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JACKSON COUNTY, MISSISSIPPI

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

September 30, 2005
(With Independent Auditors' Report Thereon)

JACKSON COUNTY, MISSISSIPPI
September 30, 2005

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September 30, 2005

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INDEPENDENT AUDITORS' REPORT

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

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Jackson County, Mississippi, as of and for the year ended September 30, 2005, 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, 2005, and the respective changes in its financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board of Supervisors
Jackson County, Mississippi
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In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information for the primary government of Jackson County, Mississippi, as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, 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 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 read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3i through 3xii and the Budgetary Comparison Schedules and corresponding notes on pages 42 through 46 are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of 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.

Our audit was performed for the purpose of forming opinions on the primary government 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bryan C. Saunders & O'Neil, LLP

November 3, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
September 30, 2005

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, 2005. 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 an 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.

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.

On August 29, 2005 Hurricane Katrina struck the Mississippi, Louisiana, and Alabama Gulf Coast, causing catastrophic damage to the entire region. In addition to extensive damage to private property in Jackson County, a substantial amount of the County's property was damaged or destroyed. As of the date of this writing the submitted cost estimate to the Federal Emergency Management Agency totals more the \$54 million. About \$23 million of that cost estimate is related to debris removal from the County. At this time we expect most of the losses to be reimbursed through Federal or State grants.

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Even after the Hurricane Katrina disaster, Jackson County continues to grow both economically and in population. Although the assessments for real property decreased due to the storm, all other assessments increased and this has offset the losses to assessed valuation. This has allowed the County to maintain a slight growth in tax revenues without a tax increase for the fiscal years 2006 and 2007.

Total net assets increased by \$7,933,305 to \$52,651,831, which represents an 18% increase in net assets from the prior fiscal year. This increase is primarily due to capital asset additions that were funded with grant funds. The County's ending cash balance increased by \$11,434,948 primarily due to bonds issued for specific projects that have not yet been completed.

The County had \$74,398,877 in total Governmental Funds revenues. Tax revenues account for \$45,511,797 or 61% of total revenues. Intergovernmental revenues in the form of reimbursements, shared revenue or grants, account for \$17,991,741 or 24% of total revenues.

The County had \$82,486,820 in total Governmental Funds expenses, which represents an increase of \$11,741,562 or 17% increase from the prior fiscal year. Expenditures in the amount of \$18,026,928 were offset by grants, or outside contributions. General revenues of \$55,621,551 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$36,138,935 in revenues and \$36,062,788 in expenditures. The General Fund's fund balance decreased \$598,426 from the prior year. The reason for this decrease was due to transfers out to internal service funds and the Helena Water & Sewer Project Fund.

Among major funds, the Roads Fund had \$10,377,574 in revenues and \$10,562,073 in expenditures. The Road Fund's fund balance increased by \$2,261,394. The reason for the increase was due to the fact that some budgeted road and bridge projects were not completed within the fiscal year.

Among major funds, the Road Improvement Bonds had \$262,104 in revenues and \$1,842,696 in expenditures. The Road Improvement Bonds fund balance increased by \$8,507,153. The reason for the increase was due to bonds being issued and projects not yet complete.

Among major funds, the Northrop-Grumman Economic Development Bonds had \$0 in revenues and \$2,010,627 in expenditures. The Northrop-Grumman Economic Development Bonds fund balance increased by \$9,742,817. The reason for the increase was due to bonds being issued and projects not yet complete.

JACKSON COUNTY, MISSISSIPPI
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Capital assets, net, increased by \$10,335,601. Of this amount \$6,271,202, net was an increase in infrastructure including the addition of donated roads. Increases other than infrastructure included adding \$4,021,725 of new assets, net in 2005 and the removal of \$67,548 assets, net.

Long-term debt increased by \$15,926,277. This was primarily due to principal payments being made on debt in the amount of \$9,099,925 and \$25,026,202 of additional debt incurred. Additional debt incurred included \$10,000,000 of Road Improvement Bonds and \$11,500,000 of Northrop-Grumman Economic Development Bonds.

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) Primary 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

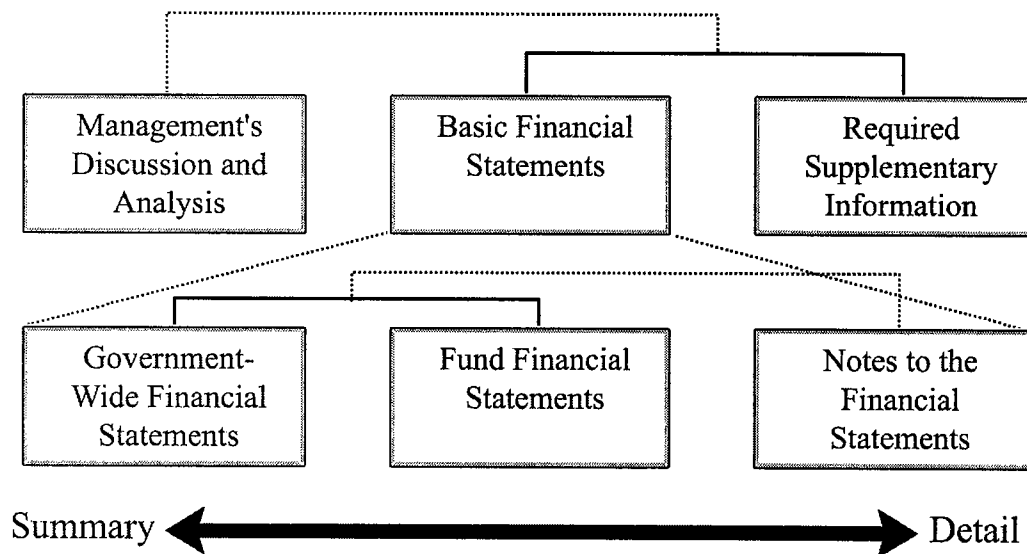


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
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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.

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

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

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Primary Government-wide Financial Statements. The primary 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 primary 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-wide financial statements only and component units are not included.

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

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

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Governmental funds are used to account for essentially the same functions reported as governmental activities in the primary government-wide financial statements. However, unlike the primary 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 primary government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the primary 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 primary 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 primary government-wide financial statements.

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Fund financial statements for the proprietary funds provide the same type of information as the primary 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 primary 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 primary government-wide and fund financial statements. The notes can be found on pages 14 – 41 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 42-47 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on page 48 of this report.

PRIMARY 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 \$52,651,831 as of September 30, 2005.

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

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

The following table presents a summary of the County's net assets for the fiscal year ended September 30, 2005.

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
Current assets	\$ 86,024,058	\$ 358,624
Non-current assets	2,120,571	-
Capital assets, net	<u>77,493,769</u>	<u>556,021</u>
Total assets	<u>165,638,398</u>	<u>914,645</u>
Current liabilities	56,066,407	55,617
Long-term debt outstanding	<u>57,736,215</u>	<u>42,973</u>
Total liabilities	<u>113,802,622</u>	<u>98,590</u>
Net assets:		
Invested in capital assets, net of related debt	66,035,207	530,611
Restricted	22,415,635	285,444
Unrestricted	<u>(37,615,066)</u>	<u>-</u>
Total net assets	<u>\$ 51,835,776</u>	<u>\$ 816,055</u>

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

- On August 29, 2005 Hurricane Katrina caused significant damage in Jackson County. Most all expenditures in September 2005 were related to the storm.
- On December 1, 2004 \$10,000,000 of General Obligation Bonds were issued for Road Improvements and on June 23, 2005 \$14,400,000 of General Obligation Bonds were issued for Economic Development.

JACKSON COUNTY, MISSISSIPPI
Management's Discussion and Analysis
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Changes in Net Assets – Jackson County's total revenues for the fiscal year ended September 30, 2005 were \$75,226,457. Total costs for all services provided were \$67,293,152. The increase in net assets was \$7,933,305. The following table presents a summary of the changes in net assets for the fiscal year ended September 30, 2005.

Revenues:	<u>Amount</u>
Program revenues	
Charges for services	\$ 3,916,962
Operating grants and contributions	10,675,112
Capital grants and contributions	5,012,832
General revenues	
Property taxes	45,511,797
Road and bridge privilege taxes	1,681,214
Grants and contributions not restricted to specific programs	4,323,189
Interest income	786,161
Other	<u>3,319,190</u>
Total Revenues	<u>75,226,457</u>
Expenses:	
General government	20,142,844
Public safety	12,346,737
Public works	13,493,786
Health and welfare	2,128,869
Culture and recreation	2,128,588
Education	421,036
Conservation of natural resources	352,093
Economic development	13,325,846
Interest on long-term debt	2,212,510
Other expenses	<u>740,843</u>
Total Expenses	<u>67,293,152</u>
 Increase in Net Assets	 <u>\$ 7,933,305</u>

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.

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

	<u>Total</u> <u>Cost</u>	<u>Net</u> <u>Cost</u>
<u>Governmental activities:</u>		
General Government	\$ 20,142,844	\$ 15,430,967
Public Safety	12,346,737	10,155,859
Public Works	13,493,786	5,299,140
Health & Welfare	2,128,869	2,018,201
Economic development	13,325,846	9,693,091

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 \$36,424,329, an increase of \$13,829,543. 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 \$24,400,000 in two separate issues of general obligation bonds.

The General Fund is the principal operating fund of the County. The decrease in the fund balance of the General Fund for the fiscal year was \$598,426. This decrease was primarily due to the transfer out to the Helena Water & Sewer Fund.

Business-type funds – Revenue from the all business-type activities decreased by 4% to \$665,498 and expenses increased by 3% to \$739,840. The major factor contributing to these results is higher usage at the golf course which increased expenses before Hurricane Katrina. Hurricane Katrina caused business-type activities to be significantly lower during the month of September 2005.

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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.

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, 2005, Jackson County's total capital assets was \$125,487,390. 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 \$14,600,213. The majority of this increase was in infrastructure.

Total accumulated depreciation as of September 30, 2005 was \$47,437,599, including \$4,457,734 of depreciation expense for the year. The balance in total net capital assets was \$78,049,790 at year-end.

Additional information on Jackson County's capital assets can be found in note 9 on page 28 of this report.

Debt Administration – At September 30, 2005, Jackson County had \$63,915,877 in long-term debt outstanding. This includes general obligation bonds, limited obligation bonds, capital leases, other loans, and compensated absences liability. Of this amount approximately \$11.5 million is capital related. Of the \$52.4 million that is non-capital related, the majority was issued for assets owned by other entities or for economic development purposes.

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In the past year, the County issued \$24,400,000 in general obligation bonds for industrial development purposes. Jackson County maintains an "A" bond rating from Standard and Poor's. 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 below its current limit of approximately \$180,000,000.

Additional information on Jackson County's long-term debt can be found in note 12 on page 32 of this report.

CURRENT AND FUTURE ITEMS OF IMPACT

Jackson County Port Authority has constructed, installed, and equipped a building to be located in Jackson County for industrial operations in the next fiscal year and general obligation bonds in the amount of \$11,500,000 were issued. The Port Authority acknowledges that upon completion, the Project will initially be leased to Northrop Grumman Systems Corporation. Next year's budget will take into account these additional revenues and expenses.

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

The budget for the next fiscal year reflected an increase of \$15,076,993 or 19% in revenues and an increase of \$32,589,740 or 37% in expenses. This is expected to decrease the County's net assets.

As of November 2006, Jackson County has an unemployment rate of 6.9% versus 14.8% a year ago. This compares favorably with the state average rate of 6.9%. The high rate of 14.8% a year ago was due to Hurricane Katrina.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

JACKSON COUNTY, MISSISSIPPI

Statement of Net Assets

September 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Totals
ASSETS			
Cash	\$ 39,524,550	386,159	39,910,709
Property tax receivable	39,804,648	-	39,804,648
Intergovernmental receivables	4,646,679	-	4,646,679
Other receivables	1,329,527	886	1,330,413
Fines receivable, net	688,164	-	688,164
Loans receivable, net	236,204	-	236,204
Inventories	-	2,069	2,069
Internal balances	30,490	(30,490)	-
Deferred debt expense, net	1,884,367	-	1,884,367
Capital assets, net	77,493,769	556,021	78,049,790
Total assets	165,638,398	914,645	166,553,043
LIABILITIES			
Claims payable	5,919,540	38,286	5,957,826
Inter-governmental payables	3,140,689	-	3,140,689
Accrued expenses	1,075,857	6,315	1,082,172
Deferred revenue	39,804,648	-	39,804,648
Long-term liabilities:			
Due within one year:			
Capital	1,236,691	11,016	1,247,707
Non-capital	4,888,982	-	4,888,982
Due in more than one year:			
Capital	10,221,871	14,394	10,236,265
Non-capital	47,514,344	28,579	47,542,923
Total liabilities	113,802,622	98,590	113,901,212
NET ASSETS			
Invested in capital assets, net of related debt	66,035,207	530,611	66,565,818
Restricted for capital projects	20,478,482	-	20,478,482
Restricted for debt service	2,937,153	-	2,937,153
Restricted - other	-	285,444	285,444
Unrestricted net assets (deficit)	(37,615,066)	-	(37,615,066)
Total net assets	\$ 51,835,776	816,055	52,651,831

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI

Statement of Activities

Year Ended September 30, 2005

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
	Expenses						
Governmental activities:							
General government	\$ 20,142,844	2,448,292	2,263,585	-	(15,430,967)	-	(15,430,967)
Public safety	12,346,737	389,431	1,565,620	235,827	(10,155,859)	-	(10,155,859)
Public works	13,493,786	139	3,417,502	4,777,005	(5,299,140)	-	(5,299,140)
Health and welfare	2,128,869	-	110,668	-	(2,018,201)	-	(2,018,201)
Culture and recreation	2,128,588	33,910	58,168	-	(2,036,510)	-	(2,036,510)
Education	421,036	-	-	-	(421,036)	-	(421,036)
Conservation of natural resources	352,093	-	319	-	(351,774)	-	(351,774)
Economic development and assistance	13,325,846	373,505	3,259,250	-	(9,693,091)	-	(9,693,091)
Interest on long-term debt	2,212,510	-	-	-	(2,212,510)	-	(2,212,510)
Total governmental activities	<u>66,552,309</u>	<u>3,245,277</u>	<u>10,675,112</u>	<u>5,012,832</u>	<u>(47,619,088)</u>	<u>-</u>	<u>(47,619,088)</u>
Business-type activities:							
Adult detention center canteen fund	11,390	18,686	-	-	-	7,296	7,296
Harbor	113,061	115,939	-	-	-	2,878	2,878
Golf course	607,516	536,581	-	-	-	(70,935)	(70,935)
Heinz building	8,876	479	-	-	-	(8,397)	(8,397)
Total business-type activities	<u>740,843</u>	<u>671,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(69,158)</u>	<u>(69,158)</u>
Total primary government	<u>\$ 67,293,152</u>	<u>3,916,962</u>	<u>10,675,112</u>	<u>5,012,832</u>	<u>(47,619,088)</u>	<u>(69,158)</u>	<u>(47,688,246)</u>
General revenues:							
Property taxes					\$ 45,511,797	-	45,511,797
Road and bridge privilege taxes					1,681,214	-	1,681,214
Grants and contributions not restricted to specific programs					4,323,189	-	4,323,189
Interest income					786,161	-	786,161
Miscellaneous revenues					3,319,190	-	3,319,190
Transfers					(100,000)	100,000	-
Total general revenues and transfers					<u>55,521,551</u>	<u>100,000</u>	<u>55,621,551</u>
Change in net assets					<u>7,902,463</u>	<u>30,842</u>	<u>7,933,305</u>
Net assets - beginning of year, as previously reported					<u>42,549,848</u>	<u>785,213</u>	<u>43,335,061</u>
Net assets adjustment					<u>1,383,465</u>	<u>-</u>	<u>1,383,465</u>
Net assets - beginning of year, restated					<u>43,933,313</u>	<u>785,213</u>	<u>44,718,526</u>
Net assets - end of year					<u>\$ 51,835,776</u>	<u>816,055</u>	<u>52,651,831</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI

Balance Sheet - Governmental Funds

September 30, 2005

	General	Roads	Road Improvement Bonds	Northrop- Grumman Economic Development Bonds	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash	\$ 5,071,185	4,475,954	8,751,815	9,742,817	11,054,347	39,096,118
Property tax receivable	21,795,762	6,306,797	-	-	11,702,089	39,804,648
Fines receivable, net	688,164	-	-	-	-	688,164
Intergovernmental receivables	2,098,520	234,108	-	-	2,314,051	4,646,679
Due from other funds	973,392	273,273	-	-	93,871	1,340,536
Loans receivable, net	-	-	-	-	236,204	236,204
Other receivables	1,282,532	-	-	-	-	1,282,532
Total assets	\$ 31,909,555	11,290,132	8,751,815	9,742,817	25,400,562	87,094,881
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Claims Payable	\$ 1,150,784	336,006	244,662	-	3,580,761	5,312,213
Accrued payroll	340,249	80,965	-	-	23,681	444,895
Intergovernmental payables	3,140,689	-	-	-	-	3,140,689
Due to other funds	367,144	-	-	-	912,799	1,279,943
Deferred revenue	22,483,926	6,306,797	-	-	11,702,089	40,492,812
Total liabilities	27,482,792	6,723,768	244,662	-	16,219,330	50,670,552
FUND BALANCES:						
Reserved for loans receivable	-	-	-	-	236,204	236,204
Reserved for other receivables	1,282,532	-	-	-	-	1,282,532
Unreserved, reported in:						
General funds	3,144,231	-	-	-	-	3,144,231
Special revenue funds	-	4,566,364	-	-	3,779,363	8,345,727
Debt service funds	-	-	-	-	2,937,153	2,937,153
Capital projects funds	-	-	8,507,153	9,742,817	2,228,512	20,478,482
Total fund balances	4,426,763	4,566,364	8,507,153	9,742,817	9,181,232	36,424,329
Total liabilities and fund balances \$	31,909,555	11,290,132	8,751,815	9,742,817	25,400,562	87,094,881

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
September 30, 2005

Fund balances - total governmental funds	\$ 36,424,329
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	\$ 124,407,088
Less accumulated depreciation	<u>(46,913,319)</u>
	77,493,769
Fines receivable are not available to pay for current period expenditures and therefore are deferred in the general funds.	688,164
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds	(630,962)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds	(63,861,888)
Deferred debt expense is not a financial resource and therefore is not reported in the governmental funds	1,884,367
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>(162,003)</u>
Net Assets of Governmental Activities	\$ <u>51,835,776</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, 2005

	<u>General</u>	<u>Roads</u>	<u>Road Improvement Bonds</u>	<u>Northrop- Grumman Economic Development Bonds</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Property taxes	\$ 25,285,888	7,140,726	-	-	13,085,183	45,511,797
Road and bridge privilege taxes	-	1,681,214	-	-	-	1,681,214
Licenses, commissions and other revenue	1,742,621	-	-	-	-	1,742,621
Fines and forfeitures	1,064,522	-	-	-	126,126	1,190,648
Intergovernmental revenues	5,158,564	1,433,700	25,000	-	13,316,059	19,933,323
Charges for services	233,784	-	-	-	139	233,923
Interest income	256,097	68,279	237,104	-	224,681	786,161
Miscellaneous revenues	2,397,459	53,655	-	-	868,076	3,319,190
Total revenues	<u>36,138,935</u>	<u>10,377,574</u>	<u>262,104</u>	<u>-</u>	<u>27,620,264</u>	<u>74,398,877</u>
EXPENDITURES						
Current Operating:						
General government	18,665,075	-	-	-	1,518,583	20,183,658
Public safety	10,165,202	-	-	-	2,645,370	12,810,572
Public works	815,888	10,411,997	1,468,347	-	9,594,277	22,290,509
Health and welfare	2,103,358	-	-	-	11,926	2,115,284
Culture and recreation	2,206,049	-	-	-	47,417	2,253,466
Education	410,000	-	-	-	-	410,000
Conservation of natural resources	349,906	-	-	-	326	350,232
Economic development and assistance	1,015,383	-	-	1,570,506	10,623,906	13,209,795
Debt Service:						
Principal	310,453	-	-	-	5,913,846	6,224,299
Interest	21,474	150,076	-	6,665	1,652,985	1,831,200
Debt issue costs	-	-	374,349	433,456	-	807,805
Total expenditures	<u>36,062,788</u>	<u>10,562,073</u>	<u>1,842,696</u>	<u>2,010,627</u>	<u>32,008,636</u>	<u>82,486,820</u>
OTHER FINANCING SOURCES (USES)						
Long-term capital debt issued	22,104	-	10,000,000	-	149,298	10,171,402
Long-term non-capital debt issued	-	-	-	11,500,000	161,100	11,661,100
Proceeds from sale of assets	14,433	52,357	-	-	250	67,040
Premium on bonds issued	-	-	87,745	203,444	-	291,189
Compensation for loss of capital assets	405	-	-	-	11,857	12,262
Transfers in	396,689	2,209,037	-	-	1,544,238	4,149,964
Transfers out	(1,108,204)	-	-	-	(3,377,267)	(4,485,471)
Refunding bonds issued	-	-	-	2,900,000	-	2,900,000
Payment to bond refunding escrow agent	-	-	-	(2,850,000)	-	(2,850,000)
Net other financing sources (uses)	<u>(674,573)</u>	<u>2,261,394</u>	<u>10,087,745</u>	<u>11,753,444</u>	<u>(1,510,524)</u>	<u>21,917,486</u>
Net change in fund balances	<u>(598,426)</u>	<u>2,076,895</u>	<u>8,507,153</u>	<u>9,742,817</u>	<u>(5,898,896)</u>	<u>13,829,543</u>
Fund balances - beginning of year, as previously reported	5,130,189	2,489,469	-	-	14,975,128	22,594,786
Fund balance adjustments	<u>(105,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,000</u>	<u>-</u>
Fund balances - beginning of year, restated	<u>5,025,189</u>	<u>2,489,469</u>	<u>-</u>	<u>-</u>	<u>15,080,128</u>	<u>22,594,786</u>
Fund balances - end of year	<u>\$ 4,426,763</u>	<u>4,566,364</u>	<u>8,507,153</u>	<u>9,742,817</u>	<u>9,181,232</u>	<u>36,424,329</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, 2005

Net change in fund balances - total governmental funds		\$ 13,829,543
Amounts reported for governmental activities in Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	\$ 13,495,965	
Less current year depreciation	<u>(4,390,984)</u>	
		9,104,981
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		78,102
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		(2,511)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Long-term debt issued	(25,023,691)	
Repayment of debt	9,074,299	
Debt issue costs	807,805	
Amortization and accretion of debt issue costs, discounts, and premiums	<u>(239,217)</u>	
		(15,380,804)
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		(142,093)
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		(36,695)
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		447,607
Other		<u>4,333</u>
Change in net assets - governmental activities		\$ <u>7,902,463</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Net Assets (Deficit) - Proprietary Funds
September 30, 2005

	Business- Type Activities	Governmental Activities
	Non-Major Enterprise Funds	Internal Service Funds
ASSETS		
Current assets:		
Cash	\$ 386,159	428,432
Other receivables	886	46,995
Inventories	2,069	-
Total current assets	<u>389,114</u>	<u>475,427</u>
Non-current assets -		
Capital assets, net	556,021	-
Total assets	<u>945,135</u>	<u>475,427</u>
LIABILITIES		
Current liabilities:		
Claims payable	38,286	607,327
Accrued payroll	6,315	-
Due to other funds	30,490	30,103
Current maturities of capital-related debt	11,016	-
Total current liabilities	<u>86,107</u>	<u>637,430</u>
Non-Current Liabilities:		
Capital-related debt	14,394	-
Compensated absences liability	28,579	-
Total non-current liabilities	<u>42,973</u>	<u>-</u>
Total liabilities	<u>129,080</u>	<u>637,430</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	530,611	-
Restricted for inmate canteen supplies	224,655	-
Restricted for recreation	33,719	-
Restricted for economic development	27,070	-
Unrestricted	-	(162,003)
Total net assets (deficit)	<u>\$ 816,055</u>	<u>(162,003)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds Year Ended September 30, 2005

	Business- Type Activities	Governmental Activities
	Non-Major Enterprise Funds	Internal Service Funds
OPERATING REVENUES		
Sales and charges for services	\$ 665,498	-
Premium income	-	4,634,104
Total operating revenues	<u>665,498</u>	<u>4,634,104</u>
OPERATING EXPENSES		
Personal services	366,988	-
Contractual services	121,472	-
Materials and supplies	172,892	-
Depreciation	66,750	-
Indirect expense allocation	11,738	-
Claims payments	-	3,129,861
Insurance premiums	-	1,295,332
Total operating expenses	<u>739,840</u>	<u>4,425,193</u>
Operating income (loss)	<u>(74,342)</u>	<u>208,911</u>
NON-OPERATING REVENUES (EXPENSES)		
Interest income	6,187	3,189
Interest expense	<u>(1,003)</u>	<u>-</u>
Net non-operating revenues (expenses)	<u>5,184</u>	<u>3,189</u>
Net income (loss) before capital contributions and transfers	<u>(69,158)</u>	<u>212,100</u>
Transfers in	<u>100,000</u>	<u>235,507</u>
Change in net assets	<u>30,842</u>	<u>447,607</u>
Total net assets (deficit) - beginning of year	<u>785,213</u>	<u>(609,610)</u>
Total net assets (deficit) - end of year	<u>\$ 816,055</u>	<u>(162,003)</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Funds
Year Ended September 30, 2005

	Business- Type Activities	Governmental Activities
	Non-Major Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities:		
Receipts from customers	\$ 664,612	-
Receipts for premiums	-	4,634,104
Payments to employees	(375,066)	-
Payments for claims	-	(3,231,112)
Payments for insurance premiums	-	(1,295,332)
Cash paid to suppliers	(304,290)	(977)
Net cash flows from operating activities	<u>(14,744)</u>	<u>106,683</u>
Cash Flows From Non-Capital Financing Activities:		
Transfers out	-	-
Loans from other funds	-	30,103
Transfers in	100,000	235,507
Net cash flows from non-capital financing activities	<u>100,000</u>	<u>265,610</u>
Cash Flows From Capital and Related Financing Activities:		
Acquisition and construction of capital assets	(176,972)	-
Principal paid on long-term debt	(11,582)	-
Interest paid on debt	(1,003)	-
Net cash flows from capital and related financing activities:	<u>(189,557)</u>	<u>-</u>
Cash Flows From Investing Activities -		
Interest income	6,187	3,189
Net change in cash	(98,114)	375,482
Cash - beginning of year	484,273	52,950
Cash - end of year	\$ <u>386,159</u>	<u>428,432</u>
Reconciliation of Operating Income to Net Cash Flows		
From Operating Activities:		
Operating loss	\$ (74,342)	208,911
Depreciation	66,750	-
Change in current assets and liabilities:		
Other receivables	(886)	23,931
Claims payable	(9,926)	(126,159)
Accrued payroll	(15,475)	-
Due to other funds	11,738	-
Compensated absences	7,397	-
Net cash flows from operating activities	\$ <u>(14,744)</u>	<u>106,683</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 2,041,584
Inter-governmental receivables	<u>72,286</u>
 Total assets	\$ <u>2,113,870</u>
LIABILITIES	
Inter-governmental payables	\$ 569,754
Other accrued liabilities	<u>1,544,116</u>
 Total liabilities	\$ <u>2,113,870</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(1) Significant Accounting Policies

(a) Financial Reporting Entity

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

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

- Singing River Mental Health
- Jackson-George Regional Library System
- Jackson County Port Authority
- 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

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(1) Significant Accounting Policies (continued)

(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 and fund financial statements, 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 non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities which are generally financed through taxes, intergovernmental revenues and other non-exchange revenues are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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 segment or governmental function is self-financing or draws from the general revenues of the County.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(1) Significant Accounting Policies (continued)

(b) Basis of Presentation (continued)

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. Non-major funds are aggregated and presented in a single column.

(c) Measurement Focus and Basis of Accounting

The government-wide, proprietary funds and fiduciary 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.

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 non-operating. Operating revenues and expenses generally result from providing services in connections with a proprietary fund's primary operations. All other revenues and expenses are reported as non-operating.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

(c) **Measurement Focus and Basis of Accounting (continued)**

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 sixty 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 liability is 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.

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.

Road Improvement Bonds Fund – This fund is used to account for proceeds and expenditures of bonds issued in December 2004 for road improvements within the County.

Northrop Grumman Economic Development Bonds Fund – This fund is used to account for proceeds and expenditures of economic development bonds issued in July 2005 for an economic development project.

The County reports no major proprietary funds.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

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

(c) **Measurement Focus and Basis of Accounting (continued)**

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 funds report on self-insurance programs for employee medical benefits and on the County's workers compensation costs.

Fiduciary Fund Types

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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(1) Significant Accounting Policies (continued)

(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.

(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.

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

(f) Receivables

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

(g) Inter-fund 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." Inter-fund 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."

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(1) Significant Accounting Policies (continued)

(h) Inventories

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

(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 statement. 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.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure 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 non-capitalization 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, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(1) Significant Accounting Policies (continued)

(i) Capital Assets (continued)

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported 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.

	Capitalization Thresholds	Estimated Useful Life
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 will correspond with the amounts for the asset classification, as listed above.

(j) Long-term Liabilities

Long-term liabilities are the un-matured principal of bonds, loans, notes or other forms of non-current 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 funds in the 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 effective interest 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.

JACKSON COUNTY, MISSISSIPPI
Notes to Financial Statements
September 30, 2005

(1) Significant Accounting Policies (continued)

(j) Long-term Liabilities (continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(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, constructions or improvements 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 or regulation 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."

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.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(1) Significant Accounting Policies (continued)

(l) Property Tax Revenues

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

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

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.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(1) Significant Accounting Policies (continued)

(n) Compensated Absences

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements and the 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.

(2) Changes in Accounting Standards

For the fiscal year ended September 30, 2005, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, and amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of the new statement have been incorporated into the financial statements and the accompanying notes.

(3) Fund Balance and Net Asset Adjustment

In 2005, the County determined that it had not recorded an asset for roads that were donated to the County during 2004. The County has recorded a \$1,187,946 net asset adjustment to account for these roads. The County also determined that a certificate of deposit that had been recorded in the general fund in 2004 should have been recorded in the unemployment compensation fund. The County has recorded \$105,000 fund balance adjustments in these two funds.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(4) Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2005, was \$41,952,293, and the bank balance was \$47,397,712. 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 Depository Insurance Corporation.

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.

(5) Inter-Fund Transactions and Balances

The following is a summary of inter-fund balances at September 30, 2005:

Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Non-major debt service funds	\$ 365,644
General fund	Non-major capital projects funds	547,155
General fund	Non-major enterprise funds	30,490
General fund	Non-major internal service funds	30,103
Road fund	General fund	273,273
Non-major special revenue funds	General fund	38,998
Non-major capital projects funds	General fund	7,738
Non-major debt service funds	General fund	<u>47,135</u>
Total		\$ <u>1,340,536</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(5) Inter-Fund Transactions and Balances (Continued)

The receivables in the general fund represent loans to other funds to temporarily fund operating needs. The receivables in all other funds represent tax revenue collected but not settled until October 2005. All inter-fund balances are expected to be repaid within one year of the date of the financial statements.

Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General fund	Non-major special revenue fund	\$ 396,689
Road fund	Non-major special revenue funds	2,209,037
Non-major special revenue funds	General fund	345,717
Non-major debt service funds	General fund	1,980
Non-major debt service funds	Non-major debt service funds	200,000
Non-major capital projects funds	General fund	425,000
Non-major special revenue funds	Non-major special revenue funds	571,541
Non-major enterprise funds	General fund	100,000
Internal service funds	General fund	<u>235,507</u>
Total		\$ <u>4,485,471</u>

The principal purpose of inter-fund transfers was to provide funds for grant matching contributions or to transfer funds from one debt service fund to another upon the issuance of refunding bonds.

(6) Intergovernmental Receivables

Intergovernmental receivables at September 30, 2005, consisted of the following:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 614,865
Federal grants receivable	3,214,786
State grants receivable	67,028
Due from payroll agency fund	500,000
Due from Jackson-George library	<u>250,000</u>
Total intergovernmental receivables	\$ <u>4,646,679</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(7) Other Receivables

In November 2004, the County was awarded a judgment of \$2,020,000 against a Florida corporation. In January 2005, the company filed for bankruptcy under Chapter 11 of the U.S. Federal Bankruptcy Code. In February 2006, the County and the company reached a settlement agreement under which the company would repay the County a \$1,500,000 in 5 equal installment payments with the final payment due in September 2009. The County has discounted this receivable using an 8% imputed interest rate and has recorded a \$1,282,532 receivable under the caption Other Receivables in the financial statements.

In addition, a former Deputy Tax Assessor had previously agreed to repay the County \$508,396 in restitution relating to this case as part of a sentencing agreement. As collection is uncertain, no receivable has been recorded in the financial statements. The County received \$106,034 on this balance prior to the October 1, 2004, and \$100 on this balance during 2005. This amount has been included in miscellaneous revenues in the statements of revenues, expenditures and changes in fund balances – governmental funds and in the statement of activities.

(8) Loans Receivable

Loans receivable at September 30, 2005, consist of the following:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Payable</u>
Sandco Industries	10-01-91	4 %	11-04-04	\$ 50,000
Bayou Blend	09-22-94	4 %	09-01-99	86,254
Superior Optical	09-21-95	4 %	10-21-05	35,981
Sophie Enterprises	12-02-97	4 %	02-01-07	2,144
Lagniappe House	12-02-97	4 %	02-01-07	84,060
Rapiscan	07-28-05	0 %	08-15-20	<u>150,000</u>
Loans receivable				408,439
Less: Reserve for bad debts				<u>(172,235)</u>
Loans receivable, net of bad debt reserve				\$ <u>236,204</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(9) Capital Assets

The following is a summary of capital assets activity for the year ended September 30, 2005:

	<u>Balance</u> <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2005</u>
<u>Governmental Activities:</u>					
Land	\$ 9,705,258	-	-	-	9,705,258
Infrastructure	52,436,940	6,933,709	-	1,228,910	60,599,559
Buildings	25,402,656	-	-	-	25,402,656
Improvements other than buildings	4,876,397	292,924	-	981,387	6,150,708
Construction in progress	1,370,037	3,422,312	-	(981,387)	3,810,962
Mobile equipment	11,470,256	2,537,493	(236,737)	(13,255)	13,757,757
Other equipment	2,413,867	309,527	(64,897)	2,299,587	4,958,084
Leased property under capital lease	<u>2,321,691</u>	<u>22,104</u>	<u>-</u>	<u>(2,321,691)</u>	<u>22,104</u>
Total	<u>109,997,102</u>	<u>13,495,965</u>	<u>(301,634)</u>	<u>1,215,655</u>	<u>124,407,088</u>
<u>Less accumulated depreciation:</u>					
Infrastructure	18,137,504	1,850,453	-	40,964	20,028,921
Buildings	11,579,857	476,614	-	-	12,056,471
Improvements other than buildings	1,805,813	203,144	-	-	2,008,957
Mobile equipment	7,926,579	1,354,611	(186,584)	(13,255)	9,081,351
Other equipment	1,197,676	502,182	(47,502)	2,081,283	3,733,639
Leased property under capital lease	<u>2,081,283</u>	<u>3,980</u>	<u>-</u>	<u>(2,081,283)</u>	<u>3,980</u>
Total	<u>42,728,712</u>	<u>4,390,984</u>	<u>(234,086)</u>	<u>27,709</u>	<u>46,913,319</u>
Net capital assets – governmental activities	\$ <u>67,268,390</u>	<u>9,104,981</u>	<u>(67,548)</u>	<u>1,187,946</u>	<u>77,493,769</u>

Adjustments to governmental capital assets were to record 2004 roads donated to the County, to account for the completion of construction in progress, to record the expiration of a capital lease, and to record the transfer of a fully depreciated asset to an enterprise fund.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(9) Capital Assets (continued)

	<u>Balance</u> <u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30, 2005</u>
<u>Business-Type Activities:</u>					
Land	\$ 6,478	-	-	-	6,478
Buildings	75,000	157,641	-	-	232,641
Improvements other than buildings	557,027	19,331	-	-	576,358
Mobile equipment	216,585	-	-	13,255	229,840
Other equipment	<u>34,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,985</u>
Total	<u>890,075</u>	<u>176,972</u>	<u>-</u>	<u>13,255</u>	<u>1,080,302</u>
<u>Less accumulated depreciation:</u>					
Buildings	75,000	30,551	-	-	105,551
Improvements other than buildings	206,400	1,316	-	-	207,716
Mobile equipment	137,688	28,585	-	13,255	179,527
Other equipment	<u>25,188</u>	<u>6,298</u>	<u>-</u>	<u>-</u>	<u>31,486</u>
	<u>444,276</u>	<u>66,750</u>	<u>-</u>	<u>13,255</u>	<u>524,280</u>
Net capital assets – business-type activities	\$ <u>445,799</u>	<u>110,223</u>	<u>-</u>	<u>-</u>	<u>556,021</u>

Depreciation expense was charged to the following functions:

<u>Description</u>	<u>Amount</u>
<u>Governmental activities:</u>	
General government	\$ 583,702
Public safety	534,185
Public works	2,875,940
Health and welfare	38,863
Culture and recreation	219,050
Education	11,036
Economic development and assistance	<u>126,491</u>
Total governmental activities depreciation expense	\$ <u>4,390,984</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(9) **Capital Assets (continued)**

Business-type activities:

Golf course	\$	62,279
Harbor		<u>4,471</u>

Total business-type activities depreciation expense \$ 66,750

(10) **Claims and Judgments**

Risk Financing

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$750,000 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, 2005, to January 1, 2006. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

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

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

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(10) Claims and Judgments (Continued)

The County has purchased reinsurance from an outside commercial carrier which functions on two separate stop loss coverages: specific and aggregate. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$100,000 (\$150,000 for one named individual) and the aggregate policy covers all submitted claims in excess of \$1,000,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. At September 30, 2005, the amount of these liabilities was \$607,327. An analysis of claims activities is presented below:

	Current Year Beginning of Fiscal Year <u>Liability</u>	Claims and Changes in <u>Estimates</u>	<u>Claims Payments</u>	Balance at Fiscal Year End
2003-2004	\$ 463,778	3,094,691	2,824,983	733,486
2004-2005	\$ 733,486	3,141,388	3,267,547	607,327

(11) Capital Leases

The County is obligated for the following assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ <u>22,104</u>
Total	22,104
Less accumulated depreciation	<u>(3,980)</u>
Leased property under capital leases	\$ <u>18,124</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(11) Capital Leases (Continued)

The following is a schedule by years of the total payments due as of September 30, 2005:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 210,738	1,225
2007	15,718	755
2008	<u>12,989</u>	<u>257</u>
Total payments	\$ <u>239,444</u>	<u>2,237</u>

(12) Long-term Debt

Debt outstanding as of September 30, 2005, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
Governmental Activities:			
(a) <u>General Obligation Bonds:</u>			
Library bond refunding	\$ 315,000	4.8 – 6.5	5-1-09
Road improvement refunding	1,595,000	4.8 – 5.7	5-1-09
1998 Port improvement bonds	4,750,000	5.5	5-1-18
HAM Marine – MBIA bonds	2,275,363	2.0	11-1-11
Series 2002 refunding	13,570,000	2.0 – 4.0	12-1-14
Series 2003 refunding	6,540,000	1.15 – 5.1	3-1-14
Northrop Grumman site	4,710,000	4.0 – 5.0	8-1-14
Road improvements	10,000,000	3.0 – 5.0	12-1-16
Northrop Grumman site	11,500,000	4.15 – 5.25	6-1-20
Moss Point Industrial Park refunding	<u>2,900,000</u>	3.94 – 5.04	6-1-20
Total General Obligation Bonds	\$ <u>58,155,363</u>		

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(12) Long-term Debt (continued)

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates (%)</u>	<u>Final Maturity Date</u>
(b) <u>Capital Leases:</u>			
Computer – Hewlett Packard	\$ 120,985	6.10	7-9-01
Computer – Hewlett Packard	59,169	6.10	7-9-01
Computer – Hewlett Packard	15,365	6.44	1-15-02
Ford F-800	24,764	3.23	6-15-08
2005 Ford 500	<u>22,104</u>	3.27	4-26-08
Total capital lLeases	\$ <u>239,445</u>		
(c) <u>Other Loans</u>			
Homeport construction	\$ 2,683,000	0.00	8-1-07
Franklin Creek – Forts Lake	54,306	4.56	7-27-08
Vancleave fire department	37,957	4.84	5-26-08
Fontainbleau fire department	26,175	4.84	7-8-08
West Jackson County Volunteer Fire Department	25,402	4.84	5-26-08
Vancleave fire department	108,059	4.10	1-9-10
Fort Bayou fire department	469,491	5.26	1-15-17
West Jackson County fire department	69,622	4.05	7-15-08
Latimer VFD fire truck	56,004	2.75	7-16-07
Airport hangar 2-7	501,536	3.50	10-15-07
Ft. Bayou fire truck	<u>154,447</u>	4.22	12-1-14
Total other loans	\$ <u>4,185,999</u>		

Business-type Activities:

(a) Other Loans

Tractor loan	\$ <u>25,410</u>	3.0	11-12-07
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JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(12) Long-term Debt (continued)

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Assets are as follows:

Governmental Activities:

<u>Year Ending</u> <u>September 30,</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 4,352,778	2,349,747	1,702,480	62,479
2007	4,502,778	2,245,013	1,703,097	48,419
2008	5,382,778	2,067,954	257,489	32,471
2009	5,212,778	1,875,933	76,364	25,016
2010	5,217,778	1,657,529	66,654	21,410
2011-2015	24,126,473	4,990,634	301,672	62,532
2016-2020	<u>9,360,000</u>	<u>1,201,116</u>	<u>78,243</u>	<u>4,151</u>
Total	\$ <u>58,155,363</u>	<u>16,387,926</u>	<u>4,185,999</u>	<u>256,478</u>

Business-type Activities:

<u>Year Ending</u> <u>September 30,</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 11,016	1,559
2007	12,308	267
2008	<u>2,086</u>	<u>8</u>
Total	\$ <u>25,410</u>	<u>1,834</u>

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, 2005, the amount of outstanding debt was equal to 5.0% of the latest property assessments.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(12) Long-term Debt (continued)

Advance Refunding – On June 23, 2005, the County issued \$2,900,000 in general obligation refunding bonds with an average interest rate of 5.0% to advance refund \$2,850,000 of the Moss Point Industrial Site bonds which had an average interest rate of 3.7%.

The County advance refunded the above bonds under Mississippi Code Section 31-15-1 to extend its remaining payments on these bonds from 4.5 years to 14 years.

Prior Year Defeasance of Debt – In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2005, \$20,075,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	<u>Balance</u> <u>Oct. 1,</u> <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Adjustments</u>	<u>Balance</u> <u>Sept. 30,</u> <u>2005</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
Governmental Activities:						
Compensated absences	\$ 1,099,837	2,511	-	-	1,102,348	-
General obligation bonds	40,823,141	24,400,000	(7,067,778)	-	58,155,363	4,352,778
Capital leases	535,535	22,104	(318,194)	-	239,445	210,737
Other loans	5,599,114	310,398	(1,723,513)	-	4,185,999	1,713,496
Bond premiums, net	<u>108,689</u>	<u>291,189</u>	<u>(25,626)</u>	<u>-</u>	<u>374,252</u>	<u>44,181</u>
Total	\$ <u>48,166,316</u>	<u>25,026,202</u>	<u>(9,135,111)</u>	<u>-</u>	<u>64,057,407</u>	<u>6,321,192</u>
Business-type Activities:						
Compensated absences	\$ 21,182	7,397	-	-	28,579	-
Other loans	<u>36,992</u>	<u>-</u>	<u>(11,582)</u>	<u>-</u>	<u>25,410</u>	<u>11,016</u>
Total	\$ <u>58,176</u>	<u>7,397</u>	<u>(11,582)</u>	<u>-</u>	<u>53,989</u>	<u>11,016</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(13) Deficit Fund Balances of Individual Funds

The following funds to report accrual-basis deficits in fund balances at September 30, 2005:

<u>Fund</u>	<u>Fund Balance</u>	
	<u>Cash</u> <u>Basis</u>	<u>Accrual</u> <u>Basis</u>
Special revenue funds:		
Hurricane Katrina	\$	(19,343)
FAA tower grant	103,578	(6,794)
Gulf Hills	988	(661)
Debt service funds:		
Homeport	(173,901)	(164,695)
Roads	(12,193)	(8,477)
Capital projects funds:		
Industrial water project	9,885	(125,187)
Helena press sewer and water	(466,941)	(227,596)
Northrop Grumman	-	(952,655)
Internal service fund -		
Self-insured health insurance	105,861	(451,395)

The deficit fund balances in funds with cash-basis deficit fund balances were caused by inter-fund loans from other funds. There were no funds with negative cash balances at September 30, 2005.

(14) 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.

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.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(14) Contingencies (continued)

The County has been named as a defendant in a lawsuit seeking unspecified damages for an incident involving a reserve deputy sheriff. 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 issues general obligation bonds and loans to provide funds for constructing and improving capital facilities of the Jackson County Port Authority, a component unit of the County. Such debt is being retired from pledged resources of the Port Authority and therefore, is reported as a liability of the Port Authority. However, because general obligation bonds and loans are backed by the full faith, credit and taxing power of the County, the County remains contingently liable for its retirement. The principal amount of such debt outstanding at year end is as follows:

<u>Description</u>	<u>Balance at September 30, 2005</u>
General obligation bonds	\$ <u>3,645,000</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. To secure the repayment of the hospital revenue bonds and notes, the Board of Supervisors may authorize payment of the avails of an ad valorem tax levy on all taxable property in the County not to exceed five mills in any one year. The principal amount of such debt outstanding at September 30, 2005, consists of the following:

<u>Description</u>	<u>Balance at September 30, 2005</u>
Revenue bonds	\$ 52,800,000
Other	<u>18,265,498</u>
Total	\$ <u>71,065,498</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(15) No Commitment Debt (Not Included in Financial Statements)

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

<u>Description</u>	<u>Balance at September 30, 2005</u>
Industrial revenue bonds and notes	\$ <u>56,750,706</u>

(16) 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, 2005:

	<u>ADC Canteen</u>	<u>Ocean Springs Harbor</u>	<u>Golf Course</u>	<u>Heinz Building</u>	<u>Total</u>
Condensed Statement of Net Assets:					
Current assets	\$ 224,655	59,822	76,868	27,769	389,114
Capital assets	-	<u>106,697</u>	<u>449,324</u>	-	<u>556,021</u>
Total assets	<u>224,655</u>	<u>166,519</u>	<u>526,192</u>	<u>27,769</u>	<u>945,135</u>
Current liabilities	-	12,996	72,412	699	86,107
Non-current liabilities	-	<u>4,143</u>	<u>38,830</u>	-	<u>42,973</u>
Total liabilities	-	<u>17,139</u>	<u>111,242</u>	<u>699</u>	<u>129,080</u>
Net assets:					
Invested in capital assets, net of related debt	-	106,697	449,324	-	530,611
Restricted	<u>224,655</u>	<u>42,683</u>	<u>(8,964)</u>	<u>27,070</u>	<u>285,444</u>
Total net assets	\$ <u>224,655</u>	<u>149,380</u>	<u>414,950</u>	<u>27,070</u>	<u>816,055</u>

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(16) Segment Information for Enterprise Funds (Continued)

	<u>ADC Canteen</u>	<u>Ocean Springs Harbor</u>	<u>Golf Course</u>	<u>Heinz Building</u>	<u>Total</u>
Condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets:					
Operating revenues	\$ 14,560	115,105	535,833	-	665,498
Operating expenses	11,390	108,590	544,234	8,876	672,790
Depreciation expense	-	4,471	62,279	-	66,750
Operating income (loss)	3,170	2,044	(70,680)	(8,876)	(74,342)
Interest income	4,127	834	747	479	6,187
Interest expense	-	-	(1,003)	-	(1,003)
Transfers in	-	50,000	50,000	-	100,000
Change in net assets	7,297	52,878	(20,936)	(8,397)	30,842
Net assets – beginning	217,359	96,502	435,886	35,466	785,213
Net asset – ending	\$ 224,656	149,380	414,950	27,069	816,055
Condensed Statement of Cash Flows:					
Net cash provided (used) by:					
Operating activities	\$ 3,118	8,943	(17,987)	(8,818)	(14,744)
Non-capital financing activities	-	50,000	50,000	-	100,000
Capital and related financing activities	-	(98,766)	(90,791)	-	(189,557)
Investing activities	4,127	834	747	479	6,187
Net change in cash	7,245	(38,989)	(58,031)	(8,339)	(98,114)
Cash – beginning	217,410	98,811	131,944	36,108	484,273
Cash – ending	\$ 224,655	59,822	73,913	27,769	386,159

(17) 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 2005.

JACKSON COUNTY, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(17) Jointly Governed Organizations (Continued)

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 \$154,500 for support of Jackson County Civic Action in fiscal year 2005.

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 2005.

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 2005.

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 \$5,312,968 for maintenance and support of the college in fiscal year 2005.

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, MISSISSIPPI

Notes to Financial Statements

September 30, 2005

(18) 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 - PERS members are required to contribute 7.25% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The current rate is 10.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2005, 2004, and 2003, were \$1,947,596, \$1,666,217, and \$1,588,470, respectively, equal to the required contributions for each year.

(19) Natural Disaster

On August 29, 2005, Hurricane Katrina struck the Mississippi, Louisiana, and Alabama Gulf Coast, causing catastrophic damage throughout the entire region. In addition to extensive damage to private property in the County, a substantial amount of the County's property was damaged or destroyed. The full extent of the County's losses from Hurricane Katrina is not known, but current estimates are in the \$40,000,000 range. The County believes substantially all of those losses will be reimbursed through Federal and State grants or insurance coverage. The ultimate amount of the losses the County will be required to absorb cannot be determined at this time. No provision for any loss from Hurricane Katrina has been recorded in the County's 2005 financial statements.

In 2006, the Federal Government approved a low-interest disaster loan to the County totaling \$14,500,000. The County borrowed \$7,000,000 on this loan in the 2006 fiscal year and anticipates it will borrow additional amounts on this loan in 2007. Payment terms for this loan are as yet undetermined.

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedules

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 General Fund
 Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Property taxes	\$ 26,426,671	25,368,436	25,368,436	-
Licenses, commissions and other revenue	2,982,300	1,639,836	1,639,836	-
Fines and forfeitures	208,200	1,064,522	1,064,522	-
Intergovernmental revenues	4,760,661	5,267,025	5,267,025	-
Charges for services	187,299	255,966	255,966	-
Interest income	227,000	234,002	234,002	-
Miscellaneous revenues	1,961,394	1,105,339	1,105,339	-
Total revenues	<u>36,753,525</u>	<u>34,935,126</u>	<u>34,935,126</u>	<u>-</u>
EXPENDITURES				
Current Operating:				
General government	20,510,826	19,326,892	19,326,892	-
Public safety	9,084,187	10,560,358	10,560,358	-
Public works	1,170,286	889,254	889,254	-
Health and welfare	2,232,413	2,115,949	2,115,949	-
Culture and recreation	2,309,574	2,295,790	2,295,790	-
Education	810,000	895,031	895,031	-
Conservation of natural resources	340,397	395,983	395,983	-
Economic development and assistance	995,837	1,034,589	1,034,589	-
Debt Service:				
Principal	354,994	330,197	330,197	-
Interest	2,609	1,730	1,730	-
Total expenditures	<u>37,811,123</u>	<u>37,845,773</u>	<u>37,845,773</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	14,433	14,433	-
Compensation for loss of capital assets		405	405	-
Transfers in	2,000	86,606	86,606	-
Transfers out	(808,500)	(1,130,883)	(1,130,883)	-
Net other financing sources (uses)	<u>(806,500)</u>	<u>(1,029,439)</u>	<u>(1,029,439)</u>	<u>-</u>
Net change in fund balances	<u>(1,864,098)</u>	<u>(3,940,086)</u>	<u>(3,940,086)</u>	<u>-</u>
Fund balances - beginning of year	<u>6,927,477</u>	<u>7,382,403</u>	<u>7,382,403</u>	<u>-</u>
Fund balances - end of year	<u>\$ 5,063,379</u>	<u>3,442,317</u>	<u>3,442,317</u>	<u>-</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Road Fund
 Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Property taxes	\$ 7,412,836	7,170,655	7,170,655	-
Road and bridge privilege taxes	1,550,000	1,577,310	1,577,310	-
Intergovernmental revenues	1,067,000	1,236,756	1,236,756	-
Interest income	28,000	36,287	36,287	-
Miscellaneous revenues	-	53,655	53,655	-
Total revenues	<u>10,057,836</u>	<u>10,074,663</u>	<u>10,074,663</u>	<u>-</u>
EXPENDITURES				
Current Operating -				
Public works	13,284,898	11,025,949	11,025,949	-
Debt Service -				
Interest	425,000	150,075	150,075	-
Total expenditures	<u>13,709,898</u>	<u>11,176,024</u>	<u>11,176,024</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	52,357	52,357	-
Transfers in	2,200,000	2,209,037	2,209,037	-
Net other financing sources (uses)	<u>2,200,000</u>	<u>2,261,394</u>	<u>2,261,394</u>	<u>-</u>
Net change in fund balances	<u>(1,452,062)</u>	<u>1,160,033</u>	<u>1,160,033</u>	<u>-</u>
Fund balances - beginning of year	<u>3,399,432</u>	<u>3,283,930</u>	<u>3,283,930</u>	<u>-</u>
Fund balances - end of year	<u>\$ 1,947,370</u>	<u>4,443,963</u>	<u>4,443,963</u>	<u>-</u>

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Road Improvement Bonds
 Year Ended September 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
REVENUES				
Intergovernmental revenues	\$ -	25,000	25,000	-
Interest income	-	193,662	193,662	-
Total revenues	-	218,662	218,662	-
EXPENDITURES				
Current Operating -				
Public works	-	1,223,685	1,223,685	-
Debt Service:				
Interest	-	19,113	19,113	-
Debt issue costs	-	374,349	374,349	-
Total expenditures	-	1,617,147	1,617,147	-
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	10,000,000	10,000,000	-
Premium on bonds issued	-	87,745	87,745	-
Net other financing sources (uses)	-	10,087,745	10,087,745	-
Net change in fund balances	-	8,689,260	8,689,260	-
Fund balances - beginning of year	-	-	-	-
Fund balances - end of year	\$ -	8,689,260	8,689,260	-

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis)
 Northrup-Grummon Economic Development Bonds
 Year Ended September 30, 2005

		<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance From Final Budget</u>
EXPENDITURES					
Current Operating -					
Economic development and assistance	\$	-	1,570,506	1,570,506	-
Total expenditures		-	1,570,506	1,570,506	-
OTHER FINANCING SOURCES (USES)					
Long-term debt issued		-	11,314,022	11,314,022	-
Debt issue costs		-	(699)	(699)	-
Net other financing sources (uses)		-	11,313,323	11,313,323	-
Net change in fund balances		-	9,742,817	9,742,817	-
Fund balances - beginning of year		-	-	-	-
Fund balances - end of year	\$	-	9,742,817	9,742,817	-

See accompanying notes to financial statements.

JACKSON COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2005

(A) Budgetary Information

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

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

(B) 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.

JACKSON COUNTY, MISSISSIPPI
Notes to Required Supplementary Information
September 30, 2005

(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:

	<u>General</u>	<u>Roads</u>	<u>Road Improvement Bonds</u>	<u>Northrop- Grumman Economic Development Bonds</u>
Budget (cash basis)	\$ (3,940,086)	1,160,033	8,689,260	9,742,817
Increase (decrease):				
Net adjustment for revenue accruals	1,535,996	302,911	43,442	3,289,422
Net adjustment for expenditure accruals	<u>1,805,664</u>	<u>613,951</u>	<u>(225,549)</u>	<u>(3,289,422)</u>
GAAP Basis	\$ <u>(598,426)</u>	<u>2,076,895</u>	<u>8,507,153</u>	<u>9,742,817</u>

(D) Excess of Actual Expenditures Over Budget in Individual Funds

No funds had an excess of actual expenditures over budget for the year ended September 30, 2005.

SUPPLEMENTAL INFORMATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JACKSON COUNTY
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2005

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice - Office of Justice Programs -			
Passed Through the Mississippi Department of Public Safety:			
Juvenile Accountability Incentive Block Grant	16.523	2JB1301	\$ 78,886
Byrne Formula Grant Program	16.579	4NM1301	165,490
Local Law Enforcement Block Grant	16.592	2004-LB-BX-1156	38,717
COPS Methamphetamine	16.710	2002CKWX0067	61,377
COPS Technology	16.710		98,655
Domestic Cannabis Eradication Program	16.xxx	2004-69	12,750
Domestic Cannabis Eradication Program	16.xxx	2005-69	12,750
Triad Elderly Crime Prevention	16.xxx	4CA1301	5,000
Total U.S. Department of Justice			473,625
Department of Homeland Security - Federal Emergency Management			
Agency - Passed Through the Mississippi Emergency Management Agency:			
Domestic Preparedness Equipment	97.004	3SUP-54	120,066
Public Assistance - Hurricane Katrina	97.036	1604-DR-MS	1,460,965
Hazard Mitigation	97.029	HMGP 1251-037	339,328
Emergency Management Assistance Program	97.042	EMAP-2005	33,149
Total Federal Emergency Management Agency			1,953,508
U.S. Department of Transportation - Federal Highway			
Administration - Passed Through the Mississippi			
Department of Transportation:			
Alcohol Incentive - DUI Enforcement	20.601	2-J8-130-1	6,673
U.S. Department of Transportation - Federal Aviation			
Administration:			
Other transaction agreement	20.xxx	n/a	1,593,860
Airport improvement program	20.106	3-28-0101-017-2003	5,265
Airport improvement program	20.106	3-28-0101-018-2004	1,598,357
Total U.S. Department of Transportation			3,204,155
U.S. Department of Agriculture - Passed Through the			
Mississippi Department of Education:			
School Breakfast Program	10.553	12-35-2823	8,378
School Lunch Program	10.555	12-35-2823	11,205
Total U.S. Department of Agriculture			19,583
Office of National Drug Control Policy - Passed			
Through the Mississippi Department of Public Safety:			
High Intensity Drug Trafficking Area Award	07.UN	I3PGCP518	6,776
High Intensity Drug Trafficking Area Award	07.UN	I4PGCP518	8,485
High Intensity Drug Trafficking Area Award	07.UN	I4PGCP569	4,183
Total Office of National Drug Control Policy			19,444
U.S. Department of Housing and Urban Development:			
Community Development Block Grant	14.228	1119-02-030-PF-01	236,750
U.S. Department of Commerce - National Oceanic and Atmospheric			
Administration - Passed Through Mississippi Department of Environmental			
Quality -			
Mississippi Coastal Impact Assistance Program	11.419	NA170Z2170	1,106,020
U.S. Department of the Army -			
Project Cooperation Agreement	12.xxx	MP-4464013	1,766,056
U.S. Department of Treasury -			
Gang Resistance Education and Training	21.053	ATC03000131	15,209
Total expenditures of federal awards			\$ 8,794,350

See accompanying notes to schedule of expenditures of federal awards.

JACKSON COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
September 30, 2005

(1) **Basis of Presentation**

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

(2) **Subrecipients**

Jackson County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Byrne Formula Grant Program	16.579	\$ <u>44,862</u>
MS Coastal Impact Assistance Program	11.419	\$ <u>425,445</u>

SPECIAL REPORTS

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

Members of the Board of Supervisors
Jackson County, Mississippi

We have audited the primary government financial statements of 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, 2005, which collectively comprise the County's basic primary government financial statements and have issued our report thereon dated November 3, 2006. The auditors' report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the County's component units. We conducted our audit in accordance with 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the primary government financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 05-1.

We also noted certain additional matters that we reported to management of Jackson County, Mississippi in a separate letter dated November 3, 2006.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Bruce L. Saunders & O'Neil, LLC

November 3, 2006

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Members of the Board of Supervisors
Jackson County, Mississippi

Compliance

We have audited the compliance of Jackson County, Mississippi, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2005. Jackson County, Mississippi's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Jackson County, Mississippi's management. Our responsibility is to express an opinion on Jackson County, Mississippi's compliance based on our audit.

We conducted our audit of compliance in accordance with 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.

In our opinion, Jackson County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2005. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 05-2.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Jackson County, Mississippi's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 05-2.

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

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Brayton, Saunders & O'Neil, P.C.

November 3, 2006

INDEPENDENT AUDITOR'S REPORT
ON CENTRAL PURCHASING SYSTEM, INVENTORY
CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors
Jackson County, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Jackson County, Mississippi, as of and for the year ended September 30, 2005. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of Jackson County, Mississippi, is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of Jackson County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Much of the County's documentation of its compliance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) for fiscal year 2005 was lost, damaged, or destroyed during Hurricane Katrina, which struck the County on August 29, 2005.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

Because of the significance of the information we were unable to audit as described in paragraph 3 of this report, we are unable to express an opinion on Jackson County, Mississippi's compliance with state laws governing central purchasing, inventory and bid requirements.

The accompanying schedules of (1) purchases not made from the lowest bidder, (2) emergency purchases and (3) purchases made noncompetitively from a sole source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jackson County, Mississippi, and is not intended to be and should not be relied upon for any other purpose.

Bryan L. Saunders, CPA, CMA, CFP®

November 3, 2006

Schedule 1

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases Not Made From the Lowest Bidder
September 30, 2005

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reasons for For Accepting Other Than the Lowest Bid</u>
2/05	Service body	\$ 22,585	Buck Sullivan	\$ 22,222	3% bid preference for in-state vendor

Schedule 2**JACKSON COUNTY, MISSISSIPPI****Schedule of Emergency Purchases****September 30, 2005**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
3/05	Air conditioner – Youth Court	\$ 38,500	Air Handlers	Old unit quit working
9/05	Computer equip.	11,631	Reduction Technology	Hurricane Katrina
9/05	Computer equip.	59,900	Premise Inc.	Hurricane Katrina
9/05	Sheriff vehicles	130,283	Treadwell Ford	Hurricane Katrina
9/05	Computer equip.	6,635	Staples	Hurricane Katrina
9/05	Computer equip.	37,572	CDW	Hurricane Katrina
9/05	Computer equip.	108,881	PC Mall	Hurricane Katrina
9/05	ADC vehicle	19,739	Estabrook	Hurricane Katrina
9/05	Engine/generator	55,173	Kossen Equip.	Hurricane Katrina
9/05	Security fence operator	9,865	G.C. Fence	Hurricane Katrina
9/05	Limestone	16,498	Mallette Brothers	Hurricane Katrina
9/05	Office furniture	6,954	Staples	Hurricane Katrina
9/05	Sheriff vehicle	34,097	Estabrook	Hurricane Katrina
9/05	10 ATVs	99,990	Perkins Tire	Hurricane Katrina
9/05	Radios	48,350	Motorola	Hurricane Katrina
9/05	800 A-base (roads)	12,722	Mallette Brothers	Hurricane Katrina
9/05	3 generators	18,988	Nordan Smith	Hurricane Katrina
9/05	Supplies	11,259	CS&I	Hurricane Katrina
9/05	Computer equip.	6,825	CDW	Hurricane Katrina
9/05	Shelves	130,278	Southern Systems	Hurricane Katrina
9/05	Chilled water	10,612	York Int.	Hurricane Katrina
9/05	Furniture	9,407	C&C Office Supply	Hurricane Katrina
9/05	Photography equip.	5,000	Image America	Hurricane Katrina
9/05	Roof repairs	11,600	Housten Service	Hurricane Katrina
9/05	Crushed concrete	5,501	M&D Construction	Hurricane Katrina
9/05	2 motor pumps	5,000	York Intl.	Hurricane Katrina
9/05	Fence	10,153	G.C. Fence	Hurricane Katrina
9/05	Crushed concrete	11,100	M&D Construction	Hurricane Katrina
9/05	Fill dirt	6,250	Whitehead Const.	Hurricane Katrina
9/05	Repair body	10,874	Johnson Collision	Hurricane Katrina
9/05	Lumber	5,756	O.S. Lumber	Hurricane Katrina
9/05	Repair road lighting	8,824	B&B	Hurricane Katrina

Schedule 3

JACKSON COUNTY, MISSISSIPPI
Schedule of Purchases made
Noncompetitively from a Sole Source
September 30, 2005

<u>Items</u> <u>Date</u>	<u>Purchased</u>	<u>Vendor</u>	<u>Amount</u>
1/05	Firefighter equip.	Signs & Shapes	\$ 3,800
8/05	Writer recorder	Stenograph	4,070

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2005

Section 1: Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the primary government financial statements of Jackson County, Mississippi.
2. One instance of noncompliance material to the primary government financial statements of Jackson County, Mississippi that would be required to be reported in accordance with *Government Auditing Standards* was disclosed during the audit and is reported in Section 2 of this Schedule.
3. No reportable conditions in internal control over financial reporting were disclosed during the audit of the primary government financial statements.
4. One instance of non-compliance with requirements of major federal award programs is reported in Section 3 of this Schedule.
5. One reportable condition in internal control over compliance with requirements of major federal award programs is reported in Section 3 of this Schedule.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in Section 3 of this Schedule.
7. The programs tested as major programs were:

11.419	Mississippi Coastal Impact Assistance Program
12.xxx	Dept. of the Army Project Cooperation Agreement
20.106	Airport Improvement Program
20.xxx	FAA Other Transaction Agreement
97.029	Flood Mitigation Assistance
97.036	Public Assistance Disaster Grant
8. The threshold for distinguishing Types A and B programs is \$300,000.
9. Jackson County, Mississippi, was not determined to be a low-risk auditee.

JACKSON COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
September 30, 2005

Section 2: Financial Statement Findings

Compliance

05-1 Finding – Finance Department

At September 30, 2005, the County's cash balances were under-collateralized by approximately \$6,400,000. The apparent cause is the disruption to normal routines caused by Hurricane Katrina, which struck the County on August 29, 2005.

Recommendation

Bank balances and collateralization reports should continue to be monitored to ensure the accounts have been adequately collateralized.

Section 3: Federal Award Findings and Questioned Costs

05-2 Finding – Hazard Mitigation
97.029 – Department of Homeland Security

In September 2005, the County bought seven houses located in flood-prone areas from homeowners under the Flood Mitigation Assistance grant program. A signed statement of voluntary participation is required to be obtained from each homeowner participating in this program. The required signed statements were not found for five of the seven homeowners participating in this program.

Questioned Cost

There is no questioned cost associated with this finding.

Recommendation

If the County is unable to locate the signed statements, it should request the homeowners to sign new statements.

Due to the large number of federal grants the County receives, we believe the County should consider hiring a grant coordinator to, among other things, monitor compliance with grant provisions.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

JACKSON COUNTY, MISSISSIPPI
Summary Schedule of Prior Audit Findings
September 30, 2005

04-6 Finding – Department of Finance

As reported in the prior year, the County has received reimbursement for costs incurred under its Mississippi Coastal Impact Assessment Program grant prior to actually making the expenditure being reimbursed. Twenty-eight (28) reimbursements totaling \$539,776 were received from eighteen (18) to ninety-eight (98) days prior to the related costs being paid. Interest earned by the County on the funds received in advance was about \$978. It should be noted that most of these occurred while the County was without a Finance Director.

Questioned Cost

We question the \$978 interest the County earned on the grant funds received in advance.

Recommendation

The County should contact the National Oceanic and Atmospheric Administration (“NOAA”) to determine whether it should refund the interest earned. The County should comply with the cash management requirements of its grants.

Follow Up

The County has complied with this compliance requirement for the 2005 fiscal year. From discussions with the County’s Finance Director, NOAA has taken no action to recover the \$978 questioned cost from the 2004 audit finding.

CORRECTIVE ACTION PLAN

JACKSON COUNTY BOARD OF SUPERVISORS
POST OFFICE BOX 998
PASCAGOULA, MISSISSIPPI 39568-0998

March 7, 2007

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

Re: Corrective Action Plan, Jackson County, Mississippi for 2005

Gentlemen:

The corrective action plan is for the following:

05-1 The Collateralization Reports are reviewed quarterly against the bank accounts.
We will continue to do this quarterly.

The quarterly reports for September 30, 2006 were under collateralized due to Hurricane Katrina. Hancock Bank suffered a major loss in their headquarters. Therefore, Hancock Bank used the latest balance they had available to them at the time the report was due.

05-02 These signed statements were lost in Hurricane Katrina. The homeowners will be contacted to sign the required statements again.

Sincerely,

Timothy G. Broussard
Timothy G. Broussard
President