

**JACKSON COUNTY, MISSISSIPPI**

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

September 30, 2003  
(With Independent Auditors' Report Thereon)

**JACKSON COUNTY, MISSISSIPPI**  
September 30, 2003

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Managements' Discussion and Analysis</b> .....	i - xiii
<b>Independent Auditors' Report</b> .....	1 - 3
<b>Primary Government Financial Statements:</b>	
Statement of Net Assets .....	4
Statement of Activities.....	5
Balance Sheet – Governmental Funds .....	6
Reconciliation of Balance Sheet to the Statement of Net Assets – Governmental Funds .....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds .....	8
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities – Governmental Funds .....	9
Statement of Net Assets (Deficit) – Proprietary Funds .....	10
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds .....	11
Statement of Cash Flows – Proprietary Funds.....	12
Statement of Fiduciary Assets and Liabilities .....	13
Notes to Financial Statements.....	14 - 46
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedules .....	47 - 50
Notes to Required Supplementary Information .....	51 - 52

**JACKSON COUNTY, MISSISSIPPI**  
September 30, 2003

**TABLE OF CONTENTS (Continued)**

	<u>Page</u>
<b>Supplemental Information:</b>	
Schedule of Expenditures of Federal Awards.....	53
Notes to Schedule of Expenditures of Federal Awards .....	54
<b>Special Reports:</b>	
Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the Primary Government Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	55 - 56
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance <i>in Accordance with OMB Circular A-133</i> .....	57 - 58
Independent Auditors' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, <i>Miss. Code Ann. (1972)</i> ) .....	59 - 63
Independent Auditors' Report on Compliance with <i>State Laws and Regulations</i> .....	64
<b>Schedule of Findings and Questioned Costs</b> .....	65 - 68
<b>Summary Schedule of Prior Audit Findings</b> .....	69
<b>Corrective Action Plan</b> .....	70

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

***INTRODUCTION***

The discussion and analysis of Jackson County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2003. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is a new element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, the Statement permits the omission of prior year data in the year of implementation. The County has elected not to present comparative data.

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

***FINANCIAL HIGHLIGHTS***

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

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

Total net assets increased \$11,856,697, which represents an 87% increase from the prior fiscal year. This increase is materially due to a \$7.4 Million increase in capital assets or infrastructure and a \$2.1 Million reduction in debt. The County's ending cash balance increased by \$3,181,668, which represents an 18% increase from the prior fiscal year.

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

The County had \$66,733,540 in total Governmental Funds revenues. Property tax revenues account for \$44,702,628 or 67% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$14,456,710 or 22% of total revenues.

The County had \$62,699,273 in total Governmental Funds expenses, which represents an increase of \$1,631,231 or 3% increase from the prior fiscal year. Expenditures in the amount of \$14,456,710 were offset by grants, or outside contributions. General revenues of \$52,276,830 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$35,094,489 in revenues and \$34,607,306 in expenditures. The General Fund's fund balance increased \$435,759 over the prior year. The reason for this increase was due to the fact that even though revenues received were under budget, expenditures were under budget by this much more.

Among major funds, the Roads, Bridges and Seawall had \$13,930,620 in revenues and \$13,112,427 in expenditures. The Roads, Bridges and Seawall's fund balance increased by \$780,542. The reason for the increase was due to the fact that some equipment purchases that were budgeted were not purchased.

Among major funds, the Port Authority Funds had \$4,233,534 in revenues and \$2,302,243 in expenditures. The Port Authority Funds fund balance increased by \$1,478,000. The reason for the increase was due to restructuring of bonds with a bond issue dated December 20, 2002.

Among major funds, the Refunding Bonds Funds had \$30,708 in revenues and \$658,007 in expenditures. The Refunding Bond Funds fund balance remained at \$0. These funds were created for the issuance of bonds on December 20, 2002 and August 7, 2003.

Capital assets, net, decreased by \$539,476. This was due to the County's adding \$20,000,000 in infrastructure assets, net; recording \$21,600,000 in accumulated depreciation on its existing non-infrastructure assets; adding \$9,200,000 of new assets in 2003; recording \$2,900,000 in depreciation expense in 2003, and removing \$5,200,000 of assets under the capitalization thresholds.

Long-term debt decreased by \$1,946,685. This was due to principal payments being made on debt in the amount of \$4,000,000 and \$2,000,000 of additional debt incurred to refund outstanding debt issues at lower interest rates.

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

***OVERVIEW OF THE FINANCIAL STATEMENTS***

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

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

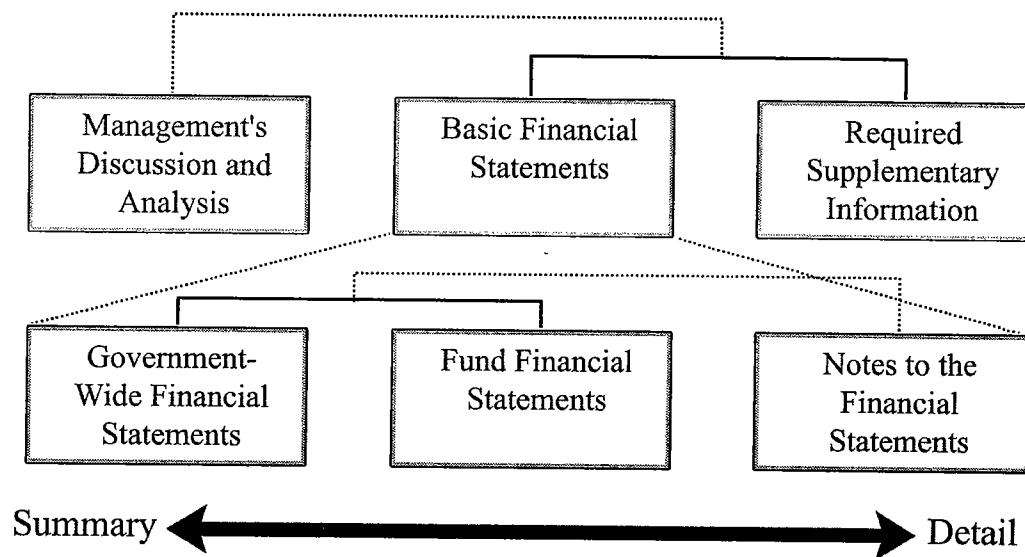


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

**JACKSON COUNTY, MISSISSIPPI**  
 Management's Discussion and Analysis  
 September 30, 2003

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

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

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

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

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

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

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

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

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

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



**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

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

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

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

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

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

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

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

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

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 14 - 45 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 46-51 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 52 of this report.

### ***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

**Net Assets** – Net assets may serve over time as a useful indicator of government's financial position. In the case of Jackson County, assets exceeded liabilities by \$26,525,408 as of September 30, 2003.

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

By far, the largest portion of the County's net assets (145%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The county uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2003.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Current assets	\$ 66,583,672	\$ 638,070
Capital assets, net	<u>52,396,376</u>	<u>509,779</u>
Total assets	<u>118,980,048</u>	<u>1,147,849</u>
Current liabilities	52,491,420	30,272
Long-term debt outstanding	<u>41,023,275</u>	<u>57,522</u>
Total liabilities	<u>93,514,695</u>	<u>87,794</u>
Net assets:		
Invested in capital assets, net of related debt	37,962,634	461,551
Restricted	6,019,930	-
Unrestricted	<u>(18,517,211)</u>	<u>598,504</u>
Total net assets	<u>\$ 25,465,353</u>	<u>\$ 1,060,055</u>

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

- Roads and Bridges were added to the County's inventory, due to accounting changes implemented by the "Governmental Accounting Standards Board".
- On December 20, 2002 \$16,685,000 of General Obligation Refunding Bonds were issued and on August 7, 2003 \$7,165,000 of General Obligation Refunding Bonds were issued.

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

**Changes in Net Assets** – Jackson County's total revenues for the fiscal year ended September 30, 2003 was \$67,379,386. The total cost for all services provided was \$55,522,689. The increase in net assets was \$11,856,697. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2003.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$ 3,961,329
Operating grants and contributions	11,252,079
Capital grants and contributions	3,204,631
General revenues	
Property taxes	44,702,627
Road and bridge privilege taxes	1,657,580
Interest income	1,389,129
Other	<u>1,212,011</u>
Total Revenues	<u>67,379,386</u>
Expenses:	
General government	20,734,525
Public safety	11,005,054
Public works	13,008,360
Health and welfare	1,435,200
Culture and recreation	2,671,328
Economic development	2,502,441
Interest on long-term debt	2,273,948
Other expenses	<u>1,891,833</u>
Total Expenses	<u>55,522,689</u>
Increase in Net Assets	<u>\$ 11,856,697</u>

**JACKSON COUNTY, MISSISSIPPI**  
 Management's Discussion and Analysis  
 September 30, 2003

**Governmental Activities** – The following table presents the cost of five major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare and Economic Development.

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

	<b><u>Total</u></b>	<b><u>Net</u></b>
	<b><u>Cost</u></b>	<b><u>Cost</u></b>
<b><u>Governmental activities:</u></b>		
General Government	\$ 20,734,525	\$ 11,563,060
Public Safety	11,005,054	9,189,584
Public Works	13,008,360	8,170,678
Health & Welfare	1,435,200	1,266,422
Culture & recreation	2,671,328	2,638,046
Education	894,550	431,848
Conservation of natural resources	282,191	282,191
Economic development	2,502,441	1,206,085
Interest on long-term debt	2,273,948	2,273,948
<b><u>Business-type activities:</u></b>		
Adult detention center canteen fund	3,358	(6,252)
Golf Course	504,628	63,023
Harbor	118,763	(6,902)
Heinz building	11,632	(43,792)

***FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS***

**Governmental funds** – At the close of the fiscal year, Jackson County's governmental funds reported a combined fund balance of \$17,873,037, an increase of \$3,472,756. The primary reasons for this increase are highlighted in the analysis of governmental activities. In addition, others factors that affected ending fund balance are as follows:

- The County issued \$23,850,000 in two separate issues of refunding bonds which reduced debt service payments.

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$435,759. This increase was primarily due to the receipt of unexpected revenues, as well as lower than expected cost on several projects that were on going during the fiscal year.

**Business-type funds** – Revenue from the all business-type activities increased by 58% to \$632,303 and expenses increased by 2% to \$636,885. Factors contributing to these results include higher usage at the golf course and a 2% increase in pay rates for the employees.

***BUDGETARY HIGHLIGHTS OF MAJOR FUNDS***

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

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

Even with these adjustments, actual disbursements were below final budget amounts by \$12,222.

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

***CAPITAL ASSETS AND DEBT ADMINISTRATION***

**Capital Assets** – As of September 30, 2003, Jackson County's total capital assets was \$85,770,047. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$33,319,182. The majority of this increase is due to the addition of infrastructure, which was not included in fiscal year 2002 financial statements.

Total accumulated depreciation as of September 30, 2003 was \$34,432,769, including \$2,978,149 of depreciation expense for the year. The balance in total net capital assets was \$51,337,278 at year-end.

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

Additional information on Jackson County's capital assets can be found in note 8 on page 30 of this report.

**Debt Administration** – At September 30, 2003, Jackson County had \$44,193,887 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, capital leases, other loans, and compensated absences liability.

In the past year, the County issued \$23,850,000 in refunding bonds. This reduces total debt service payments over the next 12 years by about \$2,095,000. Jackson County maintains an "A" bond rating from Standard and Poors. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt is significantly below its current limit of 80 million dollars.

Additional information on Jackson County's long-term debt can be found in note 11 on page 34 of this report.

***CURRENT AND FUTURE ITEMS OF IMPACT***

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

Singing River Hospital System plans to issue \$70,000,000 in Special Obligation Bonds of the Mississippi Development Bank for refinancing of current debt and to pay the cost of future expansion of the Hospital.

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

There is a ten year tax exemption that will expire for Chevron that will add an additional \$1,591,190 to the tax rolls for the next fiscal year. The millage rates and budgets for the next year have been adjusted accordingly.

The budget for the next fiscal year reflected an increase of \$15,603,659 or 20% in revenues and an increase of \$25,733,428 or 41% in expenses. This is expected to decrease the County's net assets.

**JACKSON COUNTY, MISSISSIPPI**  
Management's Discussion and Analysis  
September 30, 2003

Jackson County has an unemployment rate of 5.5% versus 6.2% a year ago. This compares favorably with the state average rate of 6.3%.

***CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT***

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



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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of and for the year ended September 30, 2003, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above include only the primary government of Jackson County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Jackson County, Mississippi, as of September 30, 2003, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Jackson County, Mississippi, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, Jackson County, Mississippi implemented a new financial reporting model as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, effective October 1, 2002.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2004, on our consideration of Jackson County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages i through xiii and the Budgetary Comparison Schedules and corresponding notes on pages 47 through 52 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

*Braycald, Saunders & O'Neil, LLP.*

February 27, 2004

**PRIMARY GOVERNMENT FINANCIAL STATEMENTS**

**JACKSON COUNTY, MISSISSIPPI**

Statement of Net Assets

September 30, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
<b>ASSETS</b>			
Cash and investments	\$ 19,704,222	645,826	20,350,048
Property tax receivable	44,781,962	-	44,781,962
Accounts receivable, net	1,412,312	-	1,412,312
Fines receivable, net	574,636	-	574,636
Loans receivable, net	100,715	-	100,715
Inventories	-	2,069	2,069
Internal balances	9,825	(9,825)	-
Deferred debt expense, net	1,568,877	-	1,568,877
Capital assets, net	50,827,499	509,779	51,337,278
<b>Total assets</b>	118,980,048	1,147,849	120,127,897
 <b>LIABILITIES</b>			
Claims payable	1,866,582	7,077	1,873,659
Inter-governmental payables	1,389,320	-	1,389,320
Accrued expenses	1,291,297	12,883	1,304,180
Deferred revenue	44,841,443	-	44,841,443
Long-term liabilities:			
Due within one year	3,102,778	10,312	3,113,090
Due in more than one year	41,023,275	57,522	41,080,797
<b>Total liabilities</b>	93,514,695	87,794	93,602,489
 <b>NET ASSETS</b>			
Invested in capital assets, net of related debt	37,962,634	461,551	38,424,185
Restricted for capital projects	3,124,344	-	3,124,344
Restricted for debt service	2,895,586	-	2,895,586
Unrestricted net assets (deficit)	(18,517,211)	598,504	(17,918,707)
<b>Total net assets</b>	\$ 25,465,353	1,060,055	26,525,408

*See accompanying notes to financial statements.*

**JACKSON COUNTY, MISSISSIPPI**  
Statement of Activities  
Year Ended September 30, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Primary Government		Total
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental activities:</b>						
General government	\$ 20,734,525	2,185,045	5,491,532	1,494,888	(11,563,060)	- (11,563,060)
Public safety	11,005,054	640,322	964,517	210,631	(9,189,584)	- (9,189,584)
Public works	13,008,360	91,099	3,247,471	1,499,112	(8,170,678)	- (8,170,678)
Health and welfare	1,435,200	95,360	73,418	-	(1,266,422)	- (1,266,422)
Culture and recreation	2,671,328	33,066	216	-	(2,638,046)	- (2,638,046)
Education	894,550	-	462,702	-	(431,848)	- (431,848)
Conservation of natural resources	282,191	-	-	-	(282,191)	- (282,191)
Economic development and assistance	2,502,441	284,133	1,012,223	-	(1,206,085)	- (1,206,085)
Interest on long-term debt	2,273,948	-	-	-	(2,273,948)	- (2,273,948)
Loss on disposal of assets	76,711	-	-	-	(76,711)	- (76,711)
<b>Total governmental activities</b>	<b>54,884,308</b>	<b>3,329,025</b>	<b>11,252,079</b>	<b>3,204,631</b>	<b>(37,098,573)</b>	<b>- (37,098,573)</b>
<b>Business-type activities:</b>						
Adult detention center canteen fund	3,358	9,610	-	-	6,252	6,252
Golf course	504,628	441,605	-	-	(63,023)	(63,023)
Harbor	118,763	125,665	-	-	6,902	6,902
Heinz building	11,632	55,424	-	-	43,792	43,792
<b>Total business-type activities</b>	<b>638,381</b>	<b>632,304</b>	<b>-</b>	<b>-</b>	<b>(6,077)</b>	<b>(6,077)</b>
<b>Total primary government</b>	<b>\$ 55,522,689</b>	<b>3,961,329</b>	<b>11,252,079</b>	<b>3,204,631</b>	<b>(37,098,573)</b>	<b>(6,077) (37,104,650)</b>
<b>General revenues:</b>						
Property taxes			\$ 44,702,628	-	-	44,702,628
Road and bridge privilege taxes			1,657,580	-	-	1,657,580
Interest income			1,377,998	11,131	1,389,129	1,389,129
Gain on sale of assets			-	377	377	377
Miscellaneous revenues			1,211,633	-	-	1,211,633
Transfers			(7,000)	7,000	-	-
<b>Total general revenues and transfers</b>			<b>48,942,839</b>	<b>18,508</b>	<b>18,508</b>	<b>48,961,347</b>
<b>Change in net assets</b>			<b>11,844,266</b>	<b>12,431</b>	<b>12,431</b>	<b>11,856,697</b>
<b>Net assets - beginning of year</b>			<b>13,621,087</b>	<b>1,047,624</b>	<b>1,047,624</b>	<b>14,668,711</b>
<b>Net assets - end of year</b>			<b>\$ 25,465,353</b>	<b>1,060,055</b>	<b>1,060,055</b>	<b>26,525,408</b>

See accompanying notes to financial statements.

**JACKSON COUNTY, MISSISSIPPI**  
 Balance Sheet - Governmental Funds  
 September 30, 2003

	General	Roads, Bridges and Seawall	Refunding Bonds	Port Authority Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 6,542,867	3,851,382	-	5,568,888	3,687,305	19,650,442
Property tax receivable	25,555,000	8,515,999	-	3,784,350	6,926,613	44,781,962
Fines receivable, net	574,636	-	-	-	-	574,636
Intergovernmental receivables	587,800	-	-	-	741,965	1,329,765
Due from other funds	1,279,586	227,522	-	41,179	98,285	1,646,572
Loans receivable, net	-	-	-	-	100,715	100,715
Amounts due from former officials	10,604	-	-	-	-	10,604
<b>Total assets</b>	<u>\$ 34,550,493</u>	<u>12,594,903</u>	<u>-</u>	<u>9,394,417</u>	<u>11,554,883</u>	<u>68,094,696</u>

<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES:</b>						
Claims Payable	\$ 321,526	365,411	-	100,209	615,170	1,402,316
Accrued payroll	750,363	141,421	-	-	27,554	919,338
Intergovernmental payables	1,382,903	-	-	-	6,417	1,389,320
Due to other funds	366,986	-	-	-	727,620	1,094,606
Deferred revenue	26,129,636	8,515,999	-	3,784,350	6,986,094	45,416,079
<b>Total liabilities</b>	<u>28,951,414</u>	<u>9,022,831</u>	<u>-</u>	<u>3,884,559</u>	<u>8,362,855</u>	<u>50,221,659</u>

<b>FUND BALANCES:</b>						
Reserved for loans receivable	-	-	-	-	100,715	100,715
Reserved for amounts due from former officials	10,604	-	-	-	-	10,604
Unreserved, reported in:						
General funds	5,588,475	-	-	-	-	5,588,475
Special revenue funds	-	3,572,072	-	-	2,581,241	6,153,313
Debt service funds	-	-	-	2,716,690	178,896	2,895,586
Capital projects funds	-	-	-	2,793,168	331,176	3,124,344
<b>Total fund balances</b>	<u>5,599,079</u>	<u>3,572,072</u>	<u>-</u>	<u>5,509,858</u>	<u>3,192,028</u>	<u>17,873,037</u>
<b>Total liabilities and fund balances</b>	<u>\$ 34,550,493</u>	<u>12,594,903</u>	<u>-</u>	<u>9,394,417</u>	<u>11,554,883</u>	<u>68,094,696</u>

See accompanying notes to financial statements.

**JACKSON COUNTY, MISSISSIPPI**  
 Reconciliation of the Balance Sheet to the Statement of Net Assets  
 Governmental Funds  
 September 30, 2003

Fund balances - total governmental funds	\$	17,873,037
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets		84,626,195
Less accumulated depreciation		<u>(33,798,696)</u>
		50,827,499
Fines receivable are not available to pay for current period expenditures and therefore are deferred in the general funds.		
		574,636
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds		
		(371,959)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds		
		(44,126,053)
Deferred debt expense is not a financial resource and therefore is not reported in the governmental funds		
		1,568,877
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are reported with the governmental activities		
		<u>(880,684)</u>
Net Assets of Governmental Activities	\$	<u><u>25,465,353</u></u>

*See accompanying notes to financial statements.*



**JACKSON COUNTY, MISSISSIPPI**  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended September 30, 2003

	General	Roads, Bridges and Seawall	Refunding Bonds	Port Authority Funds	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Property taxes	\$ 25,996,858	8,005,685	-	2,402,983	8,297,102	44,702,628
Road and bridge privilege taxes	-	1,657,580	-	-	-	1,657,580
Licenses, commissions and other revenue	1,614,582	-	-	-	-	1,614,582
Fines and forfeitures	1,110,861	-	-	-	332,691	1,443,552
Intergovernmental revenues	4,618,336	4,117,573	-	1,012,223	4,708,578	14,456,710
Charges for services	200,682	76,122	-	-	-	276,804
Interest income	369,116	71,431	30,708	818,328	80,468	1,370,051
Miscellaneous revenues	1,184,054	2,229	-	-	25,350	1,211,633
<b>Total revenues</b>	<u>35,094,489</u>	<u>13,930,620</u>	<u>30,708</u>	<u>4,233,534</u>	<u>13,444,189</u>	<u>66,733,540</u>
<b>EXPENDITURES</b>						
<b>Current Operating:</b>						
General government	18,118,439	-	-	-	1,946,907	20,065,346
Public safety	8,516,004	-	-	-	2,323,337	10,839,341
Public works	736,894	13,112,427	-	466,370	4,834,814	19,150,505
Health and welfare	2,025,468	-	-	-	-	2,025,468
Culture and recreation	2,562,220	-	-	-	-	2,562,220
Education	883,514	-	-	-	-	883,514
Conservation of natural resources	275,039	-	-	-	-	275,039
Economic development and assistance	974,157	-	-	-	-	974,157
<b>Debt Service:</b>						
Principal	436,587	-	100,000	872,778	2,624,550	4,033,915
Interest	78,984	-	558,007	963,095	289,682	1,889,768
<b>Total expenditures</b>	<u>34,607,306</u>	<u>13,112,427</u>	<u>658,007</u>	<u>2,302,243</u>	<u>12,019,290</u>	<u>62,699,273</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term capital debt issued	-	-	-	-	40,000	40,000
Proceeds from sale of assets	34,833	16,104	-	-	-	50,937
Compensation for loss of capital assets	1,324	2,062	-	-	2,615	6,001
Transfers in	49,956	-	721,640	471,137	186,354	1,429,087
Transfers out	(137,537)	(55,817)	(367,320)	-	(875,413)	(1,436,087)
Intergovernmental transfers	-	-	-	(924,428)	-	(924,428)
Refunding bonds issued	-	-	23,850,000	-	-	23,850,000
Premiums on refunding bonds issued	-	-	174,103	-	-	174,103
Discount on refunding bonds issued	-	-	(1,407)	-	-	(1,407)
Issue costs on refunding bonds issued	-	-	(537,261)	-	-	(537,261)
Payment to bond refunding escrow agent	-	-	(23,212,456)	-	-	(23,212,456)
<b>Net other financing sources (uses)</b>	<u>(51,424)</u>	<u>(37,651)</u>	<u>627,299</u>	<u>(453,291)</u>	<u>(646,444)</u>	<u>(561,511)</u>
<b>Net change in fund balances</b>	<u>435,759</u>	<u>780,542</u>	<u>-</u>	<u>1,478,000</u>	<u>778,455</u>	<u>3,472,756</u>
<b>Fund balances - beginning of year, as previously reported</b>	5,466,610	2,791,530	-	4,031,858	2,840,643	15,130,641
<b>Fund reclassifications</b>	<u>(303,290)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(427,070)</u>	<u>(730,360)</u>
<b>Fund balances - beginning of year, restated</b>	<u>5,163,320</u>	<u>2,791,530</u>	<u>-</u>	<u>4,031,858</u>	<u>2,413,573</u>	<u>14,400,281</u>
<b>Fund balances - end of year</b>	<u>\$ 5,599,079</u>	<u>3,572,072</u>	<u>-</u>	<u>5,509,858</u>	<u>3,192,028</u>	<u>17,873,037</u>

See accompanying notes to financial statements.

**JACKSON COUNTY, MISSISSIPPI**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities  
 Governmental Funds  
 Year Ended September 30, 2003

Net Change in Fund Balances - total governmental funds	\$	3,472,756
<p>Amounts reported for governmental activities in Statement of Activities are different because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets		9,243,193
Less current year depreciation		<u>(2,900,625)</u>
		6,342,568
<p>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</p>		
		(5,912)
<p>Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, these costs represent expenses of the current year</p>		
		(126,839)
<p>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.</p>		
Debt proceeds		(23,525,435)
Repayment of debt		26,073,915
Deferred charges on issuance of refunding bonds		1,172,456
Amortization and accretion of debt issue costs, discounts, and premiums		<u>(118,535)</u>
		3,602,401
<p>Accrued interest expense reported in the Statement of Net Assets does not require the use of current financial resources and is therefore not reported as expenditures in the governmental funds</p>		
		(265,646)
<p>When recognizing the sale of capital assets, the governmental funds report the total proceeds of the sale. Only the gain or loss on the sale is reported on the Statement of Activities</p>		
		(133,649)
<p>Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The change in net assets of the Internal Service Funds is reported with the governmental activities</p>		
		<u>(1,041,413)</u>
	\$	<u>11,844,266</u>

*See accompanying notes to financial statements.*

**JACKSON COUNTY, MISSISSIPPI**  
Statement of Net Assets (Deficit) - Proprietary Funds  
September 30, 2003

	<u>Business- Type Activities Non-Major Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and investments	\$ 645,826	53,780
Other receivables	-	71,943
Inventories	<u>2,069</u>	<u>-</u>
<b>Total current assets</b>	<b>647,895</b>	<b>125,723</b>
<b>Non-current assets -</b>		
Capital assets, net	<u>509,779</u>	<u>-</u>
<b>Total assets</b>	<b><u>1,157,674</u></b>	<b><u>125,723</u></b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Claims payable	7,077	464,266
Accrued payroll	12,883	-
Due to other funds	9,825	542,141
Compensated absences liability	19,606	-
Current maturities of capital-related debt	<u>10,312</u>	<u>-</u>
<b>Total current liabilities</b>	<b>59,703</b>	<b>1,006,407</b>
<b>Non-Current Liabilities -</b>		
Capital-related debt	<u>37,916</u>	<u>-</u>
<b>Total liabilities</b>	<b><u>97,619</u></b>	<b><u>1,006,407</u></b>
<b>NET ASSETS (DEFICIT)</b>		
Invested in capital assets, net of related debt	461,551	-
Unrestricted	<u>598,504</u>	<u>(880,684)</u>
<b>Total net assets (deficit)</b>	<b>\$ <u>1,060,055</u></b>	<b><u>(880,684)</u></b>

*See accompanying notes to financial statements.*

