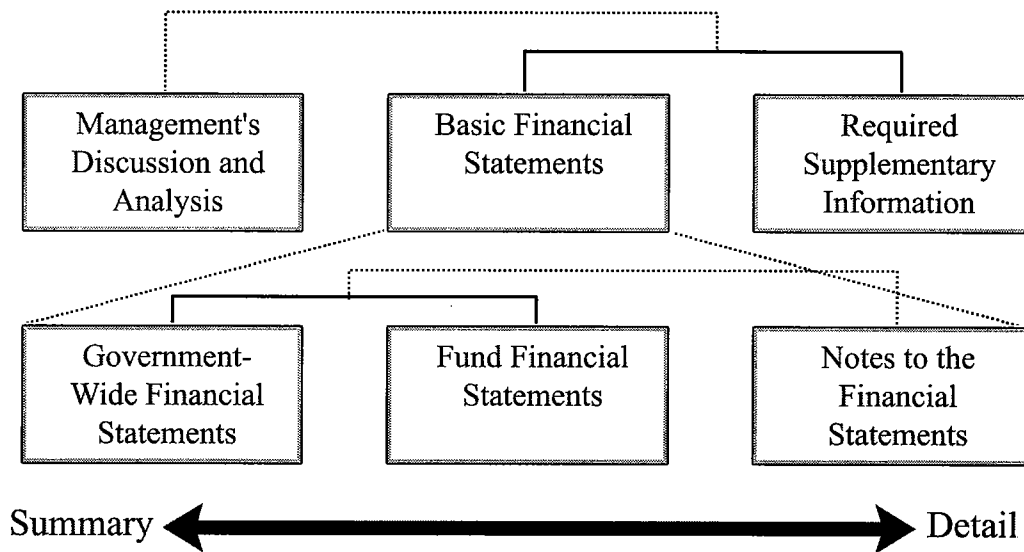


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements.

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

	Government-Wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of activities 	<ul style="list-style-type: none"> ● Balance sheet ● Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> ● Statement of net assets ● Statement of revenues, expenses and changes in net assets ● Statement of cash flows 	<ul style="list-style-type: none"> ● Statement of fiduciary net assets ● Statement of changes in net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

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Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net assets** presents information on all County assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; education; economic development; and interest on long-term debt. The business-type activities of the County include Whispering Pines Golf Course, Ocean Springs Harbor, ADC Canteen and Heinz Building.

The statements presented herein are primary government financial statements only and component units are not included.

The Government-wide Financial Statements can be found on pages 4 & 5 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 7 and 9, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual* issued by the Mississippi Office of the State Auditor. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 6 & 8 of this report.

Proprietary funds are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses enterprise funds to account for Whispering Pines Golf Course, Ocean Springs Harbor, ADC Canteen, and Heinz Building. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its self-insured Health Insurance program. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Data from the other enterprise funds are combined into a single, aggregated presentation. The County's internal service funds are combined into a single, aggregated presentation in the proprietary funds financial statements. The proprietary funds financial statements can be found on pages 10,11, & 12 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Net Assets, which can be found on page 13 of this report.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 14 – 41 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents **Required Supplementary Information** concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 42-46 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets – Net assets may serve over time as a useful indicator of government's financial position. In the case of Jackson County, assets exceeded liabilities by \$42,549,848 as of September 30, 2004.

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By far, the largest portion of the County's net assets reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2004.

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

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

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

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

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

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

JACKSON COUNTY, MISSISSIPPI
 Management's Discussion and Analysis
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Governmental Activities – The following table presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

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

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

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds – At the close of the fiscal year, Jackson County's governmental funds reported a combined fund balance of \$22,594,786, an increase of \$4,721,749. The primary reasons for this increase are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

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

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

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

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Jackson County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made throughout the year to adjust various line items.
- At the end of the fiscal year, Jackson County amended its budget to reflect actual revenues received and expenditures made.

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

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major funds is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of September 30, 2004, Jackson County's total capital assets was \$110,887,177. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$25,117,130. The majority of this increase is due to the addition of the Airport's assets which were not included in fiscal year 2003 financial statements.

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

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

Debt Administration – At September 30, 2004, Jackson County had \$48,224,490 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, capital leases, other loans, and compensated absences liability. Of this amount approximately \$15.7 million is capital related. Of the \$32.5 million that is non-capital related, the majority was issued for assets owned by other entities or for economic development purposes.

In the past year, the County issued \$8,600,000 in general obligation bonds for industrial development purposes. Jackson County maintains an "A" bond rating from Standard and Poors. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 80 million dollars.

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

CURRENT AND FUTURE ITEMS OF IMPACT

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

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

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

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

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI

Statement of Net Assets

September 30, 2004

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2004

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2004

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

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities
Governmental Funds
Year Ended September 30, 2004

Net Change in Fund Balances - total governmental funds	\$	4,533,897
Amounts reported for governmental activities in Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets		11,826,329
Less current year depreciation		(3,615,603)
Adjustments		<u>60,761</u>
		8,271,487
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting		
		35,426
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year		
		(96,118)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Long-term debt issued		(9,207,665)
Accrued interest received on long-term debt issued		(27,643)
Repayment of debt		5,191,854
Debt issue costs		117,184
Amortization and accretion of debt issue costs, discounts, and premiums		<u>(302,954)</u>
		(4,229,224)
Accrued interest expense reported in the Statement of Net Assets does not require the use of current financial resources and is therefore not reported as expenditures in the governmental funds		
		(62,801)
When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Activities		
		(202,314)
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the Internal Service Funds is reported with the governmental activities		
		271,074
Other		
		<u>3,498</u>
Change in Net Assets - governmental activities	\$	<u><u>8,524,925</u></u>

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
Year Ended September 30, 2004

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

See accompanying notes to financial statements.

