

JACKSON COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2010

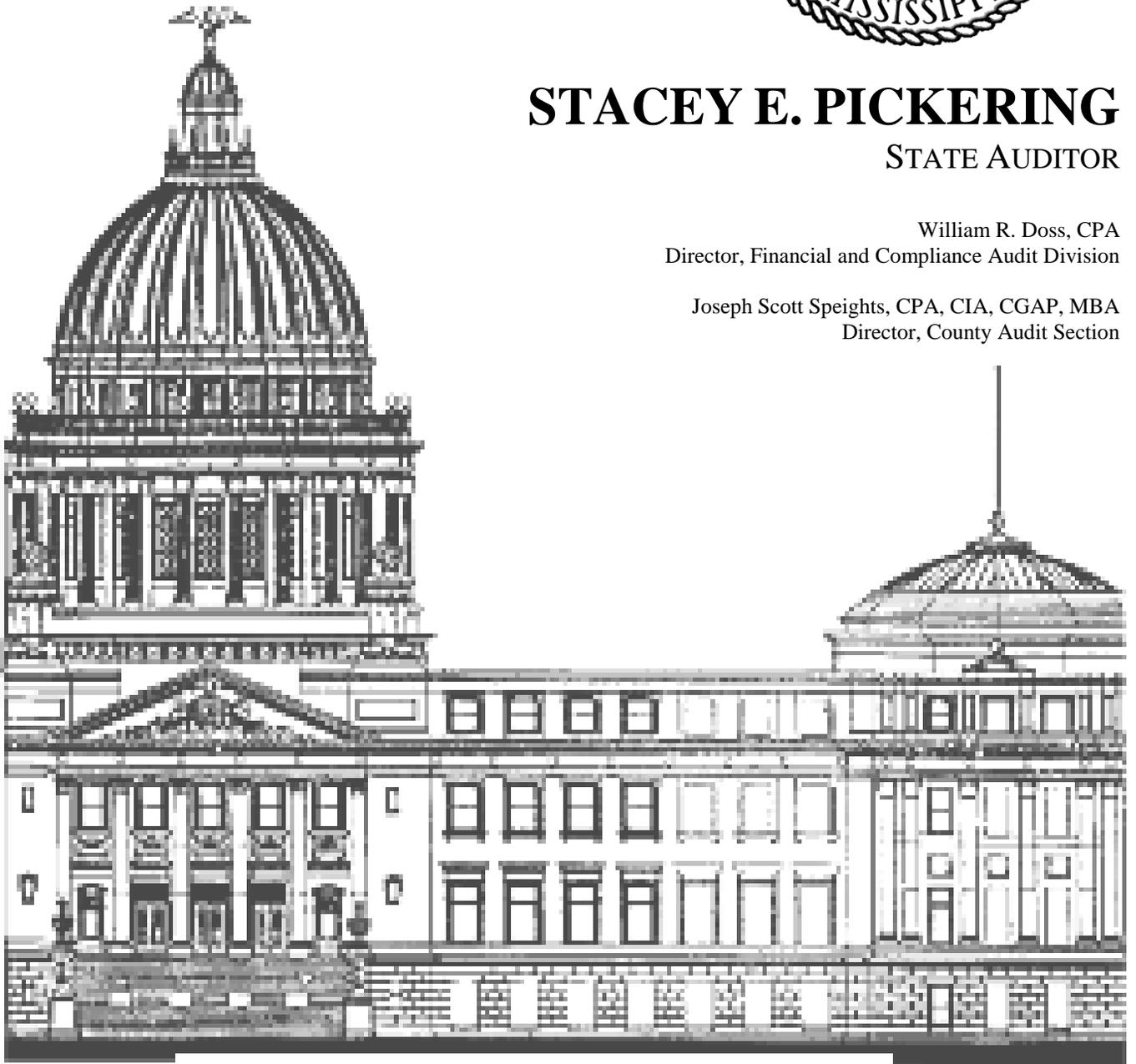


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

April 5, 2012

Members of the Board of Supervisors
Jackson County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2010 financial and compliance audit report for Jackson County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Jackson County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jackson County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering
State Auditor

JACKSON COUNTY
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JACKSON COUNTY

FINANCIAL SECTION

JACKSON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT

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, 2010, 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 opinions.

As discussed in Note 1 (I) to the financial statements, the county has not maintained adequate subsidiary records documenting the existence, completeness and valuation of capital assets and, accordingly, has not recorded the appropriate depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that adequate records be maintained to document the existence, completeness and valuation of capital assets including the county's infrastructure, and also that the depreciation on capital assets, including infrastructure, be adequately documented. The amount by which this departure would affect the assets and expenses on the governmental activities is not reasonably determinable.

The financial statements do not include financial data for the county's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The county has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Jackson County, Mississippi, as of September 30, 2010, or the changes in financial position or cash flows thereof for the year then ended.

In addition, in our opinion, except for the effects of the matter discussed in the third paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the governmental activities of Jackson County, Mississippi, as of September 30, 2010, and the changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Finally, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of September 30, 2010, and the respective changes in financial position, and, where applicable, cash flows 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 April 5, 2012, on our consideration of Jackson County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Jackson County, Mississippi, has not presented Management's Discussion and Analysis, that is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The Budgetary Comparison Schedules and corresponding notes, and the Schedule of Funding Progress – Other Postemployment Benefits are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with significant evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jackson County, Mississippi's basic financial statements. 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 basic financial statements. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 5, 2012

JACKSON COUNTY

FINANCIAL STATEMENTS

JACKSON COUNTY

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JACKSON COUNTY
Statement of Net Assets
September 30, 2010

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 49,512,514	189,489	49,702,003
Restricted assets - investments	1,006,894		1,006,894
Property tax receivable	68,157,799		68,157,799
Fines receivable (net of allowance for uncollectibles of \$9,807,917)	6,011,317		6,011,317
Loans receivable	148,245		148,245
Intergovernmental receivables	3,636,484		3,636,484
Other receivables	35,288		35,288
Internal balances	15,914	(15,914)	0
Prepaid insurance	923,726		923,726
Deferred charges - issuance cost	541,383		541,383
Capital assets:			
Land and construction in progress	20,127,420	6,478	20,133,898
Other capital assets, net	63,239,122	36,376	63,275,498
Total Assets	213,356,106	216,429	213,572,535
LIABILITIES			
Claims payable	7,174,392	38,580	7,212,972
Claims and judgments payable	477,231		477,231
Intergovernmental payables	1,659,362		1,659,362
Accrued interest payable	1,651,223		1,651,223
Deferred revenue	68,157,799		68,157,799
Other payables	661,803		661,803
Long-term liabilities			
Other postemployment benefits payable	373,791		373,791
Due within one year:			
Capital debt	3,420,078		3,420,078
Non-capital debt	14,001,760		14,001,760
Due in more than one year:			
Capital debt	13,318,011		13,318,011
Non-capital debt	19,949,968	29,747	19,979,715
Total Liabilities	130,845,418	68,327	130,913,745
NET ASSETS			
Invested in capital assets, net of related debt	66,628,453	42,854	66,671,307
Restricted:			
Expendable:			
General government	1,006,894		1,006,894
Debt service	7,057,346		7,057,346
Public safety	2,664,359	140,421	2,804,780
Public works	6,704,684		6,704,684
Health and welfare	115,952		115,952
Conservation of natural resources	1,736		1,736
Economic development		1,979	1,979
Unemployment compensation	85,899		85,899
Capital projects	3,400,225		3,400,225
Unrestricted	(5,154,860)	(37,152)	(5,192,012)
Total Net Assets	\$ 82,510,688	148,102	82,658,790

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 28,304,058	4,510,113	1,023,689	1,565,371	(21,204,885)		(21,204,885)
Public safety	21,422,630	825,248	2,578,915		(18,018,467)		(18,018,467)
Public works	27,806,546		4,045,839	1,609,442	(22,151,265)		(22,151,265)
Health and welfare	7,718,767		160,801	10,889,177	3,331,211		3,331,211
Culture and recreation	3,333,237		510,906		(2,822,331)		(2,822,331)
Education	872,743				(872,743)		(872,743)
Conservation of natural resources	456,661		1,160,364		703,703		703,703
Economic development and assistance	14,708,942		262,072	11,329,917	(3,116,953)		(3,116,953)
Interest on long-term debt	2,416,640				(2,416,640)		(2,416,640)
Total Governmental Activities	<u>107,040,224</u>	<u>5,335,361</u>	<u>9,742,586</u>	<u>25,393,907</u>	<u>(66,568,370)</u>		<u>(66,568,370)</u>
Business-type activities:							
Adult detention center canteen fund	70,522	36,574				(33,948)	(33,948)
Harbor	136,827	97,808				(39,019)	(39,019)
Golf course	667,620	598,616				(69,004)	(69,004)
Total Business-type Activities	<u>874,969</u>	<u>732,998</u>				<u>(141,971)</u>	<u>(141,971)</u>
Total Primary Government	\$ <u>107,915,193</u>	<u>6,068,359</u>	<u>9,742,586</u>	<u>25,393,907</u>	<u>(66,568,370)</u>	<u>(141,971)</u>	<u>(66,710,341)</u>
General revenues:							
Property taxes					\$ 68,385,539		68,385,539
Road & bridge privilege taxes					1,796,975		1,796,975
Grants and contributions not restricted to specific programs					8,101,672		8,101,672
Unrestricted interest income					1,490,633	4,346	1,494,979
Miscellaneous					3,940,259	209	3,940,468
Transfers					(135,282)	135,282	
Total General Revenues, Transfers					<u>83,579,796</u>	<u>139,837</u>	<u>83,719,633</u>
Changes in Net Assets					<u>17,011,426</u>	<u>(2,134)</u>	<u>17,009,292</u>
Net Assets - Beginning, as previously reported					53,093,717	150,236	53,243,953
Prior period adjustments					12,405,545		12,405,545
Net Assets - Beginning, as restated					<u>65,499,262</u>	<u>150,236</u>	<u>65,649,498</u>
Net Assets - Ending					\$ <u>82,510,688</u>	<u>148,102</u>	<u>82,658,790</u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2010

Exhibit 3

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Road Fund		
ASSETS				
Cash	\$ 16,286,133	7,523,601	23,452,375	47,262,109
Restricted Assets - Investments	1,006,894			1,006,894
Accrued interest receivable				
Property tax receivable	36,978,147	14,324,784	16,854,868	68,157,799
Fines receivable (net of allowance for uncollectibles of \$9,807,917)	6,011,317			6,011,317
Loans receivable			148,245	148,245
Intergovernmental receivables	1,536,033	132,413	1,968,038	3,636,484
Other receivables	35,288			35,288
Due from other funds	2,953,552	284,476	148,190	3,386,218
Advances to other funds	5,074,690			5,074,690
Total Assets	\$ 69,882,054	22,265,274	42,571,716	134,719,044
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 2,410,359	970,153	3,652,273	7,032,785
Intergovernmental payables	1,529,324			1,529,324
Due to other funds	562,704		2,949,556	3,512,260
Advances from other funds			5,062,772	5,062,772
Deferred revenue	42,989,464	14,324,784	16,854,868	74,169,116
Other payables	661,803			661,803
Total Liabilities	48,153,654	15,294,937	28,519,469	91,968,060
Fund balances:				
Reserved for:				
Debt service			8,708,569	8,708,569
Loans receivable			148,245	148,245
Tort claims	1,006,894			1,006,894
Advances	5,074,690			5,074,690
Unemployment compensation			85,899	85,899
Unreserved - undesignated, reported in:				
General Fund	15,646,816			15,646,816
Special Revenue Funds		6,970,337	1,709,309	8,679,646
Capital Project Funds			3,400,225	3,400,225
Total Fund Balances	21,728,400	6,970,337	14,052,247	42,750,984
Total Liabilities and Fund Balances	\$ 69,882,054	22,265,274	42,571,716	134,719,044

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2010

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 42,750,984
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$54,544,082.	83,366,542
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	6,011,317
Long-term liabilities are not due and payable in the current period and, therefore, is not reported in the funds.	(50,689,817)
Other postemployment benefits are not due and payable in the current period and, therefore, is not reported in the funds.	(373,791)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(1,651,223)
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	1,631,567
Bond issuance cost, net of amortization	541,383
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	<u>923,726</u>
Total Net Assets - Governmental Activities	\$ <u><u>82,510,688</u></u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2010

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Road Fund		
REVENUES				
Property taxes	\$ 37,329,812	14,648,136	16,407,591	68,385,539
Road and bridge privilege taxes		1,796,975		1,796,975
Licenses, commissions and other revenue	2,473,952			2,473,952
Fines and forfeitures	1,458,235		166,814	1,625,049
Intergovernmental revenues	12,918,625	1,864,558	28,454,982	43,238,165
Charges for services	773,541			773,541
Interest income	873,078	144,140	473,415	1,490,633
Miscellaneous revenues	1,224,388	356,854	2,337,679	3,918,921
Total Revenues	<u>57,051,631</u>	<u>18,810,663</u>	<u>47,840,481</u>	<u>123,702,775</u>
EXPENDITURES				
Current:				
General government	29,627,213		5,200,186	34,827,399
Public safety	17,963,099		4,678,313	22,641,412
Public works	1,645,223	19,882,226	10,087,871	31,615,320
Health and welfare	2,540,914		7,034,767	9,575,681
Culture and recreation	3,179,365		99,645	3,279,010
Education	874,181			874,181
Conservation of natural resources	332,581		139,965	472,546
Economic development and assistance	2,352,752		12,326,408	14,679,160
Debt service:				
Principal	193,267		6,418,101	6,611,368
Interest	23,947		1,937,023	1,960,970
Total Expenditures	<u>58,732,542</u>	<u>19,882,226</u>	<u>47,922,279</u>	<u>126,537,047</u>
Excess of Revenues over (under) Expenditures	<u>(1,680,911)</u>	<u>(1,071,563)</u>	<u>(81,798)</u>	<u>(2,834,272)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	325,080		730,000	1,055,080
Proceeds from sale of capital assets		6,220	11,755	17,975
Compensation for loss of capital assets	8,803		12,535	21,338
Transfers in	740,170	1,554,914	1,523,365	3,818,449
Transfers out	(550,764)		(3,402,967)	(3,953,731)
Total Other Financing Sources and Uses	<u>523,289</u>	<u>1,561,134</u>	<u>(1,125,312)</u>	<u>959,111</u>
Net Changes in Fund Balances	<u>(1,157,622)</u>	<u>489,571</u>	<u>(1,207,110)</u>	<u>(1,875,161)</u>
Fund Balances - Beginning, as previously reported	21,027,200	6,480,766	16,174,413	43,682,379
Prior period adjustments	1,858,822		(915,056)	943,766
Fund Balances - Beginning, as restated	<u>22,886,022</u>	<u>6,480,766</u>	<u>15,259,357</u>	<u>44,626,145</u>
Fund Balances - Ending	<u>\$ 21,728,400</u>	<u>6,970,337</u>	<u>14,052,247</u>	<u>42,750,984</u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,875,161)
Amounts reported for governmental activities in the 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 allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$16,923,930 exceeded depreciation of \$4,362,661 in the current period.	12,561,269
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$123,712 and the proceeds from the sale of \$17,975 in the current period.	(141,687)
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.	462,819
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. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$6,611,368 exceeded debt proceeds of \$1,055,080.	5,556,288
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
Bond issue cost amortization	(202,523)
Bond premium amortization	37,548
Change in accrued interest payable	(253,147)
Change in compensated absences	87,464
Change in other postemployment benefits payable	(194,660)
An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.	783,601
Prepaid items, such as prepaid insurance, are accounted for as expenditures in the period of acquisition and, therefore, are not reported in the funds.	<u>189,615</u>
Change in Net Assets of Governmental Activities	<u>\$ 17,011,426</u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY
Statement of Net Assets - Proprietary Funds
September 30, 2010

Exhibit 5

	Business-type Activities - Enterprise Funds	Governmental Activities
	Non-major Funds	Internal Service Funds
ASSETS		
Current assets:		
Cash	\$ 189,489	2,250,405
Total Current Assets	<u>189,489</u>	<u>2,250,405</u>
Noncurrent assets:		
Capital assets:		
Land	6,478	
Other capital assets, net	36,376	
Total Noncurrent Assets	<u>42,854</u>	<u>0</u>
Total Assets	<u>232,343</u>	<u>2,250,405</u>
LIABILITIES		
Current liabilities:		
Claims payable	38,580	141,607
Claims and judgments payable		477,231
Due to other funds	3,996	
Total Current Liabilities	<u>42,576</u>	<u>618,838</u>
Noncurrent liabilities:		
Non-capital debt:		
Advances from other funds	11,918	
Compensated absences payable	29,747	
Total Noncurrent Liabilities	<u>41,665</u>	<u>0</u>
NET ASSETS		
Invested in capital assets, net of related debt	42,854	
Restricted for:		
Inmate canteen supplies	140,421	
Economic development	1,619	
Unrestricted	(36,792)	1,631,567
Total Net Assets	\$ <u>148,102</u>	<u>1,631,567</u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended September 30, 2010

	Business-type Activities - Enterprise Funds	Governmental Activities
	Non-major Funds	Internal Service Funds
Operating Revenues		
Sales and charges for services	\$ 732,998	
Premiums		6,728,256
Miscellaneous	209	123,003
Total Operating Revenues	<u>733,207</u>	<u>6,851,259</u>
Operating Expenses		
Cost of sales		
Personal services	513,156	
Contractual services	161,531	
Materials and supplies	191,547	
Depreciation expense	8,735	
Claims payments		5,744,384
Administrative		110,790
Insurance premiums		246,475
Total Operating Expenses	<u>874,969</u>	<u>6,101,649</u>
Operating Income (Loss)	<u>(141,762)</u>	<u>749,610</u>
Nonoperating Revenues (Expenses)		
Interest income	4,346	33,991
Net Nonoperating Revenue (Expenses)	<u>4,346</u>	<u>33,991</u>
Net Income (Loss) Before Transfers	<u>(137,416)</u>	<u>783,601</u>
Transfers in	<u>135,282</u>	
Changes in Net Assets	(2,134)	783,601
Net Assets - Beginning	<u>150,236</u>	<u>847,966</u>
Net Assets - Ending	<u>\$ 148,102</u>	<u>1,631,567</u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2010

Exhibit 7

	Business-type Activities - Enterprise Funds	Governmental Activities
	Non-major Funds	Self-insurance Internal Service Funds
Cash Flows From Operating Activities		
Receipts from customers	\$ 732,998	
Receipts from premiums		6,728,256
Payments to suppliers	(403,632)	
Payments to employees	(511,564)	
Payments for claims		(5,586,799)
Payments for insurance premiums		(364,117)
Other operating cash receipts	209	123,003
Other operating cash payments		(110,790)
Net Cash Provided (Used) by Operating Activities	<u>(181,989)</u>	<u>789,553</u>
Cash Flows From Noncapital Financing Activities		
Cash received from other funds:		
Due from other funds	3,996	
Operating transfers in	135,282	
Net Cash Provided (Used) by Noncapital Financing Activities	<u>139,278</u>	<u>0</u>
Cash Flows From Investing Activities		
Interest on deposits	4,346	33,991
Net Cash Provided (Used) by Investing Activities	<u>4,346</u>	<u>33,991</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(38,365)	823,544
Cash and Cash Equivalents at Beginning of Year	227,854	1,426,861
Cash and Cash Equivalents at End of Year	<u>\$ 189,489</u>	<u>2,250,405</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating income (loss)	\$ (141,762)	749,610
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	8,735	
Loss on disposal of capital assets	1,499	
Changes in assets and liabilities:		
Increase (decrease) in claims payable	(3,776)	(117,642)
Increase (decrease) in claims and judgments liability		157,585
Increase (decrease) in compensated absences liability	(11,639)	
Increase (decrease) in interfund payables	(35,046)	
Total Adjustments	<u>(40,227)</u>	<u>39,943</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (181,989)</u>	<u>789,553</u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2010

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,162,021
Due from other funds	<u>130,038</u>
Total Assets	<u>\$ 1,292,059</u>
LIABILITIES	
Intergovernmental payables	<u>\$ 1,292,059</u>
Total Liabilities	<u>\$ 1,292,059</u>

The notes to the financial statements are an integral part of this statement.

JACKSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

(1) Summary of 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 which have significant operational or financial relationships with the county.

Management has chosen to omit from these financial statements the following component units which 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/Mental Retardation Services
- Jackson-George Regional Library System
- Jackson County Port Authority
- Gulf Park Estates - St. Andrews Fire District
- Singing River Hospital System
- West Jackson County Utility 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
- Tax Collector
- Sheriff

B. Basis of Presentation.

The county's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

JACKSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

Fund financial statements of the county are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

JACKSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

The county reports the following major Governmental Funds:

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

Road Fund - This fund is used to account for revenues from specific revenue sources that are restricted for construction and maintenance of the county's roads.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than 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.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

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 governments, on a cost-reimbursement basis. The county's internal service fund reports on self-insurance programs for employee medical benefits.

FIDUCIARY FUND TYPE

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.

D. 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 2005 by the Government Finance Officers Association.

E. Deposits 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.

JACKSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

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.

F. Receivables.

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

G. Interfund Transactions and Balances.

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 "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, 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. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

H. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statements. However, the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets or records documenting the county's infrastructure. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market 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 capital assets.

Capital 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 noncapitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

JACKSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as reserved or unreserved with unreserved classified as designated and undesignated.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

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 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.

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 in the year for which they are levied. 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.

O. 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 as long-term liabilities in the government-wide financial statements and Proprietary Funds financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

Governmental Activities

Explanation	Amount
To correct a prior error in recording long-term debt.	\$ (630,078)
To correct a prior year error in recording capital assets.	12,091,857
To correct a prior year error in recording assets.	633,880
To correct a prior year error in recording revenues.	309,886
Total prior period adjustments	\$ 12,405,545

Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To correct a prior year error in recording assets.	\$ 633,880
To correct a prior year error in recording revenues.	309,886
Total prior period adjustments	\$ 943,766

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2010, was \$50,864,024, and the bank balance was \$51,391,267. The collateral for public entities' deposits in financial institutions is 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, the entity's funds are protected through a collateral pool administered 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 Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the county will not be able to recover deposits or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the county. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the county.

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture between the county and the trustee related to the operations of the Jackson County, Mississippi Tort Claims Trust.

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

As of September 30, 2010, investment balances and maturities for the Jackson County Tort Claims Trust are as follows:

	<u><1 year</u>	<u>6-10 years</u>	<u>>10 years</u>	<u>Total</u>	<u>Rating</u>
Hancock Horizons*	\$ 39,742	0	0	39,742	AAAm
GNMA Pools	0	14,422	216,154	230,576	AAA
U.S. Treasury Notes	<u>50,227</u>	<u>439,519</u>	<u>246,830</u>	<u>736,576</u>	AAA
Total	<u>\$ 89,969</u>	<u>453,941</u>	<u>462,984</u>	<u>1,006,894</u>	

*Hancock Horizons Treasury Securities Money Market Mutual Fund

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. The investments in the Hancock Horizon Treasury Securities Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government. The investments in the U.S. Treasury Notes were held by the investment's counter party (trustee) not in the name of the County.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 2,949,556
General Fund	Non-major Enterprise Funds	3,996
Road Fund	General Fund	284,476
Other Governmental Funds	General Fund	148,190
Agency Funds	General Fund	<u>130,038</u>
Total		<u>\$ 3,516,256</u>

The receivables represent the tax revenue collected but not settled until October, 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 5,062,772
General Fund	Non-major Enterprise Funds	<u>11,918</u>
Total		<u>\$ 5,074,690</u>

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Advances from the other governmental funds represent loans made to funds in the anticipation of grant receipts. Advances to Non-major Enterprise Funds represent a loan made from the General Fund to the Golf Course Fund for \$100,089, to purchase equipment. Repayment of the loan includes 3% interest to be paid monthly over 3 years, beginning February, 2008.

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Principal	Interest
2011	\$ 11,918	74

C. Transfers In/Out:

Transfer In	Transfer Out	Amount
General Fund	Other Governmental Funds	\$ 740,170
Road Fund	Other Governmental Funds	1,554,914
Other Governmental Funds	General Fund	415,482
Other Governmental Funds	Other Governmental Funds	1,107,883
Non-major Enterprise Funds	General Fund	135,282
		\$ 3,953,731
Total		\$ 3,953,731

The principal purpose of interfund transfers was to provide funds for grant matches or for cash flow purposes. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

Description	Amount
Governmental Activities:	
Legislative tax credit	\$ 564,751
High intensity drug trafficking areas program	5,050
State and community highway safety	11,037
Public safety partnership and community policing grants	35,876
Child nutrition grants	1,557
Community development block grants/state's program (R-109-030-02-KCR)	143,883
Edward Byrne memorial justice assistance grant program (2009-DJ-BX-0528)	180
Recovery Act - Edward Byrne memorial justice assistance (JAG) grant program/grants to units of local governments	12,992
Alcohol open container requirements grant	40,066
Highway planning and construction	132,413
Edward Byrne memorial justice assistance grant program (09NM1301)	24,217
Hazard mitigation grant (1604-0041)	327,377
Hazard mitigation grant (1604-0044)	130,370
Hazard mitigation grant (1604-0345)	150,879
Hazard mitigation grant (1604-0346)	112,689
Hazard mitigation grant (1604-0204)	720,641
Community development block grants/state's program (R-103-030-04-KED)	11,600
Community development block grants/state's program (R-103-030-01-KCR)	717,643
Community development block grants/state's program (1125-08-030-PF-01)	28,027
Community development block grants/state's program (R-103-030-05-KED)	450,914
Community development block grants/state's program (R-103-030-01-KED)	2,822
Community development block grants/state's program (R-103-030-03-KED)	11,500
	\$ 3,636,484
Total Governmental Activities	\$ 3,636,484

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(6) Loans Receivable.

Loans receivable balances at September 30, 2010, are as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
Sandco Industries *	10-01-1991	4.00%	11-04-2004	\$ 50,000
Bayou Blend *	09-22-1994	4.00%	09-01-1999	86,254
Lagniappe House	12-02-1997	4.00%	02-01-2007	48,245
Rapiscan	07-28-2005	0.00%	08-15-2020	100,000
Total				\$ 284,499
Less: Allowance for doubtful accounts*				136,254
Total (Net of allowance for doubtful accounts)				148,245

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

Governmental activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
Non-depreciable capital assets:					
Land	\$ 11,647,347	509,300		(50,810)	12,105,837
Construction in progress	416,012	9,479,659		(1,874,088)	8,021,583
Total non-depreciable capital assets	12,063,359	9,988,959		(1,924,898)	20,127,420
Depreciable capital assets:					
Infrastructure	33,177,128	586,277		22,452,532	56,215,937
Buildings	29,327,585	2,652,263		(34,564)	31,945,284
Improvements other than buildings	4,473,658	466,976		45,315	4,985,949
Mobile equipment	16,166,905	2,360,162	422,010	732,704	18,837,761
Furniture and equipment	6,097,803	507,879	959,800	(235,576)	5,410,306
Leased property under capital leases	256,750	361,414		(230,197)	387,967
Total depreciable capital assets	89,499,829	6,934,971	1,381,810	22,730,214	117,783,204
Less accumulated depreciation for:					
Infrastructure	11,961,325	1,384,326		8,633,227	21,978,878
Buildings	12,382,886	439,014		(692)	12,821,208
Improvements other than buildings	3,220,070	361,712		8,612	3,590,394
Mobile equipment	10,883,654	1,548,208	375,405	349,971	12,406,428
Furniture and equipment	4,167,714	592,092	864,718	(194,785)	3,700,303
Leased property under capital leases	92,436	37,309		(82,874)	46,871
Total accumulated depreciation	42,708,085	4,362,661	1,240,123	8,713,459	54,544,082
Total depreciable capital assets, net	46,791,744	2,572,310	141,687	14,016,755	63,239,122
Governmental activities capital assets, net	\$ 58,855,103	12,561,269	141,687	12,091,857	83,366,542

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Business-type activities:

	Balance Oct. 1, 2009	Additions	Deletions	Adjustments*	Balance Sept. 30, 2010
<u>Non-depreciable capital assets:</u>					
Land	\$ 6,478				6,478
Total non-depreciable capital assets	6,478			0	6,478
<u>Depreciable capital assets:</u>					
Mobile equipment	104,177		15,000		89,177
Furniture and equipment	122,133				122,133
Total depreciable capital assets	226,310		15,000	0	211,310
<u>Less accumulated depreciation for:</u>					
Mobile equipment	93,759	6,635	13,501		86,893
Furniture and equipment	85,941	2,100			88,041
Total accumulated depreciation	179,700	8,735	13,501	0	174,934
Total depreciable capital assets, net	46,610	(8,735)	1,499	0	36,376
Business-type activities capital assets, net	\$ 53,088	(8,735)	1,499	0	42,854

* Adjustments are to correct errors in the capital asset records.

Depreciation expense was charged to the following functions:

	Amount
<u>Governmental Activities:</u>	
General government	\$ 1,111,905
Public safety	856,226
Public works	2,221,361
Health and welfare	7,420
Culture and recreation	131,961
Conservation of natural resources	2,001
Economic development and assistance	31,787
Total governmental activities depreciation expense	\$ 4,362,661
<u>Business-type activities:</u>	
Adult detention center canteen fund	\$ 2,100
Golf course	6,635
Total business-type activities depreciation expense	\$ 8,735

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Health Department	\$ 120,269	November 2010
Harbor House	113,704	November 2010
County Services Complex	11,928,085	October 2011
Taxiway	1,140	December 2010
ADC Storage	287,355	June 2011
Civil Defense Storage	94,644	June 2011
Vancleave Central	2,665,868	August 2012
West JC Shelter	2,757,219	August 2012
East JC Shelter	2,762,297	August 2012
Larue/Latimer CC	479,200	December 2013
Total	\$ 21,209,781	

(8) Claims and Judgments.

Risk Financing.

Workers Compensation Benefits.

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 \$1,000,000 for each accident and completely covers 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, 2010, to January 1, 2011. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

Health and Life Benefits.

The county is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 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. Each participating public entity, including Jackson County, pays the premium on a single coverage policy for its respective 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 minimum uninsured risk retention for all participating entities, including Jackson County, to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

The county has purchased coinsurance which functions on specific stop loss coverage. The coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$125,000.

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

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 (IBNRs). At September 30, 2010, the amount of these liabilities was \$477,231. An analysis of claims activities is presented below:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2008 – 2009	\$ 331,812	5,779,245	5,791,411	319,646
2009 – 2010	\$ 319,646	5,744,384	5,586,799	477,231

Tort Liability.

The County has chosen to manage tort claims through the retention of liability exposure up to \$250,000 per occurrence in accordance with Section 11-46-17, Miss. Code Ann. (1972), Jackson County has submitted its annual plan of coverage against exposure to the risk of tort claims to the Mississippi Tort Claims Board and has received approval for its plan of coverage from the Tort Claims Board. Jackson County also purchases commercial insurance protection for coverage in excess of the retention amount noted above.

(9) Capital Leases.

As Lessee:

The county is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

Classes of Property	Governmental Activities
Mobile equipment	\$ 387,967
Less: Accumulated depreciation	<u>46,871</u>
Leased Property Under Capital Leases	<u>\$ 341,096</u>

The following is a schedule by years of the total payments due as of September 30, 2010:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2011	\$ 162,214	22,479
2012	170,400	16,888
2013	176,947	10,324
2014	86,472	3,500
2015	<u>55,960</u>	<u>726</u>
Total	<u>\$ 651,993</u>	<u>53,917</u>

(10) Other Postemployment Benefits.

Plan Description

The Jackson County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The county's health insurance plan may be amended by the Jackson County Board of Supervisors. The county purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan).

JACKSON COUNTY

Notes to Financial Statements For the Year Ended September 30, 2010

Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. Effective October 1, 2009, the county implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The county does not issue a publicly available financial report for the Plan.

Funding Policy

Employees' premiums are funded by the county with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the county's health insurance plan.

Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the county. For the year ended September 30, 2010, retiree premiums range from \$642 to \$891 depending on dependent coverage and Medicare eligibility.

Actuarial Valuation

The County's Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of July 1, 2010 for the years ending September 30, 2009 and 2010. The plan presently has an actuarial valuation performed biennially in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The county's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC of \$230,723 is 1.09 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2010:

Annual required contribution	\$	230,723
Interest on prior year net OPEB obligation		8,061
Adjustment to annual required contribution		(8,484)
Annual OPEB cost		<u>230,300</u>
Contributions made		<u>(35,640)</u>
Increase in net OPEB obligation		194,660
Net OPEB obligation – Beginning of year		<u>179,131</u>
Net OPEB obligation – End of year	\$	<u><u>373,791</u></u>

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

The following table provides the county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2010:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008-2009	\$ 213,074	15.93%	\$ 179,131
2009-2010	\$ 230,300	15.47%	\$ 373,791

Funding Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date:

	July 1, 2010
Actuarial Valuation Date	
Actuarial Value of Plan Assets	\$ 0
Actuarial Accrued Liability (AAL) Entry Age Normal	\$ 1,331,981
Unfunded AAL (UAAL)	\$ 1,331,981
Funded Ratio	0.00%
Annual Covered Payroll	\$ 21,070,951
UAAL as a Percentage of Annual Covered Payroll	6.30%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

	July 1, 2010
Actuarial valuation date	July 1, 2010
Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed basis
Remaining amortization period	30 years
Asset valuation method	
Actuarial assumptions:	
Investment rate of return*	4.50%
Projected salary increases**	2.00%
Healthcare cost trend rate*	10.00%
Ultimate trend rate	5.00%
Year of ultimate trend rate	2020
*Includes inflation at	0.00%
**Includes wage inflation at	2.00%

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(11) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
1998 Port improvement bonds	\$ 3,315,000	5.00/6.50%	May 2018
MBIA bond, Series 1997 (HAM marine project)	636,475	2.00%	Nov 2011
Series 2002 refunding	6,325,000	2.00/4.00%	Dec 2014
Series 2003 refunding	3,105,000	1.15/5.10%	Mar 2014
Northrop Grumman site	2,380,000	4.00/5.00%	Aug 2014
Road improvements	7,010,000	3.00/5.00%	Dec 2016
Northrop Grumman, Series 2005A	8,555,000	3.94/5.25%	Jun 2020
Moss Point Industrial Park refunding, Series 2005B	<u>2,160,000</u>	3.94/5.04%	Jun 2020
Total General Obligation Bonds	<u>\$ 33,486,475</u>		
B. Capital Leases:			
Law enforcement software	\$ 268,277	4.35%	Apr 2013
Fort Bayou fire truck	80,697	4.22%	Dec 2014
2008 Ford Mustang	3,208	5.75%	Jan 2011
Catepillar Truck	<u>299,811</u>	3.00%	May 2015
Total Capital Leases	<u>\$ 651,993</u>		
C. Other Loans:			
Fort Bayou fire department	299,117	5.26%	Jan 2017
Forts Lake/Franklin Creek VFD	257,809	4.26%	Mar 2017
FEMA disaster loan	10,500,000	2.69%	Dec 2010
Vancleave fire department	77,712	3.65%	May 2013
General obligation note, Series 2008	1,650,175	3.45%	Aug 2013
Jackson County Airport Authority loan	1,000,000	2.98%	Jan 2014
West Jackson County fire truck	123,443	3.45%	May 2013
Latimer VFD	249,764	4.25%	Jul 2018
Vancleave - 2 trucks	172,213	2.25%	Mar 2014
3 Rivers tanker	121,920	2.88%	Jul 2014
Class A Pumpers (2)	159,258	2.98%	Mar 2013
2010A - General Obligation Note	<u>400,000</u>	2.57%	Mar 2015
Total Other Loans	<u>\$ 15,011,411</u>		

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 5,422,778	1,437,293	11,836,846	1,304,892
2012	5,623,697	1,215,347	1,274,258	104,549
2013	4,900,000	991,314	1,107,304	62,440
2014	5,180,000	770,217	422,867	25,798
2015	3,000,000	576,272	122,283	15,616
2016 – 2020	9,360,000	1,201,116	247,853	14,837
Total	\$ 33,486,475	6,191,559	15,011,411	1,528,132

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 2.03% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Adjustments*	Balance Sept. 30, 2010	Amount due within one year
Governmental Activities:						
Compensated absences	\$ 1,486,208		87,464		1,398,744	
General obligation bonds	38,704,253		5,217,778		33,486,475	5,422,778
Add:						
Premiums	178,742		37,548		141,194	
Capital leases	536,145	325,080	209,232		651,993	162,214
Other loans	14,835,691	730,000	1,184,358	630,078	15,011,411	11,836,846
Total	\$ 55,741,039	1,055,080	6,736,380	630,078	50,689,817	17,421,838
Business-type Activities:						
Compensated absences	\$ 41,386	11,639	0	0	29,747	0

*Adjustments are to correct a prior year error in recording long-term debt.

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Road Fund, Solid Waste Fund and Jackson County Fire District Fund.

(12) Contingencies.

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

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

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.

The county has been named as a defendant in various lawsuits seeking unspecified damages for incidents involving the Sheriff's Department. The county has excess liability insurance coverage that it believes would cover any judgment against the county up to a limit of \$1,000,000. The policy has a \$250,000 self-insured retention. No provision has been made in the accompanying financial statements for this contingent liability since the amount of the potential loss, if any, cannot be reasonably estimated.

General Obligation Debt Contingencies - The county issued general obligation bonds and notes 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 notes 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:

Description	Balance at Sept. 30, 2010
General obligation bonds	\$ <u>1,050,000</u>

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. The principal amount of hospital revenue bonds and notes outstanding at September 30, 2010, is \$83,045,000.

(13) No Commitment Debt (Not Included in Financial Statements).

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

Description	Balance at Sept. 30, 2010
Industrial revenue bonds and notes	\$ <u>56,750,706</u>

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(14) Segment Information for Enterprise Funds.

The county maintains four enterprise funds, which provide recreation and community services, rental services and food services. Summary financial information for each enterprise fund is presented for the year ended September 30, 2010.

Condensed Statement of Net Assets:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Current assets	\$ 140,421	13,462	35,606	189,489
Capital assets	19,350	7,704	15,800	42,854
Total Assets	<u>159,771</u>	<u>21,166</u>	<u>51,406</u>	<u>232,343</u>
Current liabilities		9,341	33,235	42,576
Noncurrent liabilities		2,502	39,163	41,665
Total Liabilities		<u>11,843</u>	<u>72,398</u>	<u>84,241</u>
	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Net assets:				
Invested in capital assets, net of related debt	19,350	7,704	15,800	42,854
Restricted	140,421	1,619		142,040
Unrestricted			(36,792)	(36,792)
Total Net Assets	<u>\$ 159,771</u>	<u>9,323</u>	<u>(20,992)</u>	<u>148,102</u>

Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Operating revenues	\$ 36,574	97,808	598,825	733,207
Operating expenses	(63,887)	(134,852)	(667,495)	(866,234)
Depreciation expense	(6,635)		(2,100)	(8,735)
Operating Income (Loss)	<u>(33,948)</u>	<u>(37,044)</u>	<u>(70,770)</u>	<u>(141,762)</u>
Interest income	3,517	531	298	4,346
Transfers in		18,800	116,482	135,282
Change in Net Assets	<u>(30,431)</u>	<u>(17,713)</u>	<u>46,010</u>	<u>(2,134)</u>
Net Assets – Beginning	<u>190,202</u>	<u>27,036</u>	<u>(67,002)</u>	<u>150,236</u>
Net Assets - Ending	<u>\$ 159,771</u>	<u>9,323</u>	<u>(20,992)</u>	<u>148,102</u>

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

Condensed Statement of Cash Flows:

	ADC Canteen Fund	Ocean Springs Harbor Fund	Golf Course Fund	Total
Net cash provided (used) by:				
Operating activities	\$ (28,844)	(45,755)	(107,390)	(181,989)
Noncapital financing activities		22,796	116,482	139,278
Investing activities	3,517	531	298	4,346
Net increase (decrease) in cash	(25)	(22,428)	9,390	(38,365)
Cash - Beginning of Year	165,748	35,890	26,216	227,854
Cash - End of Year	\$ 140,421	13,462	35,606	189,489

(16) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 27-member board of directors, one appointed by the Board of Supervisors of each member county, one from each of the six participating cities and six appointed at large by minority members. The county appropriated \$32,855 for support of Southern Mississippi Planning and Development District in fiscal year 2010.

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 \$166,000 for support of the Jackson County Civic Action in fiscal year 2010.

Gulf Regional Planning and Development District operates in a district composed of the Counties of Hancock, Harrison and Jackson. The governing body is a nine-member board of directors; three appointed by the Board of Supervisors of each member county. The county appropriated \$12,470 for support of Gulf Regional Planning and Development District in fiscal year 2010.

Harrison-Jackson County Emergency Medical Service District operates in a district composed of the Counties of Harrison and Jackson. The district is presently composed of the following five members: the Counties of Harrison and Jackson and the Cities of Biloxi, Gulfport and Ocean Springs. The district's board is composed of five members, one appointed by each government. The county provided no financial support to Harrison-Jackson County Emergency Medical Service District in fiscal year 2010.

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 \$8,056,105 for maintenance and support of the college in fiscal year 2010.

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

JACKSON COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2010

(16) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2010, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2010 was 12% 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, 2010, 2009 and 2008 were \$2,828,380, \$2,745,468 and \$2,490,026, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2010, 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>
3/1/2011	0.00%	\$ 1,000,000	Capital improvements revolving loan program	Private funds
7/30/2011	2.80%	723,571	Capital lease	Tax revenue
11/29/2011	2.00%	3,775,000	General Obligation bond	Tax revenue

Jackson County drew down the remaining of \$7,600,000 of the \$8,000,000 General Obligation Note that was disclosed as a subsequent event in the prior year report as follows - \$100,000 on 10/20/2010, \$400,000 on 11/16/2010, \$700,000 on 12/17/2010 and \$6,400,000 on 11/19/2011.

JACKSON COUNTY

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JACKSON COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

JACKSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 36,048,643	37,348,502	37,348,504	2
Licenses, commissions and other revenue	2,231,416	2,431,693	2,431,692	(1)
Fines and forfeitures	1,439,756	1,413,806	1,413,807	1
Intergovernmental revenues	7,490,230	14,158,478	14,158,478	
Charges for services	410,000	796,699	796,699	
Interest income	565,941	888,233	888,233	
Miscellaneous revenues	1,311,492	1,253,278	1,253,278	
Total Revenues	<u>49,497,478</u>	<u>58,290,689</u>	<u>58,290,691</u>	<u>2</u>
EXPENDITURES				
Current:				
General government	27,538,090	29,827,189	29,539,512	287,677
Public safety	14,443,513	17,696,359	17,472,302	224,057
Public works	2,902,757	1,754,207	1,720,562	33,645
Health and welfare	2,713,927	2,613,546	2,551,547	61,999
Culture and recreation	3,419,211	3,219,278	3,183,140	36,138
Education	906,675	1,153,802	872,927	280,875
Conservation of natural resources	333,154	349,667	336,600	13,067
Economic development and assistance	2,254,186	2,489,829	2,354,611	135,218
Debt service:				
Principal		193,312	193,312	
Interest		23,902	23,902	
Total Expenditures	<u>54,511,513</u>	<u>59,321,091</u>	<u>58,248,415</u>	<u>1,072,676</u>
Excess of Revenues over (under) Expenditures	<u>(5,014,035)</u>	<u>(1,030,402)</u>	<u>42,276</u>	<u>1,072,678</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets			19,256	19,256
Compensation for loss of capital assets			8,803	8,803
Transfers in			1,036,246	1,036,246
Transfers out			(846,839)	(846,839)
Other financing sources	3,002,000	5,313,506		(5,313,506)
Other financing uses	(142,000)	(4,891,203)		4,891,203
Total Other Financing Sources and Uses	<u>2,860,000</u>	<u>422,303</u>	<u>217,466</u>	<u>(204,837)</u>
Net Change in Fund Balance	(2,154,035)	(608,099)	259,742	867,841
Fund Balances - Beginning	<u>8,642,957</u>	<u>13,990,222</u>	<u>22,214,407</u>	<u>8,224,185</u>
Fund Balances - Ending	<u>\$ 6,488,922</u>	<u>13,382,123</u>	<u>22,474,149</u>	<u>9,092,026</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

JACKSON COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Road Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 14,116,964	14,632,976	14,632,975	(1)
Road and bridge privilege taxes	1,600,000	1,794,215	1,794,215	
Intergovernmental revenues	1,100,000	1,729,198	1,729,197	(1)
Interest income		144,140	144,140	
Miscellaneous revenues	135,000	356,854	356,854	
Total Revenues	<u>16,951,964</u>	<u>18,657,383</u>	<u>18,657,381</u>	<u>(2)</u>
EXPENDITURES				
Current:				
Public works	21,245,964	21,304,931	20,333,484	971,447
Total Expenditures	<u>21,245,964</u>	<u>21,304,931</u>	<u>20,333,484</u>	<u>971,447</u>
Excess of Revenues over (under) Expenditures	<u>(4,294,000)</u>	<u>(2,647,548)</u>	<u>(1,676,103)</u>	<u>971,445</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets		9,168	9,168	
Transfers in		1,554,914	1,554,914	
Other financing uses	1,855,000			
Total Other Financing Sources and Uses	<u>1,855,000</u>	<u>1,564,082</u>	<u>1,564,082</u>	<u>0</u>
Net Change in Fund Balance	(2,439,000)	(1,083,466)	(112,021)	971,445
Fund Balances - Beginning	<u>4,189,000</u>	<u>7,617,824</u>	<u>7,365,622</u>	<u>(252,202)</u>
Fund Balances - Ending	<u>\$ 1,750,000</u>	<u>6,534,358</u>	<u>7,253,601</u>	<u>719,243</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

JACKSON COUNTY
 Schedule of Funding Progress – Other Postemployment Benefits
 September 30, 2010

<u>Actuarial Valuation Date</u>	<u>Fiscal Year</u>	<u>Actuarial Value of Plan Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (b-a)</u>	<u>Percent Funded (a / b)</u>	<u>Annual Covered Payroll (c)</u>	<u>Unfunded AAL as a Percentage of Annual Covered payroll ((b-a) / c)</u>
July 1, 2010	September 30, 2009	\$ 0	\$ 1,153,576	\$ 1,153,576	0.00%	\$ 21,070,951	5.5%
July 1, 2010	September 30, 2010	0	1,331,981	1,331,981	0.00%	21,070,951	6.30%

JACKSON COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2010

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 and Tax 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. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	Governmental Fund Types	
	General Fund	Road Fund
Budget (Cash Basis)	\$ 259,742	(112,021)
Increase (Decrease)		
Net adjustments for revenue accruals	(1,239,060)	153,282
Net adjustments for expenditure accruals	(178,304)	448,310
GAAP Basis	\$ <u>(1,157,622)</u>	<u>489,571</u>

JACKSON COUNTY

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JACKSON COUNTY

SUPPLEMENTAL INFORMATION

JACKSON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/ Passed-through the Mississippi Department of Education			
Child Nutrition Cluster:			
School breakfast program	10.553	N/A	\$ 9,333
National school lunch program	10.555	N/A	12,789
Total Child Nutrition Cluster			<u>22,122</u>
Passed-through the Mississippi State Treasurer's Office			
Schools and roads - grants to states	10.665	N/A	<u>55,016</u>
Total U.S. Department of Agriculture			<u>77,138</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-109-030-02-KCR	3,426,379
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-06-KED	707,429
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-01-KCR	1,565,371
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-01-KED	68,896
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-02-KED	52,331
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	1125-08-030-PF-01	416,183
Community development block grants/state's program and Non-Entitlement grants in Hawaii* (Note C)	14.228	R-103-030-03-KED	3,361,219
Community development block grants/state's program and Non-Entitlement grants in Hawaii* (Note C)	14.228	R-103-030-04-KED	7,192,374
Community development block grants/state's program and Non-Entitlement grants in Hawaii*	14.228	R-103-030-05-KED	<u>755,934</u>
Total U.S. Department of Housing and Urban Development			<u>17,546,116</u>
U.S. Department of the Interior/Office at the Bureau of Ocean Energy Management, Regulation and Enforcement			
Coastal Impact Assistance Program (Direct Award)	15.426	N/A	<u>38,138</u>
U.S. Department of Justice/Office of Community Oriented Policing Services/ Public safety partnership and community policing grants (Direct Award)			
	16.710	N/A	<u>327,212</u>
U.S. Department of Justice /Office of Justice Programs/ Edward Byrne memorial justice assistance grant program (Direct Award)			
	16.738	N/A	<u>28,452</u>
Passed-through the Mississippi Department of Public Safety			
Edward Byrne memorial justice assistance grant program	16.738	09NM1301	266,673
Edward Byrne memorial justice assistance grant program	16.738	07HR5961	74,024
Subtotal			<u>340,697</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

JACKSON COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
ARRA - Edward Byrne memorial justice assistance grant (JAG) program/Grants to units of local government (Direct Award)	16.804	N/A	106,851
Total U.S. Department of Justice			803,212
U.S. Department of Transportation - Federal Aviation Administration/ Airport improvement program (Direct Award)	20.106	N/A	233,499
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation			
ARRA - Highway planning and construction	20.205	BR NBIS 071 B (30)	42,960
ARRA - Highway planning and construction	20.205	STP-9064-00(008) LPA	414,128
Subtotal			457,088
National Highway Traffic Safety Administration/ Passed-through the Mississippi Department of Public Safety Division of Public Safety Planning Highway Safety Cluster			
State and community highway safety	20.600	09TA1301	14,973
Office of Highway Safety			
Alcohol open container requirements	20.607	10TA1301	50,000
Subtotal			64,973
Total U.S. Department of Transportation			755,560
U.S. Department of Health and Human Services/ Passed-through the Mississippi Department of Human Services			
Social services block grant	93.667	801VD91	514,009
Health Care and Other Facilities (Direct Award)	93.887	N/A	325,880
Total U.S. Department of Health and Human Services			839,889
U.S. Department of Homeland Security/ Passed-through the Mississippi Department of Public Safety			
High intensity drug trafficking areas program	95.001	I8PGCP540Z	6,399
High intensity drug trafficking areas program	95.001	G09GC0003A	2,797
High intensity drug trafficking areas program	95.001	G10GC0003A	2,950
Subtotal			12,146
Passed-through the Mississippi Emergency Management Agency			
Disaster grants - public assistance*	97.036	1604-DR-MS	2,713,636
Hazard mitigation grant*	97.039	1604-0041	327,377
Hazard mitigation grant*	97.039	1604-0044	127,530
Hazard mitigation grant*	97.039	1604-0345	73,154
Hazard mitigation grant*	97.039	1604-0346	82,387
Hazard mitigation grant *(Note B)	97.039	1604-0080	619,941
Hazard mitigation grant*	97.039	1604-0204	248,279
Subtotal			1,478,668
Total U.S. Department of Homeland Security			4,204,450
Total Expenditures of Federal Awards			\$ 24,264,503

See Accompanying Notes to the Schedule of Expenditures of Federal Awards.

JACKSON COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2010

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - Hazard mitigation grant

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$619,941 to subrecipients during the year ended September 30, 2010.

Note C - Community development block grant

Of the federal expenditures presented in the schedule, the county provided federal awards totaling \$10,553,593 to subrecipients during the year ended September 30, 2010.

* Denotes major federal award program

JACKSON COUNTY

SPECIAL REPORTS

JACKSON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited the 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, 2010, which collectively comprise the county's basic financial statements and have issued our report thereon dated April 5, 2012. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is qualified on the governmental activities because the county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets as required by accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jackson County, Mississippi's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the county's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 10-1, 10-2 and 10-3 to be material weaknesses.

Compliance and Other Matters

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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters that we reported to the management of Jackson County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated April 5, 2012, included within this document.

Jackson County's responses to the findings identified in our audit are described in their Corrective Action Plan. We did not audit Jackson County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 5, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
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 could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. Jackson County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jackson County, Mississippi's management. Our responsibility is to express an opinion on Jackson County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jackson County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jackson County, Mississippi's compliance with those requirements.

As described in items 10-4 and 10-5 in the accompanying Schedule of Findings and Questioned Costs, Jackson County did not comply with requirements regarding subrecipient monitoring and equipment and real property management that are applicable to its Hazard Mitigation Grant. Compliance with such requirements is necessary, in our opinion, for Jackson County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Jackson County, Mississippi, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of Jackson County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in a county's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 10-4 and 10-5 to be material weaknesses.

Jackson County's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit Jackson County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, others within the entity, 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. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 5, 2012



STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

**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 examined Jackson County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2010. The Board of Supervisors of Jackson County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. 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.

The county did not maintain adequate subsidiary records documenting the existence, completeness and valuation of capital assets.

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 current 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.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response are disclosed below:

Inventory Control Clerk.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an accurate inventory system. As reported in the prior two year's audit reports, capital asset control procedures were inadequate for maintaining subsidiary records documenting the existence, completeness and valuation of capital assets, including the county's infrastructure. Accordingly, the appropriate amount for depreciation expense has not been recorded on the capital assets. The county's lack of documentation indicates material weaknesses in the county's internal control related to capital assets. Therefore, the Independent Auditor's Report includes a qualified opinion on the governmental activities. Failure to properly address these issues could result in the loss or misappropriation of public funds, as well as potential misstatements of financial statement amounts.

Recommendation

The Inventory Control Clerk should implement policies and procedures to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets, including the county's infrastructure. To ensure that records are accurate and complete, the Inventory Control Clerk should work with all involved department managers and other individuals as necessary to perform a comprehensive physical inventory on an annual basis.

Inventory Control Clerk's Response

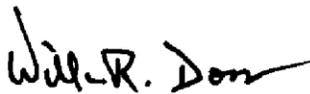
The Inventory Control Clerk is working diligently to correct this problem and bring all infrastructures into the county's financial statements.

In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Jackson County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2010.

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 examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Jackson County's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

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. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOOSS, CPA
Director, Financial and Compliance Audit Division

April 5, 2012

JACKSON COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2010

Schedule 1

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

JACKSON COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2010

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10-13-2009	Vehicle repairs	\$ 60	Team Chevrolet	Emergency repairs
10-22-2009	Repair of the youth court fire	10,469	Servpro	Emergency repairs after youth court fire
11-19-2009	Repair of the youth court 2 nd fire	13,262	Servpro	Emergency repairs after youth court fire
9-20-2010	Repair of generator	2,850	Power system of Mississippi	Emergency repair of generator

JACKSON COUNTY
 Schedule of Purchases Made Noncompetitively From a Sole Source
 For the Year Ended September 30, 2010

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10-20-2009	Contraband detector kit	\$ 6,040	Campbell/Harris Security Equipment
02-08-2010	Jail seats software	22,500	PTS Solutions
04-12-2010	Scanners and licenses for ADC	6,507	IKON Office Solutions
06-08-2010	Digital recording systems	79,990	Scott's Police K-9

JACKSON COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jackson County, Mississippi

In planning and performing our audit of the financial statements of Jackson County, Mississippi for the year ended September 30, 2010, we considered Jackson County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jackson County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. 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. This report does not affect our report dated April 5, 2012, on the financial statements of Jackson County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

Federal Grant Activity Schedule Should Be Maintained

1. Finding

An effective system of internal control over federal grants includes properly identifying all revenues and expenditures, including accruals, on the federal grant activity schedule. As reported in the prior year's audit report, the county did not complete the federal grant activity schedule for the fiscal year ended September 30, 2010. As a result, the auditors assisted the county in completing the Schedule of Expenditures of Federal Awards. The failure to properly complete the federal grant activity schedule increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of excluding a federal grant on the Schedule of Expenditures of Federal Awards.

Recommendation

The county should properly complete the federal grant activity schedule.

Board of Supervisors' Response

Jackson County will properly complete the federal grant activity schedule.

Written Agreement Should Be Maintained with Self-Insurance Plan Administrator

2. Finding

An effective system of internal control over self-insurance should include an agreement with the plan administrator. As reported in in the prior year's audit report, the county failed to provide a written agreement with the plan administrator. Without proper internal controls over self-insurance, the county could be held liable for unauthorized claim amounts.

Recommendation

The county should have a written agreement with its self-insurance plan administrator.

Board of Supervisors' Response

A written agreement will be entered into with its self-insurance plan administrator.

Tax Collector.

Required Forms Should Be Completed for Reemployment after Retirement

3. Finding

Section 25-11-127, Miss. Code Ann. (1972), requires that the PERS Form 4B, Certification/Acknowledgement of Reemployment of PERS Service Retiree, must be filled-out by the retiree and the appointing authority of the PERS covered agency employing such service retiree under the reemployment provisions. Also under the requirement for PERS, if a retired employee is to be classified as an independent contractor, he or she must fill-out Employee vs. Independent Contractor Determination Questionnaire for approval from this agency as such. During the testing of the Form 4Bs and Independent Contractors, it was noted that two of the county's employees in the Tax Collector's Office are considered Independent Contractors; however they do not have approval from PERS nor is the Form 4B filled-out.

Recommendation

We recommend in the future that the county comply with Section 25-11-127, Miss. Code Ann. (1972), and PERS Regulations by ensuring retired rehired employees have filled-out the proper paperwork and have approval from PERS in order to have the appropriate classification.

Tax Collector's Response

The Tax Collector's office will comply with Section 25-11-127, Miss. Code Ann. (1972), and PERS and ensure all retired rehired employees have filled-out the proper paperwork and have approval from PERS before hiring.

Chancery Clerk.

Unauthorized Fee Being Charged Should Be Ceased

4. Finding

Section 27-43-3, Miss. Code Ann. (1972), provides for the fees for services related to giving notices related to the expiration of time to redeem property sold for taxes. In Section 27-43-1, Miss. Code Ann. (1972), expressly limits the time frame for these services to be provided ("within 180 days and not less than 60 days prior to the expiration of the time of redemption with respect to land sold, either to individuals or to the state, be required to issue notice to the recorded owner of the land sold"). Under both of these code sections, the Chancery Clerk cannot earn a fee until the service is provided. It was noted that the Chancery Clerk was charging a \$50 fee to each parcel of land that was redeemed in his office.

Recommendation

We recommend that in the future the Chancery Clerk complies with the required Mississippi Code Sections.

Chancery Clerk's Response

I concur with this recommendation. As of January 12, 2012, I have discontinued the \$50 fee.

Sheriff.

Timely Deposits Should Be Made

5. Finding

An effective system of internal control over the accounting for Sheriff's Office funds should include making deposits on a timely basis. As reported in the prior year's audit report, deposits were not being made in a timely manner. The failure to implement controls over making timely deposits could result in the loss or misappropriation of public funds.

Recommendation

The Sheriff should implement proper controls to ensure that deposits are made in a timely manner.

Sheriff's Response

We will make deposits in more of a timely manner consistent with the recommendation of the auditor.

Jackson County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 5, 2012

JACKSON COUNTY

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JACKSON COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY

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JACKSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Qualified |
| | Business-type activities | Unqualified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unqualified |
| | Road Fund | Unqualified |
| | Aggregate remaining fund information | Unqualified |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|-----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be material weaknesses? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs:
Unqualified for all major programs except for the Hazard Mitigation Grant Program which was qualified. | |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. Community development block grants/state's program, CFDA #14.228 | |
| | b. Disaster grants - public assistance, CFDA #97.036 | |
| | c. Hazard mitigation grant, CFDA #97.039 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$727,935 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit finding and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____315(b) of OMB Circular A-133? | Yes |

JACKSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Section 2: Financial Statement Findings

Board of Supervisors.

Significant Deficiency - Material Weakness

Financial data for component units should be included in the financial statements.

10-1. Finding

Generally accepted accounting principles require the financial data for the county's component units to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units. As reported in the prior three years' audit reports, the financial statements do not include the financial data for the county's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the county's financial statements.

Inventory Control Clerk.

Significant Deficiency – Material Weakness

The Board should implement controls to prevent and detect inconsistencies in the subsidiary ledgers for capital assets.

10-2. Finding

An effective system of internal controls over capital assets includes the maintenance of an accurate inventory system. As reported in the two prior years' audit reports, capital asset control procedures were inadequate for maintaining subsidiary records documenting the existence, completeness and valuation of capital assets, including the county's infrastructure. Accordingly, the appropriate amount for depreciation expense has not been recorded on the capital assets. The county's lack of documentation indicates material weaknesses in the county's internal control related to capital assets. Therefore, the Independent Auditor's Report includes a qualified opinion on the governmental activities. Failure to properly address these issues could result in the loss or misappropriation of public funds, as well as potential misstatements of financial statement amounts.

Recommendation

The Inventory Control Clerk should implement policies and procedures to maintain accurate inventory records documenting the existence, completeness and valuation of capital assets, including the county's infrastructure. To ensure that records are accurate and complete, the Inventory Control Clerk should work with all involved department managers and other individuals as necessary to perform a comprehensive physical inventory on an annual basis.

JACKSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Board of Supervisors.

Significant Deficiency – Material Weakness

County did not prepare its own financial statements

10-3. Finding

A critical aspect of effective financial management is the preparation of accurate financial statements. During fiscal year ending September 30, 2010, management did not have personnel who possessed the necessary training to prepare financial statements in accordance with generally accepted accounting principles. Jackson County's accounting records are maintained on the cash basis and the auditors assisted in the preparation of accrual entries and the primary government financial statements. However, the County has made all management decisions including approving accrual entries, designating an individual with a basic understanding of the financial statements and related note disclosures to oversee the financial statement preparation; evaluating the adequacy and results of the services performed and accepting responsibility for the results of the services.

Recommendation

The Board of Supervisors should establish adequate controls and procedures to ensure that financial statements and note disclosures are prepared in accordance with generally accepted accounting principles.

Section 3: Federal Award Findings and Questioned Costs

10-4. Finding

CFDA #97.039 Hazard Mitigation Grant
Grant Number - 1604-0080
U.S. Department of Homeland Security

Significant Deficiency - Material Weakness
Material Noncompliance

Compliance Requirement: Subrecipient Monitoring – Controls Over Subrecipient Monitoring Should Be Strengthened.

The OMB *Circular A-133 Compliance Supplement* specifies that a pass-through entity is responsible for monitoring the subrecipient's activities to provide reasonable assurance that the subrecipient administers federal awards in compliance with federal requirements. As reported in the prior year's audit report, the county did not ensure that the St. Martin Project was administered in compliance with federal requirements. The county's lack of adequate internal controls could result in the misappropriation of federal funds.

Recommendation

The Board of Supervisors should establish policies and procedures to ensure the compliance with subrecipient monitoring.

JACKSON COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

10-5. Finding

CFDA #97.039 Hazard Mitigation Grant
Grant Number - 1604-0204
U.S. Department of Homeland Security

Significant Deficiency - Material Weakness
Material Noncompliance

Compliance Requirement: Equipment and Real Property Management - Controls Over Equipment and Real Property Management Should Be Strengthened.

The OMB *Circular A-133 Compliance Supplement* specifies that title to equipment acquired by a non-federal entity with federal awards vests with the non-federal entity. Furthermore, subrecipients of states who are local governments shall use, manage and dispose of equipment acquired under a subgrant from a state in accordance with state laws and procedures. As reported in the prior year's audit report, several parcels of land, and the buildings located on them, were not included in the county's inventory system. As a result, the land, and the homes located on the land, were not properly accounted for as land and buildings of the county.

Recommendation

The Jackson County Board of Supervisors should take steps to ensure that controls are in place to make certain that all equipment and real property acquired with federal funds are properly accounted for in the county's capital assets records, as required.

JACKSON COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN
AND
AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JACKSON COUNTY

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BOARD OF SUPERVISORS
Jackson County, Mississippi

Josh Eldridge, CPA
Comptroller
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CORRECTIVE ACTION PLAN

March 20, 2012

Office of the State Auditor
P.O. Box 956
Jackson, Mississippi 39205

Gentlemen:

Jackson County respectfully submits the following corrective action plan for the year ended September 30, 2010.

The findings from the Schedule of Findings and Questioned Costs are 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

10-1 Corrective Action Planned:

The Board of Supervisors will provide financial data for its discretely presented component units for inclusion in the county's financial statements.

Anticipated Completion Date: September 2012

Name of Contact Person Responsible for Corrective Action:

Josh Eldridge, Comptroller

10-2 Corrective Action Planned:

Inventory Control Clerk is working diligently to correct this problem and bring all infrastructure into the county's financial statements.

Anticipated Completion Date: September 2011

Name of Contact Person Responsible for Corrective Action:

Wayne Heidelberg, Inventory Control Clerk

10-3 Corrective Action Planned:

Jackson County will prepare the financial statements in accordance with generally accepted accounting principles for the 2011 fiscal year. Jackson County accounting records are maintained on cash basis as required by state statute. New personnel has been obtained since fiscal year 2010 that has the necessary training to prepare financial statements in accordance with generally accepted accounting principles.

Anticipated Completion Date: April 2012

Name of Contact Person Responsible for Corrective Action:

Josh Eldridge, Comptroller

SECTION 3: FEDERAL AWARD FINDINGS

10-4 Corrective Action Planned:

Future projects will be monitored correctly. Funding will be released upon presentation of proper documentation by the subrecipient.

Anticipated Completion Date: November 9, 2010

Name of Contact Person Responsible for Corrective Action:

Barbara Dumas, Grant Administrator

10-5 Corrective Action Planned:

Planning department will forward to inventory control all relevant information to accomplish this task upon receipt of closing documents.

Anticipated Completion Date: November 9, 2010

Name of Contact Person Responsible for Corrective Action:

Wayne Heidelberg, Inventory Control Clerk and Michele Coats, Planning Director

Sincerely yours,



Josh Eldridge
Comptroller
228-769-3155



JACKSON COUNTY BOARD OF SUPERVISORS
JANET KREBS
COUNTY ADMINISTRATOR

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Pascagoula, MS 39568
www.co.jackson.ms.us

Office: (228) 769-3088
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janet_krebs@co.jackson.ms.us

January 1, 2012

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2010

Gentlemen:

Jackson County respectfully submits the following summary of prior audit findings relative to federal awards.

U.S. DEPARTMENT OF HOMELAND SECURITY

2009 – Finding 09-5. CFDA #97.039 - Hazard Mitigation Grant - Grant Number - 1604-0080

Condition: The county did not ensure that the St. Martin Project was administered in compliance with federal requirements. The county's lack of adequate internal controls could result in the misappropriation of federal funds.

Recommendation: The Board of Supervisors should establish policies and procedures to ensure the compliance with subrecipient monitoring.

Current Status:

Projects are being monitored correctly. Funding is released up presentation of proper documentation by subrecipient.

2009- Finding 09-6. CFDA #97.039 - Hazard Mitigation Grant - Grant Number - 1604-0204

Condition: During our audit testing procedures, we noted that five parcels of land, and the buildings located on them, were not included in the county's inventory system. As a result, the land, and the homes located on the land, was not properly accounted for as land and buildings of the county.

Recommendation

The Jackson County Board of Supervisors should take steps to ensure that controls are in place to make certain that all equipment and real property acquired with federal funds are properly accounted for in the county's capital assets records, as required.

Current Status:

The planning department forwards to inventory control all relevant information to accomplish this task upon receipt of closing documents.

Sincerely,
Jackson County, Mississippi


Janet Krebs, County Administrator