

JACKSON COUNTY, MISSISSIPPI

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

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

JACKSON COUNTY, MISSISSIPPI
September 30, 2002

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Primary Government Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups.....	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds.....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types.....	5
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types	6
Combined Statement of Cash Flows - All Proprietary Fund Types	7
Notes to Financial Statements.....	8-37
Supplementary Financial Information:	
Schedule of Expenditures of Federal Awards.....	38
Notes to Schedule of Expenditures of Federal Awards	39

JACKSON COUNTY, MISSISSIPPI
September 30, 2002

TABLE OF CONTENTS (Continued)

	<u>Page</u>
Special Reports:	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Primary Government Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	40-41
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	42-43
Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	44-48
Independent Auditors' Report on Compliance with State Laws and Regulations	49
Schedule of Findings and Questioned Costs	50-53
Summary Schedule of Prior Audit Findings	54
Corrective Action Plan	55

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

Members of the Board of Supervisors
Jackson County, Mississippi

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2003, on our consideration of Jackson County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Brazel, Saunders & O'Neil, LLP

February 25, 2003

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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

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

ASSETS

LIABILITIES AND FUND EQUITY

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

(1) Significant Accounting Policies

(a) Financial Reporting Entity

Jackson County is a political subdivision of the State of Mississippi. The county is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Jackson County to present these financial statements on the primary government and its component units that have significant operational or financial relationships with the county.

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

- Singing River Mental Health
- Jackson-George Regional Library System
- Jackson County Port Authority
- Jackson County Airport Authority
- Gulf Park Estates-St. Andrews Fire District
- Singing River Hospital System
- West Jackson County Utility District
- Jackson County Emergency Communications District

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

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

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

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

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

(b) **Basis of Presentation**

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

(c) **Account Classifications**

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 1994 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 1993 by the Office of the State Auditor.

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

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

(d) **Fund Accounting**

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

Governmental Fund Types

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

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

Proprietary Fund Types

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2002

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

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

Proprietary Fund Types (continued)

Internal Service Funds – These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis.

Fiduciary Fund Types

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

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

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

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

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

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

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

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

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

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

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

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

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

(f) **Cash and Investments**

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value. However, the county did not invest in any governmental securities during the fiscal year.

(g) **Receivables**

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

(h) **Interfund Receivables/Payables**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "interfund receivables/payables". Non-current portions of inter-fund receivables and payables are reported as "advances to/from other funds." Advances between funds are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(i) **Inventories**

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

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

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

(j) **Fixed Assets**

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

Fixed assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because non-capitalization of interest does not have a material effect on the county's financial statements. Donated fixed assets are recorded at their fair value at the time of donation. Proprietary Fund fixed assets, excluding land, are depreciated on the straight-line method over the following estimated useful lives of the respective assets:

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

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

(1) Significant Accounting Policies (continued)

(k) Fund Equity

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

(l) Property Tax Revenues

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

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

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

(1) Significant Accounting Policies (continued)

(l) Property Tax Revenues (continued)

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year-end is also considered immaterial. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

(m) Intergovernmental Revenues in Governmental Funds

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

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

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

(n) **Compensated Absences**

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits in Governmental Funds to the extent that they are to be paid with current assets and the remainder of the liability to be reported in the General Long-term Debt Account Group, representing the county's commitment to fund such costs from future operations. Due to immateriality, the current portion of the liability was not estimated and reported in the Governmental Funds. Therefore, the county's full liability in the amount of \$876,880 for accumulated unpaid personal leave up to a maximum of 30 days per employee payable from the Governmental Funds is reported in the General Long-term Debt Account Group of the accompanying combined balance sheet. In the Proprietary Funds, the compensated absences are reported as a liability of the fund in the amount of \$13,851, which represents an amount up to a maximum of 30 days per employee.

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

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

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2002

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

(a) **Budgetary Information**

Statutory requirements dictate how and when the county's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

(b) **Budget/GAAP Reconciliation**

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

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

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

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

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

(c) **Individual Fund Deficits**

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

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

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2002

(3) Deposits

The carrying amount of the county's total deposits with financial institutions at September 30, 2002, was \$17,365,669, and the bank balance was \$18,992,978. The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, collateralization of the entity's funds is monitored by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(4) Interfund Receivables and Payables

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

Interfund Receivables/Payables:

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

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

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

Interfund Receivables/Payables (Continued):

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

Advances to Other Funds -

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

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

(5) Amounts Due From Former Officials

The County has recorded a receivable of \$10,604 on the balance sheet in the General Fund for amounts due from a former Deputy Tax Assessor in restitution to the County.

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

(6) Loans Receivable

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

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

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2002

(7) Fixed Assets

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

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

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

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

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

(8) Claims and Judgments

Risk Financing

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$350,000 for each accident and completely covers all statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2002, to January 1, 2003. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County is exposed to risk of loss relating to employee health and accident coverage. Beginning in October 1990 and pursuant to section 25-15-101, Miss Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss.

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. The county pays the premium on a single coverage policy for its employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The county has a minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plan to minimize this potential loss:

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$60,000 and the aggregate policy covers all submitted claims in excess of \$940,000.

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

(8) Claims and Judgments (continued)

Risk Financing (continued)

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. At September 30, 2002, the amount of these liabilities was \$304,423. An analysis of claims activities is presented below:

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

(9) Capital Leases

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

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

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

(9) Capital Leases (continued)

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

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

(10) Long-term Debt

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

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

