

Hinds County, Mississippi  
Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2013



# HINDS COUNTY, MISSISSIPPI

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HINDS COUNTY, MISSISSIPPI

FINANCIAL SECTION

## Independent Auditor's Report

Board of Supervisors  
Hinds County, Mississippi  
Jackson, Mississippi

### *Report on Financial Statements*

We have audited the accompanying basic financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Hinds County, Mississippi (the County), as of and for the year ended September 30, 2013, and the related notes to the basic financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hinds County Economic Development Authority (the Authority), a discretely presented component unit, which represents 40%, 58% and 8%, respectively, of the assets, net position and revenues of the component units column. We also did not audit the financial statements of Hinds County Mental Health Commission (the Commission), a discretely presented component unit, which represents 60%, 42% and 92%, respectively, of the assets, net position and revenues of the component units column. The financial statements of these entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hinds County, Mississippi as of September 30, 2013, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and retiree health plan information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by the OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Information***

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, according, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014, on our consideration of the County'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* in considering the County's internal control over financial reporting and compliance.

*BKD, LLC*

Jackson, Mississippi  
June 27, 2014

HINDS COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

HINDS COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013

The Management's Discussion and Analysis by Hinds County, Mississippi (the County) is designed to do the following (a) give a summary of the County's financial activities for the year ended September 30, 2013, (b) indicate any major financial issues, (c) show changes in the County's financial position, and (d) identify any significant variations from the County's financial plan (the original budget). This discussion and analysis by management is structured to highlight the fiscal year being audited. The financial statements and the notes to these statements give a more precise understanding of the County's financial picture.

The Management's Discussion and Analysis is a requirement from the Governmental Accounting Standards Board (GASB), which issues the standards for accounting for state and local governments. As a part of the many changes brought about by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, management is required to write a discussion and analysis for the purposes of making county government financial statements more like business statements which outline economic gain and loss.

### Using the Annual Report

The following discussion is intended to describe the County's basic financial statements, which are comprised of 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

- **Government-wide Financial Statements.** The government-wide financial statements are designed to give you a business like overview of the County's financial activities.

The focus of the Statement of Net Position is intended to be similar to the bottom line for the County and its governmental activities. It presents financial information on all the County assets and liabilities with the difference being reported as net position. From year to year, you can use the increases and decreases in net position as a possible indicator of the financial health of the County. You will be able to tell if it is improving, staying the same or weakening.

Component units, which are other governmental units over which the County (the Board of Supervisors as a group) can exercise influence and/or be obligated to provide financial assistance. These units are presented as a separate column in the government-wide statements.

The Statement of Activities is based on the gross and net cost of various activities. These are comprised of activities of government and component units, which are provided by the government's general tax and other revenues. The intent of this statement is to provide a summary of the cost analysis of the various government services.

Governmental activities of the County are comprised of general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance, and interest on long-term debt. General government includes the basic services for operating the government, collecting taxes, appraising property, building inspections, supervisors, chancery and circuit clerks, and operation of the courts. Public safety includes the Sheriff, emergency management, and fire services, while Public Works include the maintenance and construction of roads and bridges.

- **Fund Financial Statements.** The focus is on major funds rather than fund types. A fund is used to group related accounts for financial purposes or legal compliance. The funds of the County are divided into governmental and fiduciary funds.

HINDS COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013

Government funds account for basically the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide statements, governmental funds financial statements focus on current sources and uses. This is the manner in which the County's financial plan or budget is typically developed. Governmental funds include general, special revenue, debt service, and capital project funds.

- **Fiduciary Funds.** These funds are used to account for trust responsibilities of the government.
- **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.

Hinds County follows the *Mississippi County Financial Accounting Manual* to set up and maintain funds. The County adopts an annual operating budget for all governmental funds. As required supplementary information, this report includes a budgetary comparison statement for each major special revenue fund.

**Government-Wide Financial Analysis**

**Statements of Net Position**

The following statements reflect the condensed Statement of Net Position at September 30, 2013 and 2012.

**Statements of Net Position**

	<b><u>2012</u></b>	<b><u>2013</u></b>
Current assets	\$ 94,298,768	\$ 91,869,105
Capital assets, net	112,635,092	116,996,519
Total assets	<u>\$ 206,933,860</u>	<u>\$ 208,865,624</u>
Current liabilities	\$ 59,282,229	\$ 64,466,289
Long-term liabilities	50,210,406	47,363,733
Total liabilities	<u>\$ 109,492,635</u>	<u>\$ 111,830,022</u>
Net position:		
Net investment in capital assets	\$ 92,172,415	\$ 99,315,459
Restricted	6,593,556	5,282,010
Unrestricted	<u>(1,324,746)</u>	<u>(7,561,867)</u>
Total net position	<u>\$ 97,441,225</u>	<u>\$ 97,035,602</u>

There are normal financial transactions that affect the Statement of Net Position.

- Net Results of Activities - This will either increase/decrease current assets and unrestricted assets. During FY 2013, net position decreased by \$405,623 from FY 2012.

HINDS COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013

- Borrowing for Capital - This will increase financial assets and long term debt. During FY 2013, the County paid down \$3.5 million for capital projects. Long-term debt decreased overall by \$2.7 million.
- Spending Borrowed Proceeds on New Capital - This will reduce financial assets and increase capital assets. This will also increase the net investment in capital assets, which will not change total net position. In 2013, the County spent approximately \$254,000 of debt proceeds on capital projects.
- Spending of Nonborrowed Current Assets on New Capital – This will reduce current assets, increase capital assets, reduce unrestricted assets, and increase net investment in capital assets. The County spent \$10.7 million of nonborrowed cash on new capital assets during 2013.
- Principal Payment on Debt – This will reduce current assets, reduce long-term debt, reduce unrestricted net position, and increase net investment in capital assets. The County reduced principal on long-term debt by \$6.5 million.
- Reduction of Capital Assets Through Depreciation – This will reduce capital assets and net investment in capital assets. This is a noncash expense. The County recorded depreciation of \$5.9 million in FY 2013.

**Changes in Net Position**

Hinds County's total revenue for the fiscal year ended September 30, 2013 was \$77.6 million, as compared to \$85.9 million for the fiscal year ended September 30, 2012. The total cost of services provided by the County was \$77.4 million for the fiscal year ended September 30, 2013, as compared to \$75.1 million for the fiscal year ended September 30, 2012. The County had a decrease in net position of \$405,623 related to loss on derivatives contributing to a 10% reduction in revenue, while expenditures increased by 3.3%.

HINDS COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2013 and 2012.

	<u>2012</u>	<u>2013</u>
<b>Statement of Activities</b>		
Revenues:		
Program revenues		
Charges for services	\$ 9,220,891	\$ 9,074,257
Operating grants and contributions	6,379,947	7,199,168
Capital grants and contributions	4,766,456	4,934,899
General revenues		
Property taxes	54,183,817	55,703,918
Road and bridge privilege tax	2,603,261	2,714,720
Grants and contributions not restricted	2,968,634	2,856,296
Unrestricted interest income	913,639	112,072
Loss on disposal of assets	(91,085)	(30,714)
Proceeds and gain related to derivative instrument	1,615,291	(6,214,848)
Miscellaneous	3,365,545	1,226,402
Total revenues	<u>85,926,396</u>	<u>77,576,170</u>
Expenses:		
General government	23,396,596	25,332,342
Public safety	32,370,919	31,277,782
Public works	10,663,405	12,470,593
Health and welfare	3,283,966	3,022,571
Culture and recreation	1,988,102	1,791,289
Conservation of natural resources	293,731	341,510
Economic development and assistance	730,801	879,354
Interest on long-term debt	2,397,920	2,309,091
Total expenses	<u>75,125,440</u>	<u>77,424,532</u>
Special item - transfer of roads to municipalities	<u>(3,482,945)</u>	<u>(557,261)</u>
Change in net position	7,318,011	(405,623)
Net position, beginning	<u>90,123,214</u>	<u>97,441,225</u>
Net position, ending	<u>\$ 97,441,225</u>	<u>\$ 97,035,602</u>

HINDS COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013

**Governmental Activities**

The following table presents the cost of eight major services provided by the County. These are general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance, and interest on long-term debt.

**Cost of Major Services for the Taxpayers**

<u>Program</u>	<b>2013</b>		
	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General government	\$ 25,332,342	\$ 6,143,883	\$ 19,188,459
Public safety	31,277,782	7,545,069	23,732,713
Public works	12,470,593	6,792,337	5,678,256
Health and welfare	3,022,571	639,921	2,382,650
Culture and recreation	1,791,289	61,229	1,730,060
Conservation of natural resources	341,510	-	341,510
Economic development and assistance	879,354	25,885	853,469
Interest on long-term debt	2,309,091	-	2,309,091

<u>Program</u>	<b>2012</b>		
	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General government	\$ 23,396,596	\$ 4,423,418	\$ 18,973,178
Public safety	32,370,919	8,113,285	24,257,634
Public works	10,663,405	6,687,810	3,975,595
Health and welfare	3,283,966	1,078,560	2,205,406
Culture and recreation	1,988,102	61,721	1,926,381
Conservation of natural resources	293,731	-	293,731
Economic development and assistance	730,801	2,500	728,301
Interest on long-term debt	2,397,920	-	2,397,920

**Financial Analysis of the County's Funds**

As of year-end, the governmental funds reported, as audited, a fund balance of \$34.4 million. This is a decrease of \$1.4 million from the prior year's fund balance of \$35.8 million, which is due to the increase in general government and public works expenditures.

The General Fund, the County's primary operating fund, had an ending fund balance of \$10.7 million, an increase of \$1.3 million from the prior year. The Series 2007B Taxable Bonds Fund decreased \$151,269 to a fund balance of \$11,894,787.

HINDS COUNTY, MISSISSIPPI  
Management's Discussion and Analysis  
For the Year Ended September 30, 2013

**Capital Assets and Debt Administration**

**Capital Assets**

As of September 30, 2013, the County had a total of \$216.5 million invested in a variety of capital assets. The largest investments in depreciable capital assets are in roads and bridges (infrastructure) with a total of \$87.2 million (40%). Roads and bridges and other infrastructure are included, as required by GASB 34, in the County's financial records. GASB also requires depreciation, a noncash expense, to now be recorded. Accumulated depreciation was \$99.5 million at September 30, 2013. The County's total capital assets, net of depreciation, total \$117.0 million, compared to a prior year net balance of \$112.6 million.

**Debt**

At the end of September 30, 2013, the County had \$43.6 million in outstanding long-term debt. This includes general obligation bonds, limited obligation bonds, grant obligations, capital leases and other loans. This is \$3.1 million less than the prior year of \$46.7 million.

The State of Mississippi limits the amount of debt counties can issue to 20% of total assessed value. During FY 2013, Hinds County was at 2.04%, well below its current limit.

**Long-term Debt  
As of September 30, 2013**

	Balance Oct. 1, 2012	Additions	Reductions	Balance Sept. 30, 2013
Governmental Activities:				
General obligation bonds	\$ 40,370,000	\$ -	\$ (1,765,000)	\$ 38,605,000
Limited obligation bonds	599,000	-	(93,000)	506,000
Grant obligations	115,000	-	(55,000)	60,000
Capital leases	4,347,023	254,386	(3,812,458)	788,951
Other loans	1,293,035	3,200,000	(808,701)	3,684,334
Total	<u>\$ 46,724,058</u>	<u>\$ 3,454,386</u>	<u>\$ (6,534,159)</u>	<u>\$ 43,644,285</u>

HINDS COUNTY, MISSISSIPPI  
 Management's Discussion and Analysis  
 For the Year Ended September 30, 2013

**Budget - Original vs. Final**

The following is a review of the significant changes from the original budget to the final for the major governmental funds. The County's budget is a financial plan for the various departments and their management to follow during the year. This plan is made in the summer before the fiscal year starts in October. These estimates and projections change as the year progresses. Some changes to the budget are made by budget amendment, and the remainder is amended at the end of the year to reflect actual revenue received and expenditures made.

**Budget Analysis Summary**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Between Original and Final Budgets</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Between Final Budget and Actual</u>
<b><u>General Fund</u></b>					
Revenues	\$ 54,680,920	\$ 54,851,111	\$ 170,191	\$ 56,710,560	\$ 1,859,449
Expenditures	54,727,554	58,917,268	4,189,714	54,456,010	(4,461,258)
<b><u>Fund 377</u></b>					
Revenues	200,000	200,000	-	20,731	(179,269)
Expenditures	-	172,000	172,000	172,000	-

The general fund revenue was running about 3.4% ahead of budget. This was primarily due to increased collections in taxes, our major source of revenue, and an increase in fines and forfeitures. On the expenditure side, the County was able to hold expenditures below budget by approximately 7.6%. Restructuring in various departments resulted in the savings.

**Financial Contact**

The County's financial statements are designed to present users with a general overview of the County's finances and to demonstrate the County's accountability and fiduciary responsibilities for the funds it receives and the services it provides. If you have any questions or need any additional information, please contact County Administrator Carmen Y. Davis, 316 South President Street, Jackson, MS 39201, (601) 968-6501.

HINDS COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

HINDS COUNTY, MISSISSIPPI  
Statement of Net Position  
September 30, 2013

Exhibit 1

	Primary Government	Component Units		
	Governmental Activities	Economic Development Authority	Mental Health Commission	Total
<b>ASSETS</b>				
Cash	\$ 37,047,603	\$ 669,500	\$ 1,085,005	\$ 1,754,505
Property tax receivable	45,577,927	-	-	-
Fines receivable (net of allowance for uncollectibles of \$13,027,617)	597,288	-	-	-
Intergovernmental receivables	5,760,680	325	622,159	622,484
Other receivables	2,418,462	50,341	-	50,341
Prepaid items	236,446	1,653	51,995	53,648
Deferred charge - issuance cost	230,699	-	452,000	452,000
Industrial park development cost	-	4,848,510	-	4,848,510
Capital assets, net	116,996,519	184,462	6,341,246	6,525,708
<b>Total Assets</b>	<b>208,865,624</b>	<b>5,754,791</b>	<b>8,552,405</b>	<b>14,307,196</b>
<b>LIABILITIES</b>				
Claims payable	3,488,514	26,588	210,806	237,394
Amounts held in custody for others	2,611,654	-	-	-
Intergovernmental payables	4,948,190	4,334,805	-	4,334,805
Matured bonds and interest payable	18,459	-	-	-
Accrued interest payable	46,564	-	64,299	64,299
Deferred and unearned revenue	45,649,572	-	-	-
Long-term liabilities				
Due within one year:				
Capital debt	1,514,516	-	220,250	220,250
Noncapital debt	1,748,277	-	169,535	169,535
Claims and judgments payable	156,500	-	-	-
Postemployment benefit obligation	1,171,922	-	-	-
Due in more than one year:				
Capital debt	29,603,712	-	6,066,290	6,066,290
Noncapital debt	13,168,806	-	829,774	829,774
Fair value of derivative instruments	7,703,336	-	-	-
<b>Total Liabilities</b>	<b>111,830,022</b>	<b>4,361,393</b>	<b>7,560,954</b>	<b>11,922,347</b>
<b>NET POSITION</b>				
Net investment in capital assets	99,315,459	694,966	54,706	749,672
Restricted:				
Expendable:				
General government	194,546	-	-	-
Public safety	1,834,956	-	-	-
Public works	1,560,529	-	-	-
Health and welfare	410,284	-	355,343	355,343
Culture and recreation	556,547	-	-	-
Economic development	335,240	-	-	-
Debt service	389,908	-	-	-
Unrestricted	(7,561,867)	698,432	581,402	1,279,834
<b>Total Net Position</b>	<b>\$ 97,035,602</b>	<b>\$ 1,393,398</b>	<b>\$ 991,451</b>	<b>\$ 2,384,849</b>

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

HINDS COUNTY, MISSISSIPPI  
Statement of Activities  
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	Economic Development Authority	Mental Health Commission	Total
Governmental activities:								
General government	\$ 25,332,342	\$ 3,952,182	\$ 2,191,701	\$ -	\$ (19,188,459)			
Public safety	31,277,782	5,060,846	2,403,332	80,891	(23,732,713)			
Public works	12,470,593	-	1,938,329	4,854,008	(5,678,256)			
Health and welfare	3,022,571	-	639,921	-	(2,382,650)			
Culture and recreation	1,791,289	61,229	-	-	(1,730,060)			
Conservation of natural resources	341,510	-	-	-	(341,510)			
Economic development and assistance	879,354	-	25,885	-	(853,469)			
Interest on long-term debt	2,309,091	-	-	-	(2,309,091)			
Total Governmental Activities	<u>77,424,532</u>	<u>9,074,257</u>	<u>7,199,168</u>	<u>4,934,899</u>	<u>(56,216,208)</u>			
Total Primary Government	<u>\$ 77,424,532</u>	<u>\$ 9,074,257</u>	<u>\$ 7,199,168</u>	<u>\$ 4,934,899</u>	<u>(56,216,208)</u>			
Component unit:								
Hinds County Economic Development Authority	\$ 659,001	\$ -	\$ 767,660	\$ -		\$ 108,659	\$ -	\$ 108,659
Hinds County Mental Health Commission	8,834,957	7,912,009	8,779	-		-	(914,169)	(914,169)
Total Component Units	<u>\$ 9,493,958</u>	<u>\$ 7,912,009</u>	<u>\$ 776,439</u>	<u>\$ -</u>		<u>108,659</u>	<u>(914,169)</u>	<u>(805,510)</u>
General Revenues:								
Property taxes					55,703,918	-	1,279,744	1,279,744
Road and bridge privilege taxes					2,714,720	-	-	-
Grants and contributions not restricted to specific programs					2,856,296	-	-	-
Unrestricted interest income					112,072	336	7,224	7,560
Loss on disposal of assets					(30,714)	(35)	-	(35)
Gain (loss) related to derivative instrument					(6,214,848)	-	-	-
Miscellaneous					1,226,402	6,053	-	6,053
Total General Revenues					<u>56,367,846</u>	<u>6,354</u>	<u>1,286,968</u>	<u>1,293,322</u>
Change in Net Position Before Special Item					151,638	115,013	372,799	487,812
Special Item - Transfer of Roads to Municipalities					<u>(557,261)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Position after Special Items					(405,623)	115,013	372,799	487,812
Net Position - Beginning					97,441,225	1,278,385	-	1,278,385
Net Position - Ending (as restated, see Note 1A)					<u>-</u>	<u>-</u>	<u>618,652</u>	<u>618,652</u>
Net Position - Ending					<u>\$ 97,035,602</u>	<u>\$ 1,393,398</u>	<u>\$ 991,451</u>	<u>\$ 2,384,849</u>

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

HINDS COUNTY, MISSISSIPPI  
Balance Sheet - Governmental Funds  
September 30, 2013

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds	
<b>ASSETS</b>				
Cash	\$ 16,094,864	\$ 8,319,787	\$ 12,632,952	\$ 37,047,603
Property tax receivable	35,371,984	-	10,205,943	45,577,927
Fines receivable (net of allowance for uncollectibles of \$13,027,617)	597,288	-	-	597,288
Intergovernmental receivables	1,710,962	-	4,049,718	5,760,680
Other receivables	112,524	-	2,305,938	2,418,462
Due from other funds	-	-	344,370	344,370
Advances to other funds	508,000	3,575,000	-	4,083,000
Prepaid items	236,446	-	-	236,446
Total Assets	<u>\$ 54,632,068</u>	<u>\$ 11,894,787</u>	<u>\$ 29,538,921</u>	<u>\$ 96,065,776</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Claims payable	\$ 2,429,704	\$ -	\$ 1,058,810	\$ 3,488,514
Amounts held in custody for others	2,611,654	-	-	2,611,654
Intergovernmental payables	2,643,898	-	2,304,292	4,948,190
Due to other funds	344,370	-	-	344,370
Advances from other funds	-	-	4,083,000	4,083,000
Matured bonds and interest payable	-	-	18,459	18,459
Deferred and unearned revenue	35,895,029	-	10,277,588	46,172,617
Total Liabilities	<u>43,924,655</u>	<u>-</u>	<u>17,742,149</u>	<u>61,666,804</u>
Fund balances:				
Nonspendable:				
Advances to other funds	508,000	3,575,000	-	4,083,000
Prepaid items	236,446	-	-	236,446
Restricted for:				
General government	62,196	-	63,509	125,705
Public safety	-	-	1,765,751	1,765,751
Public works	-	-	1,560,529	1,560,529
Health and welfare	-	-	410,284	410,284
Culture and recreation	-	-	556,547	556,547
Economic development	-	-	122,947	122,947
Capital projects	-	7,595,340	2,122,380	9,717,720
Debt service	-	-	436,472	436,472
Committed to:				
General government	-	-	764,208	764,208
Public safety	-	-	85,573	85,573
Economic development	-	-	297,049	297,049
Capital projects	-	724,447	3,611,523	4,335,970
Unassigned	9,900,771	-	-	9,900,771
Total Fund Balances	<u>10,707,413</u>	<u>11,894,787</u>	<u>11,796,772</u>	<u>34,398,972</u>
Total Liabilities and Fund Balances	<u>\$ 54,632,068</u>	<u>\$ 11,894,787</u>	<u>\$ 29,538,921</u>	<u>\$ 96,065,776</u>

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

HINDS COUNTY, MISSISSIPPI  
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position  
 September 30, 2013

Exhibit 3-1

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 34,398,972
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$99,476,978.	116,996,519
Other long-term assets, such as fines receivable, are not available to pay for current period expenditures and, therefore, are deferred in the funds.	523,045
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(46,191,811)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(46,564)
Postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(1,171,922)
Liability for derivative instruments is not due and payable in the current period and, therefore, is not reported in the funds.	(7,703,336)
Deferred issuance cost on refunding bond issue. Bond issuance costs are expensed in funds and amortized in government-wide statements.	<u>230,699</u>
Total Net Position - Governmental Activities	<u><u>\$ 97,035,602</u></u>

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

HINDS COUNTY, MISSISSIPPI

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2013

	Major Funds			Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds	
<b>REVENUES</b>				
Property taxes	\$ 43,438,212	\$ -	\$ 12,262,965	\$ 55,701,177
Road and bridge privilege taxes	-	-	2,714,720	2,714,720
Licenses, commissions and other	2,330,098	-	94,332	2,424,430
Fines and forfeitures	1,435,580	-	153,567	1,589,147
Intergovernmental	4,017,085	-	9,697,909	13,714,994
Charges for services	3,360,406	-	2,928,044	6,288,450
Interest income	55,561	20,731	35,780	112,072
Miscellaneous	442,646	-	175,769	618,415
Total Revenues	<u>55,079,588</u>	<u>20,731</u>	<u>28,063,086</u>	<u>83,163,405</u>
<b>EXPENDITURES</b>				
Current:				
General government	23,271,650	172,000	2,956,847	26,400,497
Public safety	28,177,817	-	5,031,795	33,209,612
Public works	-	-	14,260,331	14,260,331
Health and welfare	1,880,664	-	1,211,984	3,092,648
Culture and recreation	69,853	-	1,680,267	1,750,120
Conservation of natural resources	341,510	-	-	341,510
Economic development and assistance	71,166	-	813,178	884,344
Debt service:				
Principal	200,970	-	6,331,721	6,532,691
Interest	10,332	-	2,221,864	2,232,196
Total Expenditures	<u>54,023,962</u>	<u>172,000</u>	<u>34,507,987</u>	<u>88,703,949</u>
Excess of Revenues over (under) Expenditures	<u>1,055,626</u>	<u>(151,269)</u>	<u>(6,444,901)</u>	<u>(5,540,544)</u>

HINDS COUNTY, MISSISSIPPI

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Continued)

For the Year Ended September 30, 2013

Exhibit 4

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Series 2007B Taxable Bonds Fund</u>	<u>Other Governmental Funds</u>	
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 254,387	\$ -	\$ 3,200,000	\$ 3,454,387
Proceeds from sale of capital assets	177,837	-	15,318	193,155
Compensation for loss of capital assets	408,371	-	37,394	445,765
Transfers in	18,529	-	903,274	921,803
Transfers out	(635,147)	-	(286,656)	(921,803)
Total Other Financing Sources (Uses)	<u>223,977</u>	<u>-</u>	<u>3,869,330</u>	<u>4,093,307</u>
Net Change in Fund Balances	1,279,603	(151,269)	(2,575,571)	(1,447,237)
Fund Balances - Beginning	<u>9,427,810</u>	<u>12,046,056</u>	<u>14,372,343</u>	<u>35,846,209</u>
Fund Balances - Ending	<u>\$ 10,707,413</u>	<u>\$ 11,894,787</u>	<u>\$ 11,796,772</u>	<u>\$ 34,398,972</u>

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

HINDS COUNTY, MISSISSIPPI

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,447,237)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$10,908,472 exceeded depreciation of \$5,906,232 in the current period.	5,002,240
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the transfer of roads to municipalities of \$557,261 and the net proceeds from the sale of capital assets in the amount of \$83,552 in the current period.	(640,813)
Fines revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition was required on the Statement of Activities using the full accrual basis of accounting.	72,241
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that short and long-term debt repayments of \$6,532,691 exceeded proceeds of \$3,454,387 (gross of premium).	3,078,304
Governmental Funds do not report the change in fair value of the derivative instrument. However, in the Statement of Activities, the change in fair value is recorded in the Statement of Activities as an item of general revenues.	(6,214,848)
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(8,527)
The amount of increase in postemployment benefit obligation	(355,589)
The amount of decrease in accrued interest payable	88,398
The amount of decrease in claims and judgments payable	185,500
The amortization of deferred bond refunding charge	(54,524)
The amortization of issuance cost on bonds	<u>(110,768)</u>
Change in Net Position of Governmental Activities	<u>\$ (405,623)</u>

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

HINDS COUNTY, MISSISSIPPI  
Statement of Fiduciary Assets and Liabilities  
September 30, 2013

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,220,225
Other receivables	147,973
Total Assets	<u>\$ 1,368,198</u>
LIABILITIES	
Other liabilities	\$ 1,194,981
Intergovernmental payables	173,217
Total Liabilities	<u>\$ 1,368,198</u>

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

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Hinds 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 Hinds County to present these financial statements on the primary government and its two component units which have significant operational or financial relationships with the County.

Discretely Presented Component Units

The component unit columns in the financial statements include the financial data of the following component units of the County. They are reported in separate columns to emphasize that they are legally separate from the County.

Hinds County Economic Development Authority – In accordance with House Bill No. 1687 of the laws of the State of Mississippi, the Hinds County Board of Supervisors established the Hinds County Economic Development Authority (the Authority). The Board of Supervisors appoints board members to the Authority and provides the Authority with operating funds. The County provided \$724,135 of funds to the Authority for operations during the fiscal year ended September 30, 2013, pursuant to the related property tax millage assessed and collected. Complete financial statements for the Authority can be obtained from 909 North President Street, Jackson, Mississippi 39202.

Hinds County Mental Health Commission – Pursuant to Miss. Code Sections 41-19-31 and 41-19-33 and a resolution adopted by the Hinds County Board of Supervisors, the Hinds County Mental Health Commission (the Commission) was formed. The Commission is governed by a seven-member Board appointed by the Hinds County Board of Supervisors. The County provided \$1,276,165 of funds to the Commission for operations during the County's fiscal year ended September 30, 2013, pursuant to the related property tax millage assessed and collected. The Commission operates on a calendar year reporting cycle and the financial statements as of and for the year ended December 31, 2012, are included in the government-wide financial statements. The beginning net position of the Commission was increased by \$394,562 to \$618,652. The increase in beginning net position was comprised of the following items: \$199,841 for the inclusion of a major proprietary fund of the Commission that was excluded from 2011 financial statements, \$5,545 for the correction of an error for accounts payable and \$189,176 for the correction of an error for accumulated depreciation. The revised 2011 changes in net position of the Commission were increased by \$5,545 for the correction of an error and (\$351,762) for the inclusion of the major proprietary fund. The \$189,176 error correction did not have an impact on the 2011 changes in net position of the Commission. Financial statements for the Commission can be obtained from 3450 Highway 80 West, Jackson, Mississippi 39209.

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

- Board of Supervisors
- Chancery Clerk
- Circuit Court Clerk

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from its legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities of the County and its component units 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 its component units. 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 and 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 charges have been eliminated against the expenses and program revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The government-wide 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

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

requirements have been satisfied. Agency Funds have no measurement focus, but use the accrual basis of accounting.

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

Series 2007B Taxable Bonds Fund - This capital projects fund is used to account for proceeds from the \$14,000,000 Mississippi Development Bank Special Obligation Taxable Bonds, Series 2007B (Hinds County, Mississippi General Obligation Public Parking Project).

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. Its revenues are primarily derived from property and other local taxes, charges for services and interest income. Its expenditures primarily relate to the operation and maintenance of the County.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are restricted or committed 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.

#### 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.

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

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 2012 by the Government Finance Officers Association.

E. Use of Estimates.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net position during the reporting period. Actual results could differ from those estimates.

F. 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. The County did not make any investments during the fiscal year.

Cash includes cash on hand, demand deposits, 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. The County did not invest in any governmental securities during the fiscal year.

G. Receivables.

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

H. Deferred Bond Issuance Costs.

Bond issuance costs incurred on the revenue bond issues have been deferred and are being amortized over the life of the bonds using the straight-line method. Total amortization for the year ended September 30, 2013, was \$110,768.

I. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are reported as nonspendable fund balance. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

J. Prepaid Items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

K. 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 government-wide financial statements. 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 asset, 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 for governmental activities.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Hinds County meets these criteria and has so elected. 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.

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

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A
Infrastructure	-	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	*	*

\* Capitalization thresholds and estimated useful lives of leased property will correspond with the amounts for the asset classification, as listed above.

L. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities within the Statement of Net Position. Bond

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates 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.

In the fund financial statements, Governmental Fund Types recognize bond premiums and discounts, as well as bond issuance costs incurred 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.

M. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position for the primary government and its discretely presented component unit and is displayed in the following components:

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

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors or laws and regulations of other governments; or law through constitutional provisions or enabling legislation. The County first applies restricted net position when an expenditure or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as one of the five components below:

Nonspendable - Amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed - Amounts that can be used only for the specific purposes determined by resolution of the Board of Supervisors. Commitments may be changed or lifted only by issuance of a resolution by the Board of Supervisors.

Assigned - Amounts intended to be used by the County for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

Unassigned - The residual classification for the General Fund and includes all amounts not contained in the other classifications.

The County considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The County applies committed amounts first, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

N. Property Tax Revenues.

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

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

Accounting principles generally accepted in the United States of America require property taxes receivable to be recognized at the levy date. Because property taxes are levied in a period other than in the period for which they are to be used in accordance with state law, they are deferred and recognized as revenue in the year after the levy. 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.

O. 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.

P. 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. 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.

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Q. Deferred Revenue.

Deferred revenue represents real property tax revenues levied or collected for the ensuing fiscal year and advances on grants and contract awards for which the County has not met all of the applicable eligibility requirements.

R. Future Effective Accounting Pronouncements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, (GASB 65) is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, (GASB 68) is effective for periods beginning after June 15, 2014. This Statement requires the recognition of the entire net pension liability attributable to the governmental entity and provides for a more comprehensive measure of pensions expense for employer and governmental nonemployer contributing entity financial reports.

S. Operating Leases.

The County is party to a number of immaterial operating leases for real estate.

T. Change in Accounting Principles.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*, is effective for periods beginning after June 15, 2012. This Statement amends criteria for including, presenting and disclosing information about component units and other related organizations in a government reporting entity's financial statements. There was no effect on the component unit determination of the County with the adoption of GASB 61.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, is effective for periods beginning after December 15, 2011. It provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position (which is the net residual amount of the other elements). This Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. GASB 63 also amends certain provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets. There was no effect on the fund balance or net position of the County with the adoption of GASB 63.

(2) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$38,248,622 (including Agency Funds and excluding petty cash of \$19,205), and the bank balance was \$44,230,392, of which all was insured or collateralized. The collateral for public entities' deposits in

HINDS COUNTY, MISSISSIPPI  
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financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

The carrying amount of the discretely presented component units, Hinds County Economic Development Authority, total deposits with financial institutions at September 30, 2013, was \$669,500, and the bank balance was \$683,479, of which all was insured or collateralized. These funds are collateralized under the same program as the County's funds above.

The carrying amount of the other discretely presented component unit's, Hinds County Mental Health Commission, total deposits with financial institutions at December 31, 2012, was \$1,085,005, and the bank balance was \$1,333,676, of which all was insured or collateralized. These funds are collateralized under the same program as the County's funds above.

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

Investments:

The County had no investments at the fiscal year-end.

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013.

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 344,370

The receivables represent the tax revenue collected but not settled until October 2013. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Series 2007B Taxable Bonds Fund	Other Governmental Funds	\$ 3,575,000
General Fund	Other Governmental Funds	508,000
Total		<u>\$ 4,083,000</u>

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The principal purpose of advances to Other Governmental Funds was to provide operating capital for federal, state and local grants in order to pay for operations of the funds until reimbursed.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 18,529
Other Governmental Funds	General Fund	635,146
Other Governmental Funds	Other Governmental Funds	<u>268,128</u>
Total		<u>\$ 921,803</u>

The principal purposes of interfund transfers were to provide funds for grant matches, to provide funds as budgeted for operations, to provide funds to pay for capital outlays or to provide funds to pay for debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 1,064,266
Reimbursement for housing prisoners	424,320
Public safety grants	360,914
Public works grants	3,676,519
Other	<u>234,661</u>
Total governmental activities	<u>\$ 5,760,680</u>

(5) Loan Receivable.

The County's loan receivable balance at September 30, 2013, is as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
King Edward Revitalization Company - CDBG Loan	05/05/09	1.00%	11/01/30	<u>\$ 2,304,292</u>

This loan originated as a grant from the Mississippi Development Authority (MDA). The County loaned the grant funds to the King Edward Revitalization Company (KERC). The County is responsible for monitoring the loan, collecting principal and interest payments from KERC and remitting all principal and interest received to MDA. The related payable to MDA is recorded as an intergovernmental payable.

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(6) Development of Industrial Parks.

Component Unit - Hinds County Economic Development Authority:

J. C. "Sonny" McDonald Industrial Center

In 1994, the County issued general obligation bonds in the amount of \$6,100,000 to provide funds principally for the purchase of land and the payment of development costs associated with two industrial parks (\$5,539,000), with the remaining funds to be used for improvements to existing parks located in the County.

The Hinds County Board of Supervisors granted ownership of the new industrial park properties to the Hinds County Economic Development Authority (the Authority) with the right and responsibility of developing and marketing such properties. All proceeds received by the Authority from the sale of the properties are to be immediately disbursed to the County for use in retiring the bond indebtedness.

The Authority has been in the process of developing the J. C. "Sonny" McDonald Industrial Center, and the following expenditures, net of cost of sales, impairments and nonsalable portion, have been incurred for the purchase of land and development costs as of September 30, 2013.

Land	\$ 897,402
Land development costs	<u>3,440,603</u>
	<u><u>\$ 4,338,005</u></u>

Hinds County AeroTech Park (formerly West Hinds County Industrial Park)

In June 2007, the Hinds County Board of Supervisors donated 343.81 acres of the John Bell Williams Airport land to the Authority so that it could be developed into an Industrial Park. The land was recorded at the book value recorded by the County. The Authority has begun to develop this property as Hinds County AeroTech Park. The land and development costs to date on this park are as follows:

Land, transferred from Hinds County	\$ 223,532
Land development costs	<u>286,973</u>
	<u><u>\$ 510,505</u></u>

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(7) Capital Assets.

Primary Government:

The following is a summary of capital assets activity for the year ended September 30, 2013.

	Balance 10/01/12	Additions	Deletions	Transfers*	Balance 09/30/13
<u>Nondepreciable capital assets:</u>					
Land	\$ 1,527,841	\$ -	\$ -	\$ -	\$ 1,527,841
Construction in progress	13,302,023	7,139,230	-	(3,088,485)	17,352,768
Total nondepreciable capital assets	<u>14,829,864</u>	<u>7,139,230</u>	<u>-</u>	<u>(3,088,485)</u>	<u>18,880,609</u>
<u>Depreciable capital assets:</u>					
Infrastructure	86,542,715	29,624	-	670,667	87,243,006
Buildings	57,207,930	-	-	-	57,207,930
Improvements other than buildings	12,575,126	205,717	-	704,980	13,485,823
Mobile equipment	17,141,847	1,858,570	(392,249)	2,288,170	20,896,338
Furniture and equipment	6,537,585	1,421,009	(417,118)	9,748,033	17,289,509
Leased property under capital leases	12,116,174	254,322	(19,588)	(10,880,626)	1,470,282
Total depreciable capital assets	<u>192,121,377</u>	<u>3,769,242</u>	<u>(828,955)</u>	<u>2,531,224</u>	<u>197,592,888</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	(47,624,937)	(1,442,023)	-	-	(49,066,960)
Buildings	(17,991,760)	(1,097,028)	-	-	(19,088,788)
Improvements other than buildings	(5,317,825)	(484,608)	-	-	(5,802,433)
Mobile equipment	(13,128,154)	(1,148,767)	327,630	(1,025,773)	(14,975,064)
Furniture and equipment	(5,391,547)	(1,583,761)	400,144	(3,093,284)	(9,668,448)
Leased property under capital leases	(4,861,926)	(150,045)	17,629	4,119,057	(875,285)
Total accumulated depreciation	<u>(94,316,149)</u>	<u>(5,906,232)</u>	<u>745,403</u>	<u>-</u>	<u>(99,476,978)</u>
Total depreciable capital assets, net	<u>97,805,228</u>	<u>(2,136,990)</u>	<u>(83,552)</u>	<u>2,531,224</u>	<u>98,115,910</u>
Governmental activities capital assets, net	<u>\$ 112,635,092</u>	<u>\$ 5,002,240</u>	<u>\$ (83,552)</u>	<u>\$ (557,261)</u>	<u>\$ 116,996,519</u>

\* Transfers represent construction-in-progress costs transferred to municipalities or placed in service due to project completion during the year ended September 30, 2013.

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 238,836
Public safety	2,138,123
Public works	3,375,298
Health and welfare	112,804
Culture and recreation	<u>41,171</u>
Total governmental activities depreciation expense	<u>\$ 5,906,232</u>

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Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Byram-Clinton Corridor (Wastewater)	\$ 185,182	12/31/2014
Byram-Clinton Corridor (ROW)	335,794	12/31/2014
Byram Swinging Bridge	2,795	12/31/2014
John Bell Williams Airport	89,425	12/31/2014
Safe Routes to Schools	2,410	12/31/2014
MDA - DIP Grant (Irby Project)	102,881	06/30/2014
Joe Coker Road Bridge	9,385	09/30/2014
Neil Collins Road Bridge	2,777	09/30/2014
Frank Hall Road Bridge 2	8,904	09/30/2014
Chapman Road Bridge 2	7,914	09/30/2014
Lake Circle Road Bridge	1,649	09/30/2014
Flowers Road Bridge	7,251	09/30/2014
Tank Road	228,240	09/30/2014
Oakley Palestine Road (Full Depth)	908,346	12/31/2014
White Construction - RDC Reconstruction	692,895	07/31/2014
AJA Management - RDC Reconstruction	10,417	07/31/2014
Raymond Courthouse Cupola	7,200	12/31/2014
CDBG Eastside Water (Allen & Hoshall)	7,665	11/30/2014
CDBG Eastside Water (Sunbelt Research)	32,000	11/30/2014
	<u>\$ 2,643,130</u>	

Component Units:

The component units' capital asset balances are as follows:

	12/31/2012		9/30/2013		Total
	Mental Health Commission		Economic Development Authority		
Property and equipment:					
Building	\$ 5,803,500		\$ 164,480		\$ 5,967,980
Land	1,019,322		65,000		1,084,322
Automobiles	122,164		38,577		160,741
Furniture and equipment	833,088		99,391		932,479
Leasehold improvements	147,909		-		147,909
	<u>7,925,983</u>		<u>367,448</u>		<u>8,293,431</u>
Less accumulated depreciation and amortization	<u>(1,584,737)</u>		<u>(182,986)</u>		<u>(1,767,723)</u>
Component unit capital assets, net	<u>\$ 6,341,246</u>		<u>\$ 184,462</u>		<u>\$ 6,525,708</u>

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(8) Claims and Judgments.

Risk Financing:

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective January 1, 2013 through January 1, 2014. 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 public official liability, law enforcement liability, automobile liability, personal property damage and employment practices. The County protects itself against loss in these areas with commercial insurance coverage of \$500,000 to \$2,000,000 and retention deductibles ranging from \$0 to \$100,000.

Settled claims did not exceed insurance coverage for the fiscal years ended September 30, 2011, September 30, 2012 or September 30, 2013. The Government-wide Statement of Net Position as of September 30, 2013, presents a liability of \$156,500, representing unpaid judgments and estimated future settlements. Several legal suits are outstanding against the County at any given time during a fiscal year. While the County believes it has meritorious defenses against each suit, the ultimate resolution of each matter, each of which is expected to occur within one year, could result in losses of up to \$2,400,000 in excess of the amount accrued.

(9) Capital Leases.

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013.

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 707,180
Nonmobile equipment	763,102
	1,470,282
Less accumulated depreciation	(875,285)
Leased property under capital leases	\$ 594,997

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The following is a schedule by years of the total payments due as of September 30, 2013.

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 287,200	\$ 11,968
2015	284,294	7,167
2016	166,935	3,242
2017	<u>50,522</u>	<u>1,459</u>
Total	<u>\$ 788,951</u>	<u>\$ 23,836</u>

(10) Postemployment Benefits Other Than Pensions.

A. Plan Description.

The County administers a single-employer defined benefit health care plan (the Plan). The Plan provides lifetime health care insurance for eligible retirees and their spouses through the County's group health insurance plan, which covers both active and retired members. Benefits are established by the Board of Supervisors. The Plan does not issue a public available financial report.

B. Funding Policy.

Benefits of the Plan are provided through a fully-insured program with United Healthcare. Contributions by participating retired employees at rates determined by the Board of Supervisors are required for continued participation. The employer has not contributed any amounts to finance future benefits under the Plan to either current or future retirees.

C. Annual OPEB Cost and Net OPEB Obligation.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a 30-year period. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the County's net OPEB obligation to the Plan:

Annual required contribution	\$ 383,588
Interest on net OPEB obligation	36,735
Adjustment to annual requirement contribution	<u>(40,192)</u>
Annual OPEB cost	380,131
Contributions made	<u>24,542</u>
Increase in net OPEB obligation	355,589
Net OPEB obligation - beginning of year	<u>816,333</u>
Net OPEB obligation - end of year	<u>\$ 1,171,922</u>

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The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for fiscal years 2011, 2012 and 2013 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/11	\$ 191,993	11.0%	\$ 632,511
09/30/12	207,116	11.2%	816,333
09/30/13	380,131	6.5%	1,171,922

D. Funded Status and Funding Progress.

As of September 30, 2013, the actuarial accrued liability for benefits was \$1,974,971, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$27,377,968, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.2%.

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

E. Methods and Assumptions.

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

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2000 United States Life Tables for Males and Females were used.

Turnover - Nongroup-specific, age-based turnover data from GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*, was used as the basis for assigning active members a probability of remaining employed until the assumed

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retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health care cost trend rate - The expected rate of increase in health care insurance premiums was based on projections from health economists. A rate of 10% initially, reduced to an ultimate rate of 5% over 10 years, was used.

Health insurance premiums - 2013 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption used was 2%.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount rate of 4.5% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2013 was 25 years.

(11) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Mississippi Development Bank Special Obligation Bonds, Series 2005 (Hinds County, Mississippi General Obligation Public Improvements Bond Project)	\$ 560,000	3.00% to 5.25%	10/01/35
Mississippi Development Bank Special Obligation Bonds, Series 2007A (Hinds County, Mississippi General Obligation Public Improvements and Refunding Bond Project)	22,620,000	4.00% to 5.00%	10/01/36
Mississippi Development Bank Special Obligation Taxable Bonds, Series 2007B (Hinds County, Mississippi General Obligation Public Parking Project)	12,590,000	5.46%	10/01/36
Mississippi Development Special Obligation Bonds, Series 2010	2,220,000	3.00% to 4.25%	06/01/30
General Obligation Refunding Bond, Series 2011	<u>615,000</u>	1.70% to 2.45%	07/15/14
Total General Obligation Bonds	<u>\$ 38,605,000</u>		

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Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>B. Limited Obligation Bonds:</b>			
Tax Increment Limited Obligation Bonds, Series 1997 (Wal-Mart)	\$ 165,000	5.60%	09/01/17
Tax Increment Financing Revenue Bond, Series 2005 (Byram Parkway Project)	216,000	5.34%	04/01/18
Tax Increment Financing Revenue Bond, Series 2008 (Byram Parkway Project)	<u>125,000</u>	4.96%	04/01/18
Total Limited Obligation Bonds	<u><u>\$ 506,000</u></u>		
<b>C. Grant Obligations:</b>			
Jackson Redevelopment Authority, City of Jackson, Hinds County, Mississippi Urban Renewal Bonds (Jackson Mall Area Project), Series 1998-A	<u>\$ 60,000</u>	4.1% to 5.70%	11/01/13
Total Grant Obligations	<u><u>\$ 60,000</u></u>		
<b>D. Capital Leases:</b>			
Road Equipment	\$ 193,545	2.89%	11/01/16
Self-contained Breathing Apparatus Equipment	191,008	0.00%	09/15/16
Sheriff's Vehicle	155,308	1.99%	09/15/15
Sheriff's Vehicle	12,840	2.54%	04/15/15
Sheriff's Vehicle	12,840	2.54%	04/15/15
2013 BancorpSouth 2013 Video Arraignment Equipment	109,309	2.08%	04/23/16
2013 BancorpSouth Vehicles	<u>114,101</u>	1.78%	05/24/16
Total Capital Leases	<u><u>\$ 788,951</u></u>		
<b>E. Other Loans:</b>			
MDA Energy Loan	\$ 93,206	3.50%	10/01/15
Unisys Computer Loan	924,462	1.63%	05/01/17
2013 General Obligation Note	<u>2,666,666</u>	1.90%	10/01/18
Total Other Loans	<u><u>\$ 3,684,334</u></u>		

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

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 1,760,000	\$ 1,825,610	\$ 96,000	\$ 25,599
2015	1,210,000	1,761,752	105,000	20,327
2016	1,485,000	1,703,622	113,000	14,589
2017	1,540,000	1,630,023	117,000	8,362
2018	1,605,000	1,553,682	75,000	1,951
2019 - 2023	6,920,000	6,753,015	-	-
2024 - 2028	8,100,000	5,080,881	-	-
2029 - 2033	9,695,000	2,974,049	-	-
2034 - 2038	6,290,000	605,742	-	-
<b>Total</b>	<b>\$ 38,605,000</b>	<b>\$ 23,888,376</b>	<b>\$ 506,000</b>	<b>\$ 70,828</b>

  

Year Ending September 30	Grant Obligations		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 60,000	\$ 1,230	\$ 810,249	\$ 70,154
2015	-	-	811,854	54,409
2016	-	-	764,449	38,713
2017	-	-	764,449	24,465
2018	-	-	533,333	10,323
<b>Total</b>	<b>\$ 60,000</b>	<b>\$ 1,230</b>	<b>\$ 3,684,334</b>	<b>\$ 198,064</b>

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, 2013, the amount of outstanding debt was equal to 2.04% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased portions of certain bonds by placing the proceeds of refunding issues in an irrevocable trust to provide for future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the County's financial statements. On September 30, 2013, \$5,715,000 of bonds outstanding were considered defeased.

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For the Year Ended September 30, 2013

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013.

	Balance Oct. 1, 2012	Additions	Reductions	Balance Sept. 30, 2013	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,496,087	\$ 8,527	\$ -	\$ 2,504,614	\$ 249,344
Other post employment benefits	816,333	355,589	-	1,171,922	-
Claims and judgments payable	342,000	-	(185,500)	156,500	156,500
General obligation bonds	40,370,000	-	(1,765,000)	38,605,000	1,760,000
Deferred bond refunding charge	(168,112)	-	54,524	(113,588)	-
Limited obligation bonds	599,000	-	(93,000)	506,000	96,000
Grant obligations	115,000	-	(55,000)	60,000	60,000
Capital leases	4,347,023	254,386	(3,812,458)	788,951	287,200
Other loans	1,293,035	3,200,000	(808,701)	3,684,334	810,249
<b>Total</b>	<b>\$ 50,210,366</b>	<b>\$ 3,818,502</b>	<b>\$ (6,665,135)</b>	<b>\$ 47,363,733</b>	<b>\$ 3,419,293</b>

Compensated absences and claims and judgments payable typically are liquidated through the General Fund.

Component Unit:

The debt outstanding at December 31, 2012 for the Hinds County Mental Health Commission, is as follows:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Revenue Bonds:			
Mississippi Hospital Equipment and Facilities Authority, Series 2006	<u>\$ 6,145,000</u>	5.30 to 6.10%	05/01/31
B. Other Loans:			
Loan Payable	<u>\$ 870,570</u>	2.30%	08/01/32

The Commission has pledged future county tax revenues, less any applicable permitted encumbrances, and project revenues for the clinical division, if necessary, to repay \$7,000,000 in Mississippi Hospital Equipment and Facilities Authority Revenue Bonds issued in 2006. Proceeds from the bonds provided financing for the capital improvements of the building that houses the clinical division. The bonds are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 50% of tax revenues.

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

Annual debt service requirements to maturity at December 31, 2012 for the following debt reported in the Hinds County Mental Health Commission's Statement of Net Position are as follows:

Year Ending	Revenue Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2013	\$ 185,000	\$ 365,768	\$ 35,250	\$ 19,720
2014	195,000	355,962	36,068	18,903
2015	205,000	345,628	36,905	18,066
2016	220,000	333,840	37,761	17,210
2017	230,000	321,190	38,637	16,334
2018- 2022	1,375,000	1,390,325	207,054	67,801
2023 - 2027	1,830,000	928,725	232,212	42,643
2028 - 2032	1,905,000	299,025	246,683	14,428
Total	<u>\$ 6,145,000</u>	<u>\$ 4,340,463</u>	<u>\$ 870,570</u>	<u>\$ 215,105</u>

The following is a summary of changes in long-term liabilities and obligations for the year ended December 31, 2012 for the Hinds County Mental Health Commission.

	Balance	Additions	Reductions	Balance	Amount Due
	Jan. 1, 2012			Dec. 31, 2012	Within One Year
Revenue bonds	\$ 6,320,000	\$ -	\$ (175,000)	\$ 6,145,000	\$ 185,000
Other loans	896,446	-	(25,876)	870,570	35,250
Compensated absences	271,805	15,630	(17,156)	270,279	169,535
Total	<u>\$ 7,488,251</u>	<u>\$ 15,630</u>	<u>\$ (218,032)</u>	<u>\$ 7,285,849</u>	<u>\$ 389,785</u>

(12) Derivative Instruments.

The County applies GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, (GASB 53) to the reporting of the two transactions the County has entered into as described in the following paragraphs. GASB 53 provides recognition, measurement and disclosure requirements of derivative instruments entered into by governments. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also expose governments to significant risks and liabilities. The changes in fair value of derivative instruments that are used for investment purposes or that are reported as investment derivative instruments because of ineffectiveness are reported within the investment revenue classification. Alternatively, the changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the Statement of Net Position as deferrals.

The County retained the services of an independent company specializing in valuation of derivatives to evaluate and value its derivative instruments as of September 30, 2013, as part of its adoption of GASB 53. Because neither of the instruments discussed below qualify as hedging derivative instruments under GASB 53, the derivative instruments have been accounted for as investment derivative instruments. The swap value is determined using the zero-coupon method. This method calculates the future net settlement

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

Changes in Derivative Agreements - On March 10, 2011, the County entered into an amended and restated agreement with both of the below instruments. Under the terms of the new agreements, all payments required to be made under the agreements are terminated for a period of four years.

2006 Interest Rate Swap:

On May 1, 2006, the County and the Mississippi Development Bank [collectively “the County”] executed a confirmation with RFPC Capital Services, LLC (a subsidiary of Rice Financial Products Company) [the “2006 Swap Counterparty”] in connection with the execution of an Interest Rate Swap Agreement [the “2006 Swap Agreement”] in an attempt to reduce the debt service costs associated with certain outstanding obligations of the County. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds, Series 2005 [Hinds County, Mississippi General Obligation Public Improvements Bond Project] issued to fund certain public improvements for the County. The notional amount of the swap was \$7,445,000, subject to a multiplier which made the effective notional amount of the swap \$29,780,000. The County received a payment of \$875,000 from the 2006 Swap Counterparty when the swap was initiated for the purpose of paying certain costs associated with the swap, including legal and financial advisory fees.

Under the 2006 Swap Agreement, the County received a fixed rate from the 2006 Swap Counterparty and, in return, paid a fixed rate less an Adjustment Factor. The Adjustment Factor exposed the County to changes in the ratio between the tax-exempt BMA Index and LIBOR. Payments on the swap were exchanged semiannually.

On September 19, 2007, the 2006 Swap Agreement was amended to decrease the notional amount to \$1,600,000 and amend the multiplier to leave the effective notional amount at \$29,780,000. The County received an additional payment of \$300,000. Under the amendment, the County pays a variable rate indexed to the SIFMA Municipal Swap Index (SIFMA) divided by a fixed divisor of 0.604 and received a fixed rate less an adjustment factor based primarily on the relationship between LIBOR and SIFMA through September 18, 2007, and receives a variable rate based primarily on either LIBOR or the ISDA-swap rate based on certain conditions from September 19, 2007 through September 30, 2009, and then will receive a variable rate based primarily on a percentage of the ISDA-swap rate from October 1, 2009 through maturity. All amounts to be received by the County under this agreement are subject to a multiplier. The swap will terminate on October 1, 2035. An early termination of the swap transaction may result in the County making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2013, the fair value of the transaction was a liability of \$3,356,376.

2007 Interest Rate Swap:

On July 23, 2007, the County and the Mississippi Development Bank [collectively “the County”] executed a confirmation with RFPC Capital Services, LLC (a subsidiary of Rice Financial Products Company) [the “2007 Swap Counterparty”] in connection with the execution of an Interest Rate Swap Agreement [the “2007 Swap Agreement”] in an attempt to reduce the debt service costs associated with certain outstanding obligations of the County. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds, Series 2007A [Hinds County, Mississippi General Obligation Public Improvement and Refunding Bond Project] and Mississippi Development Bank Taxable Special Obligation Bonds, Series 2007B [Hinds County, Mississippi General Obligation Public Parking Bond Project] issued

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

to fund certain public improvements for the County. The notional amount of the swap is \$39,500,000. The County received a payment of \$500,000 from the 2007 Swap Counterparty when the swap was initiated for the purpose of paying certain costs associated with the swap, including legal and financial advisory fees.

Under the 2007 Swap Agreement, the County pays a variable rate indexed to the SIFMA divided by a fixed divisor of 0.604 and receives a variable rate based primarily on either LIBOR or the ISDA-swap rate based on certain conditions through September 30, 2010. Starting October 1, 2010, through maturity, the County will receive a variable rate based on a percentage of the ISDA-swap rate plus a fixed spread. Payments on the swap are exchanged semiannually. The swap will terminate on October 1, 2036. An early termination of the swap transaction may result in the County making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2013, the fair value of the transaction was a liability of \$4,346,960.

Risks Associated with the Swap Agreements:

Credit Risk - The County's swap relies on the performance of the Swap Counterparty. The County is exposed to the risk that the Swap Counterparty is unable to fulfill its obligations to the County. The obligations of the Swap Counterparty to the County are guaranteed by a third-party guarantor that maintains credit ratings of "AA" or better by Moody's Investors Service, Standard & Poor's and Fitch.

Basis Risk - The County pays fixed rates on the Mississippi Development Bank Special Obligation Bonds, Series 2005 (Hinds County, Mississippi General Obligation Public Improvements Bond Project) and on the Mississippi Development Bank Special Obligation Bonds, Series 2007A (Hinds County, Mississippi General Obligation Public Improvement and Refunding Bond Project) and the Mississippi Development Bank Taxable Special Obligation Bonds, Series 2007B (Hinds County, Mississippi General Obligation Public Parking Bond Project). The interest rate swaps do not address any basis risk.

Termination Risk - The swap agreements do not contain any extraordinary termination events or triggers that would expose the County to significant termination risk. If the Swap Counterparty fails to meet its obligations to the County, these obligations will be met by a third-party guarantor that maintains credit ratings of "AA" or better by Moody's Investors Service, Standard & Poor's and Fitch. If the third-party guarantor suffers a loss of creditworthiness, the Swap Counterparty shall find an acceptable replacement guarantor. If such replacement guarantor is not available or if the County fails to meet its obligations to the Swap Counterparty, the termination provisions in the Swap Agreements will apply. The County may be liable for a payment equal to the fair value of the swap if a termination occurs prior to the termination date of the swap and that fair value is negative.

Interest Rate Risk - Under the Amended 2006 Swap Agreement, the County was subject to interest rate risk for changes in the six-month LIBOR rate through September 30, 2009, to changes in SIFMA and to changes in the ten-year ISDA-swap rate through the maturity of the contract.

Under the 2007 Swap Agreement, the County is subject to interest rate risk for changes in the LIBOR rate through September 30, 2010, to changes in SIFMA and to changes in the ten-year ISDA-swap rate through the maturity of the contract.

Based on some of the divisors and other adjustments inherent in the contracts, the County's exposure to changes in these rates is not directly related to changes in the rates themselves. The County is exposed to changes in relationships between tax-exempt and taxable interest rates that may be affected by changes in the marginal tax rate, the elimination of tax preferences or other major changes to current tax law, including, but not limited to, implementation of a flat tax or value-added tax.

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

Yield Curve Risk - The 2006 Swap Agreement was amended on September 19, 2007. Under the amendment, the maturity of the LIBOR was changed from a short-term maturity (six-month LIBOR) to a longer term maturity (a percentage of ten-year LIBOR). Under the amendment, the County expects that the payments from the 2006 Swap Counterparty will increase as a result of certain changes in the general interest rate environment. The County's payments under the amended 2006 Swap Agreement are not expected to change from the original 2006 Swap Agreement.

Under the 2007 Swap Agreement, the maturity of the LIBOR index is based on a percentage of ten-year LIBOR. Under the 2007 Swap Agreement, the County expects the payments from the 2007 Swap Counterparty will increase as a result of certain changes in the general interest rate environment. The County's payments under the 2007 Swap Agreement are not expected to be affected as a result of these market movements.

(13) 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 exceed the County's estimate of claims and judgments payable as reflected in Note 8.

(14) Related Organization.

The Hinds County Board of Supervisors is responsible for appointing a voting majority of the members of the Board of the Hinds County Livestock Commission, but the County's accountability for this organization does not extend beyond making the appointments. During the year, the County appropriated \$26,200 to this organization.

(15) Joint Ventures.

The County participates in the following joint venture:

The County is a participant with the City of Jackson in a joint venture authorized by Section 39-3-8, Miss. Code Ann. (1972) to operate the Jackson-Hinds Library System. The joint venture was created to provide a library system for city and county residents and is governed by 14 members, with each entity appointing 7 members. By contractual agreement, the County's appropriation to the joint venture was \$1,594,200 in FY 2013. Complete financial statements for the Jackson-Hinds Library System can be obtained from the following address: 400 North State Street, Jackson, MS 39201.

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

(16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

Central Mississippi Planning and Development District, Inc. (CMPDD) operates in a district composed of the counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Hinds County Board of Supervisors appoints 3 of the 33 members of the board of directors. The County contributes a small percentage of CMPDD's total revenues. The County appropriated \$46,166 for support of CMPDD in FY 2013.

Hinds Community College District (the College) operates in a district composed of the counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Hinds County Board of Supervisors appoints 5 of the 15 members of the College's board of trustees. The County levies an annual tax pursuant to Section 37-29-141, Miss. Code Ann. (1972) to support the College. The tax provided \$9,996,302 for maintenance and support of the College in FY 2013.

Hinds County Human Resource Agency, Inc. (the Agency) operates in a district composed of Hinds County, private citizens and local organizations. The Hinds County Board of Supervisors appoints 5 of the 15 members of the Agency. The County appropriated \$90,000 for support of the Agency in FY 2013.

(17) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2013, PERS members are required to contribute 9.00% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% 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 ended September 30, 2013, 2012 and 2011 were \$4,055,463, \$3,563,981, and \$3,338,353, respectively, equal to the required contributions for each year.

(18) Subsequent Event.

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the County evaluated the activity of the County through the date the financial statements were available to be issued and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements.

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2013

The County entered into a loan agreement with the Mississippi Development Authority on April 21, 2014, for an amount not to exceed \$20,000,000, at an interest rate of 3.254% for a term of 19 years, 3 months, and 11 days for the construction of a hotel in the Hinds County. At the date of this report, approximately \$5,100,000 had been drawn on this loan agreement.

HINDS COUNTY, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

HINDS COUNTY, MISSISSIPPI  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 43,136,147	\$ 43,186,564	\$ 44,923,510	\$ 1,736,946
Licenses, commissions and other	2,149,220	2,166,103	2,333,842	167,739
Fines and forfeitures	999,000	979,400	1,420,957	441,557
Intergovernmental	4,251,500	4,175,841	4,020,548	(155,293)
Charges for services	3,742,553	3,949,015	3,510,885	(438,130)
Interest income	87,000	78,688	59,069	(19,619)
Miscellaneous	315,500	315,500	441,749	126,249
Total Revenues	<u>54,680,920</u>	<u>54,851,111</u>	<u>56,710,560</u>	<u>1,859,449</u>
<b>EXPENDITURES</b>				
Current:				
General government	25,072,002	26,170,221	24,225,908	1,944,313
Public safety	26,727,915	29,850,191	27,456,930	2,393,261
Public works	360,000	278,704	227,267	51,437
Health and welfare	1,938,861	1,997,834	1,872,481	125,353
Culture and recreation	67,800	-	69,853	(69,853)
Conservation of natural resources	326,782	326,782	321,104	5,678
Economic development and assistance	46,166	71,166	71,166	-
Debt service:				
Principal	178,086	211,556	200,969	10,587
Interest	9,492	10,364	9,882	482
Bond issuance costs	450	450	450	-
Total Expenditures	<u>54,727,554</u>	<u>58,917,268</u>	<u>54,456,010</u>	<u>4,461,258</u>
Excess of Expenditures over Revenues	<u>(46,634)</u>	<u>(4,066,157)</u>	<u>2,254,550</u>	<u>6,320,707</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	20,000	23,086	177,837	154,751
Compensation for loss of capital assets	50,000	1,717,344	1,808,371	91,027
Transfers in	2,012,922	2,013,382	2,052,978	39,596
Transfers out	(2,278,421)	(2,708,829)	(2,676,821)	32,008
Total Other Financing Sources (Uses)	<u>(195,499)</u>	<u>1,044,983</u>	<u>1,362,365</u>	<u>317,382</u>
Excess of Expenditures and Other Financing Sources (Uses) over Revenue and Other Financing Sources	<u>\$ (242,133)</u>	<u>\$ (3,021,174)</u>	<u>3,616,915</u>	<u>\$ 6,638,089</u>
<b>FUND BALANCES</b>				
Beginning of year			<u>8,087,387</u>	
End of year			<u>\$ 11,704,302</u>	

The accompanying notes to the required supplementary information are an integral part of this statement.

HINDS COUNTY, MISSISSIPPI  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Series 2007B Taxable Bonds  
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$ 200,000	\$ 200,000	\$ 20,731	\$ (179,269)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>20,731</u>	<u>(179,269)</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	172,000	172,000	-
Total Expenditures	<u>-</u>	<u>172,000</u>	<u>172,000</u>	<u>-</u>
Excess of Expenditures over Revenues	<u>200,000</u>	<u>28,000</u>	<u>(151,269)</u>	<u>(179,269)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Expenditures over Revenue and Other Financing Sources	<u>\$ 200,000</u>	<u>\$ 28,000</u>	<u>(151,269)</u>	<u>\$ (179,269)</u>
<b>FUND BALANCES</b>				
Beginning of year			<u>12,046,056</u>	
End of year			<u>\$ 11,894,787</u>	

The accompanying notes to the required supplementary information are an integral part of this statement.

HINDS COUNTY, MISSISSIPPI  
Notes to the Budgetary Comparison Schedules  
For the Year Ended September 30, 2013

Note 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, Tax Assessor and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure and the unencumbered cash and investment balances. When, during the fiscal year, it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

Note 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 fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

Note 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).

HINDS COUNTY, MISSISSIPPI  
Notes to the Budgetary Comparison Schedules (Continued)  
For the Year Ended September 30, 2013

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

	Governmental Fund Types	
	General Fund	Series 2007B Taxable Bonds Fund
Budget (Cash Basis)	\$ 3,616,915	\$ (151,269)
Increase (Decrease)		
Net adjustments for revenue accruals	(1,630,972)	-
Net adjustments for expenditure accruals	(706,340)	-
GAAP Basis	\$ 1,279,603	\$ (151,269)

HINDS COUNTY, MISSISSIPPI  
Schedule of Funding Progress for the Retiree Health Plan  
For the Year Ended September 30, 2013

Plan Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c}
2010-2011	-	\$ 1,283,238	\$ 1,283,238	0%	\$ 27,815,276	4.60%
2011-2012	-	1,450,938	1,450,938	0%	28,371,582	5.10%
2012-2013	-	1,974,971	1,974,971	0%	27,377,968	7.21%

HINDS COUNTY, MISSISSIPPI

SUPPLEMENTARY INFORMATION

HINDS COUNTY, MISSISSIPPI  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
<b>U.S. Department of Transportation</b>			
Passed through Mississippi Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	MS 024 125	\$ 2,984,595
Highway Planning and Construction	20.205	N/A	97,190
Highway Planning and Construction	20.205	SRSP-0025-00(70)	1,205
Highway Planning and Construction	20.205	STP-0025-00(32) LPA/105560-701000	394,708
<b>Total U.S. Department of Transportation</b>			<u>3,477,698</u>
<b>U.S. Election Commission Assistance</b>			
Passed through the Mississippi Secretary of State			
Help America Vote Act Requirements Payments	90.401	N/A	1,167,251
<b>Total U.S. Election Commission Assistance</b>			<u>1,167,251</u>
<b>Total Expenditures of Major Federal Awards</b>			<u>4,644,949</u>
<b>OTHER FEDERAL AWARDS</b>			
<b>U.S. Department of Justice</b>			
Justice Assistance Grant Program Cluster			
Passed through the Mississippi Department of Safety			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.803	09ZD1251	35,989
Passed through the City of Jackson, Mississippi			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-3222-H	36,383
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3320	9,012
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-3320	43,507
<b>Total U. S. Department of Justice</b>			<u>124,891</u>
<b>U. S. Department of Health and Human Services</b>			
Passed through the Mississippi Department of Human Services/ Central Mississippi Planning and Development District, Inc.			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	377N21	26,821
Passed through the Mississippi Emergency Management Agency Child Support Enforcement	93.563	93.UN	39,765
<b>Total U.S. Department of Health and Human Services</b>			<u>66,586</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed through Mississippi Development Authority			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	R-103-025-01-KED	25,885
<b>Total U.S. Department of Housing and Urban Development</b>			<u>25,885</u>

HINDS COUNTY, MISSISSIPPI  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended September 30, 2013

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
OTHER FEDERAL AWARDS (Continued)			
<b>Executive Office of the President</b>			
Passed through the Gulf Coast HIDTA			
High Intensity Drug Trafficking Area Program	95.001	G11GC0003A	\$ 29,141
High Intensity Drug Trafficking Area Program	95.001	G12GC0003A	44,309
High Intensity Drug Trafficking Area Program	95.001	G13GC0003A	<u>41,383</u>
<b>Total Executive Office of the President</b>			<u>114,833</u>
<b>U.S. Department of Agriculture</b>			
Passed through the Mississippi Department of Education			
National School Lunch Program	10.555	N/A	<u>50,407</u>
<b>Total U.S. Department of Agriculture</b>			<u>50,407</u>
<b>U.S. Department of Justice</b>			
Direct			
Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0060	14,068
Federal Equitable Sharing	16.UN	N/A	12,808
Passed through the Mississippi Department of Public Safety			
Juvenile Accountability Block Grants	16.523	08JB1252	62,492
Juvenile Accountability Block Grants	16.523	09JB1251	121,268
Juvenile Accountability Block Grants	16.523	10JB1251	108,997
Crime Victim Assistance	16.575	11XA1251	30,560
Crime Victim Assistance	16.575	12VA1251	10,359
Violence Against Women Formula Grants	16.588	11SL1251	23,841
Violence Against Women Formula Grants	16.588	12SL1251	7,920
Passed through the Mississippi Bureau of Narcotics (MBN)			
Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>7,125</u>
<b>Total U. S. Department of Justice</b>			<u>399,438</u>
<b>U.S. Department of Transportation</b>			
Passed through the Mississippi Department of Public Safety			
State and Community Highway Safety Grant	20.600	12OP1251	13,158
Alcohol Open Container Requirements	20.607	13TA1251	<u>162,384</u>
<b>Total U.S. Department of Transportation</b>			<u>175,542</u>
<b>U.S. Department of Homeland Security</b>			
Passed through the Mississippi Department of Homeland Security			
Homeland Security Grant Program	97.067	S10LE025	10,000
Homeland Security Grant Program	97.067	S10LE025T	51,450
Homeland Security Grant Program	97.067	10CC025S	20,500
Homeland Security Grant Program	97.067	10CC025	528
Pass through the Mississippi Emergency Management Agency			
Emergency Management Performance Grants	97.042	97.UN	<u>5,077</u>
<b>Total U. S. Department of Homeland Security</b>			<u>87,555</u>
<b>U.S. Environmental Protection Agency</b>			
Direct			
Congressionally Mandated Projects	66.202	XP95471011-0	<u>113,446</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>113,446</u>
<b>Total Expenditures of Other Federal Awards</b>			<u>1,158,583</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 5,803,532</u>

HINDS COUNTY, MISSISSIPPI  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2013

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared 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.

Note B - There were no subrecipients during the year.

Note C - Outstanding Loans

At September 30, 2013, there were \$2,304,292 of loans outstanding in the Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii, CFDA No. 14.228. There were no continuing compliance requirements related to this loan for the year ended September 30, 2013.

HINDS COUNTY, MISSISSIPPI

OTHER INFORMATION

HINDS COUNTY, MISSISSIPPI  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2013

Name	Position	Company	Bond
Robert Graham	Supervisor District 1	Western Surety Co.	\$ 100,000
Alphonso Hunter	Supervisor District 2	Western Surety Co.	100,000
Peggy Calhoun	Supervisor District 3	Western Surety Co.	100,000
Robert Major Walker	Supervisor District 4	Western Surety Co.	100,000
Kenneth Stokes	Supervisor District 5	Western Surety Co.	100,000
Carmen Davis	County Administrator	Travelers Casualty and Surety Co. of America	100,000
Eddie Jean Carr	Chancery Clerk	Western Surety Co.	100,000
Timothy Lewis	Purchase Clerk	Travelers Casualty and Surety Co. of America	75,000
Chantey Broome	Assistant Purchase Clerk	Travelers Casualty and Surety Co. of America	50,000
Latasha Jackson	Assistant Purchase Clerk	Travelers Casualty and Surety Co. of America	50,000
Lillie Woods	Receiving Clerk	Travelers Casualty and Surety Co. of America	75,000
Shelva King	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Kimblar McLaurin	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Linda Bennett	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Lavonne Berryhill	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Connie Cockran	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Angela Cook	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Nikia Felton	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Toni Flanagan	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Servia Fortenberry	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Ann Giles	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Larry Grant	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Joann Gray	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Beverly Hughes	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Ruth Kelly	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Sharon Kyle	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Genolia Lindsey	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Stephanie Meachum	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Joseph Perkins	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Deborah Pierce	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Earline Samuel	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
LaTonya Sturgis	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Shelia Taylor	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Angela Thomason	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Audrey Thrasher	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Mary Tory	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Tabetha Ward	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Gloria Wilson	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Michelle Wright	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Regina Hill	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
James Ingram	Inventory Control Clerk	Travelers Casualty and Surety Co. of America	75,000
Michael Johnson	Assistant Inventory Control Clerk	Travelers Casualty and Surety Co. of America	50,000
Carl Frelix	Road Manager	Travelers Casualty and Surety Co. of America	50,000
Paul Greene	County Surveyor	Travelers Casualty and Surety Co. of America	50,000
John Brown	Constable	Western Surety Co.	50,000
Bennie Buckner	Constable	Western Surety Co.	50,000
Lawrence Funchess	Constable	Travelers Casualty and Surety Co. of America	50,000
Jon Lewis	Constable	Western Surety Co.	50,000
Jerry Moore	Constable	Travelers Casualty and Surety Co. of America	50,000
Barbara Dunn	Circuit Clerk	Brierfield Insurance Co.	100,000
Tyrone Lewis	Sheriff	Western Surety Co.	100,000
Frank Sutton	Justice Court Judge	Western Surety Co.	50,000
Ivory Britton	Justice Court Judge	EMC Insurance Companies	50,000
James Morton	Justice Court Judge	Old Republic Surety Co.	50,000
Pearlie Owens	Justice Court Judge	Western Surety Co.	50,000
Donald Palmer	Justice Court Judge	Travelers Casualty and Surety Co. of America	50,000
Patricia Woods	Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Joyce Williams	Justice Court Executive Assistant	Travelers Casualty and Surety Co. of America	50,000

HINDS COUNTY, MISSISSIPPI  
Schedule of Surety Bonds for County Officials (Continued)  
For the Year Ended September 30, 2013

Name	Position	Company	Bond
Jephthah Amos	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	\$ 50,000
Robert Amos	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Lakisha Armon	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Dolise Clowers	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Shirley Harper	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Cheryl Keeler	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Natasha Thompson	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Courtney Smith	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Andreal Nicholas-Harper	Youth Court Administrator	Travelers Casualty and Surety Co. of America	50,000
Michael Washington	Fiscal Officer II	Travelers Casualty and Surety Co. of America	50,000
Eddie Fair	Tax Collector	Western Surety Co.	100,000
Keelan Sanders	Deputy Tax Collector	Western Surety Co.	50,000
Erica Brown	Tax Collector Clerk	Western Surety Co.	50,000
Larry Camper	Tax Collector Clerk	Western Surety Co.	50,000
Sophia Coats	Tax Collector Clerk	Western Surety Co.	50,000
Peggy Ervin	Tax Collector Clerk	Western Surety Co.	50,000
Stephanie Green	Tax Collector Clerk	Western Surety Co.	50,000
Rochi Hearn	Tax Collector Clerk	Western Surety Co.	50,000
Donna Larry	Tax Collector Clerk	Western Surety Co.	50,000
Sylvia McClellan	Tax Collector Clerk	Western Surety Co.	50,000
Etta McPhaul	Tax Collector Clerk	Western Surety Co.	50,000
Alexis Nelson	Tax Collector Clerk	Western Surety Co.	50,000
Stephanie Smith	Tax Collector Clerk	Western Surety Co.	50,000
Osha Thomas	Tax Collector Clerk	Western Surety Co.	50,000
Terrell Wilson	Tax Collector Clerk	Western Surety Co.	50,000
Darwin Wooten	Tax Collector Clerk	Western Surety Co.	50,000
Charles Stokes	Tax Assessor	Travelers Casualty and Surety Co. of America	50,000
Daryl Berry	Deputy Tax Assessor	Western Surety Co.	10,000
Edna Gipson	Deputy Tax Assessor	Western Surety Co.	10,000
Dajae Lindsay	Deputy Tax Assessor	Western Surety Co.	10,000
Gary Neill	Deputy Tax Assessor	Western Surety Co.	10,000
Bonnye Owens	Deputy Tax Assessor	Western Surety Co.	10,000
Ashley Rayford	Deputy Tax Assessor	Western Surety Co.	10,000
Adrian Terry	Deputy Tax Assessor	Western Surety Co.	10,000
Angela Thomason	Deputy Tax Assessor	Travelers Casualty and Surety Co. of America	10,000
Joseph Thompson	Deputy Tax Assessor	Western Surety Co.	10,000
Nicholas Ward	Deputy Tax Assessor	Western Surety Co.	10,000
Arthur Williams	Deputy Tax Assessor	Western Surety Co.	10,000
Debbie Hennington	Deputy Tax Assessor	Western Surety Co.	10,000
Frankie Shoto	Deputy Tax Assessor	Western Surety Co.	10,000
Thomas Ballenger	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Angela Blalock	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Jamie Brinson	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Laura Burse	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Stephen Draper	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Tamara Graves	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Debra Griffis	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Clifton Hackler	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Alexandra Lovell	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Robert McField	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Bobby Merritt	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Sandra Phillips	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Warren Pinter	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Katherine Riley	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Latonya Sturgis	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Gloria Wilson	Deputy Tax Assessor	Old Republic Surety Co.	10,000
Carlos Brown	Deputy Tax Assessor	Statewide Insurance Group	10,000
April Jefferson	Deputy Tax Assessor	Statewide Insurance Group	10,000
Marlon Kidd	Deputy Tax Assessor	Statewide Insurance Group	10,000

HINDS COUNTY, MISSISSIPPI

SPECIAL REPORTS

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of the Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Supervisors  
Hinds County, Mississippi  
Jackson, Mississippi

We have audited, 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, the basic financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Hinds County, Mississippi (the County), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2014, which contained a reference to the reports of other auditors. Our report includes a reference to other auditors who audited the financial statements of the Hinds County Economic Development Authority and the Hinds County Mental Health Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the County's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 13-001 and 13-002 to be material weaknesses.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***The County's Responses to Findings***

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We also noted certain matters that we reported to the County's management in separate letter dated June 27, 2014.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLC*

Jackson, Mississippi  
June 27, 2014

**Independent Auditor's Report on Compliance With Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Supervisors  
Hinds County, Mississippi  
Jackson, Mississippi

***Report on Compliance for Each Major Federal Program***

We have audited the compliance of Hinds County, Mississippi (the County) with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013. The County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above.

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 the County'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

***Report on Internal Control Over Compliance***

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance,

we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*BKD, LLC*

Jackson, Mississippi  
June 27, 2014

**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)]**

Board of Supervisors  
Hinds County, Mississippi  
Jackson, Mississippi

We have examined Hinds County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Hinds County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

**Purchase Clerk**

1. Finding

In accordance with Section 31-7-115, the Schedule of Purchases Not Made from the Lowest Bidder should include all purchases made from the other than lowest bidder under the authority of Section 31-7-13(d)(i) during the fiscal year. Per Section 31-7-13(d)(i), "if any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid." No agency or governing authority shall accept a bid based on items not included in the specifications. The schedule originally provided excluded one such purchase approved in the minutes of the Board of Supervisors.

Recommendation

Purchases made from the other than lowest bidder under the authority of Section 31-7-13(d) should be properly accumulated and presented in the accompanying schedule in compliance with Section 31-7-115.

Purchase Clerk's Response

The Purchase Clerk will assure all purchases not made from the lowest bidder under the authority of Section 31-7-13 (d)(i) are properly accumulated and presented in the accompanying schedule in compliance with Section 31-7-115.

2. Finding

In accordance with Section 31-7-115, the Schedule of Emergency Purchases should include all emergency purchases made under the authority of Section 31-7-13(k) during the fiscal year. The schedule originally provided excluded one emergency purchase approved in the minutes of the Board of Supervisors.

Recommendation

Emergency purchases made under the authority of Section 31-7-13(k) should be properly accumulated and presented in the accompanying schedule in compliance with Section 31-7-115.

Purchase Clerk's Response

The Purchase Clerk will assure all emergency purchases made under the authority of Section 31-7-13(k) are properly accumulated and presented in the accompanying schedule in compliance with Section 31-7-115.

3. Finding

In accordance with Section 31-7-115, the Schedule of Purchases Made Noncompetitively from a Sole Source should include all noncompetitive purchases made from single sources under the authority of Section 31-7-13(m)(viii) during the fiscal year. The schedule originally provided excluded one such purchase approved in the minutes of the Board of Supervisors.

Recommendation

Purchases made from single sources under the authority of Section 31-7-13(m)(viii) should be properly accumulated and presented in the accompanying schedule in compliance with Section 31-7-115.

Purchase Clerk's Response

The Purchase Clerk will assure all purchases made from single sources under the authority of Section 31-7-13(m)(viii) are properly accumulated and presented in the accompanying schedule in compliance with Section 31-7-115.

In our opinion, except for the noncompliance referred to in the preceding paragraphs, Hinds County, Mississippi complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying Schedules of (1) Purchases Not Made From the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of Hinds County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

*BKD, LLC*

Jackson, Mississippi  
June 27, 2014

HINDS COUNTY, MISSISSIPPI  
 Schedule of Purchases Not Made From the Lowest Bidder  
 For the Year Ended September 30, 2013

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other than the Lowest Bid</u>
08/19/13	Voting Machines	\$1,239,601	Election System & Software	\$1,192,777	Winning bid was able to provide all services requested in the quotation. Lowest bidder was not.

HINDS COUNTY, MISSISSIPPI  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2013

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
08/05/2013	Repairs to Pods A & B	\$34,480	Nelson Electric Services	To retro-fit windows in jail cells in Pods A & B at the Raymond Detention Center.

HINDS COUNTY, MISSISSIPPI  
 Schedule of Purchases Made Noncompetitively From a Sole Source  
 For the Year Ended September 30, 2013

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
06/10/13	Stenograph Diamante	\$11,864	Stenograph Corporation
07/01/13	National Night Out (Sheriff's Department) promotional items	\$10,169	Cellebrite USA
07/01/13	Promotional items	\$25,184	Pace Learning Systems
08/05/13	Video/audio recording camera shirts	\$9,200	Adaptive Digital Systems, Inc.
08/05/13	Tote bins	\$24,000	Election System & Software, LLC
08/19/13	Software upgrade	\$12,770	Visual Statement
08/19/13	Software	\$155,000	ADSI

## Limited Internal Control and Compliance Review Management Report

Board of Supervisors  
Hinds County, Mississippi  
Jackson, Mississippi

In planning and performing our audit of the financial statements of Hinds County, Mississippi (the County) for the year ended September 30, 2013, we considered the County's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the County's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 27, 2014, on the financial statements of Hinds County, Mississippi.

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

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations and your responses are disclosed below:

### Board of Supervisors

#### 1. Finding

In accordance with Section 65-7-117, each member of the Board of Supervisors shall inspect every road and bridge in the County under the jurisdiction of the County not less than once each fiscal year. Each member shall file with the Clerk of the Board a report, under oath, of the condition of the roads and bridges inspected by the supervisor, with recommendations by the supervisor for a four-year plan for construction and major maintenance of such roads and bridges. Such inspection reports were not prepared or filed with the Clerk of the Board by four of the five supervisors for the fiscal year ended September 30, 2013.

#### Recommendation

Each member of the Board of Supervisors should inspect all roads and bridges under the jurisdiction of the County at least annually. Reports detailing the condition of roads and bridges inspected and recommendations should be filed with the Clerk of the Board each fiscal year.

Board of Supervisors' Response

Each member of the Board of Supervisors will inspect all roads and bridges under the jurisdiction of the County at least annually. Reports detailing the condition of roads and bridges inspected and recommendations will be filed with the Clerk of the Board each fiscal year.

2. Finding

In accordance with Section 25-11-127, Miss. Code Ann. (1972), Mississippi Public Employees Retirement System (PERS) should be notified when any current retiree of PERS receiving retirement benefits is hired by the County as either an employee or a true independent contractor. For one employee out of five selected for testing this requirement, this notification was not provided.

Recommendation

The County should ensure that PERS is notified of any employees or independent contractors that are retirees of PERS receiving retirement benefits.

Board of Supervisors' Response

The County will ensure that PERS is notified of any employees or independent contractors that are retirees of PERS receiving retirement benefits.

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

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

BKD, LLC

Jackson, Mississippi  
June 27, 2014

HINDS COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

***Financial Statements:***

1. The opinions expressed in the independent auditor's report were:
 

Government-wide Activities	Unmodified
General Fund	Unmodified
Series 2007B Taxable Bonds (Parking Garage) Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
  
2. The independent auditor's report on internal control over financial reporting disclosed:
  - a. Significant deficiencies? None Reported
  - b. Material weaknesses? Yes
  
3. Noncompliance considered material to the financial statements was disclosed by the audit? No

***Federal Awards:***

4. The independent auditor's report on internal control over compliance with requirements that could have a direct and material effect on major federal award programs disclosed:
  - a. Significant deficiencies? None Reported
  - b. Material weaknesses? No
  
5. The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on federal award programs was: Unqualified
  
6. The audit disclosed findings required to be reported by OMB Circular A-133? No
  
7. The County's major programs were:
  - a. Help America Vote Act Grant 90.401
  - b. Highway Planning and Construction Cluster  
 Highway Planning and Construction 20.205

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended September 30, 2013

- 8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
- 9. The County qualified as a low-risk auditee as that term is defined in OMB Circular A-133? No

Section 2: Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
13-001	<p style="text-align: center;"><b>Design Deficiency – Monitoring (Material Weakness)</b></p> <p><i>Criteria or Specific Requirement</i> - The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> - As reported in the prior year audit report, the Circuit Court Clerk’s record keeping system and accounting processes/procedures do not allow for reconciliation between the daily deposits as posted in the system and the deposit slip or bank statement or between the bank statement to the distribution of cash in order to properly maintain records for amounts held in custody of others. Additionally, there is a lack of segregation of duties associated with cash receipts and the associated record keeping. Finally, many of the accounting functions are handled by a third-party CPA firm whose work is not reviewed by anyone in the Circuit Clerk’s office for proper recording, which has resulted in errors in the annual report and in the balance of cash reported for the Circuit Clerk in the audited financial statements.</p> <p><i>Cause</i> - There are no procedures in place such as a monthly review and reconciliation of the bank statement to the distribution of cash, the daily cash receipts with amounts deposited to the bank, and the third-party CPA’s processing of items and reconciliation of bank statements</p> <p><i>Effect</i> - The financial statements might be materially misstated, and the errors would not be detected by management. An unexplained difference which does not remain constant exists between the bank balance and detail supporting ledgers which could allow misappropriations to go undetected.</p> <p><i>Recommendation</i> - The Circuit Court Clerk should regularly reconcile the bank statement to the distribution of cash, the daily cash receipts with amounts deposited to the bank, and review the third-party CPA’s processing of items and reconciliation of bank statements. Additionally, the Circuit Court Clerk should segregate the cash receipts and record keeping functions.</p>

HINDS COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended September 30, 2013

Reference Number	Finding
13-002	<p><i>Views of Responsible Officials and Planned Corrective Actions</i> - The Circuit Court Clerk will evaluate any and all findings and take corrective actions as considered necessary.</p>
	<p><b>Design Deficiency – Monitoring (Material Weakness)</b></p>
	<p><i>Criteria or Specific Requirement</i> - The County is responsible for establishing and maintaining effective internal controls over financial reporting.</p>
	<p><i>Condition</i> - As reported in the prior year audit report, the County has entered into two complex transactions involving interest rate swap agreements which could subject the County to significant gains and losses due to factors outside the County’s control. The agreements provide for semiannual calculations which compare the relationship of the tax-exempt BMA Index and LIBOR and provide for a settlement, either positive or negative. The County does not have adequate procedures to monitor these agreements and verify the calculations.</p>
	<p>It does not appear that anyone in County management understands and is able to quantify the amount of financial risk these instruments pose to the County.</p>
	<p><i>Cause</i> - The County has not established procedures and provided training to its personnel to monitor and evaluate these agreements.</p>
	<p><i>Effect</i> - The financial statements might be materially misstated, and errors would not be detected by management. Additionally, errors in amounts received or paid by the County might go undetected.</p>
	<p><i>Recommendation</i> - The County should implement procedures to monitor the agreements, verify the calculations submitted by the independent third party, and report the status regularly to management and the Board of Supervisors.</p>
	<p><i>Views of Responsible Officials and Planned Corrective Actions</i> - The County will consider the costs and benefits of obtaining the proper training for personnel to monitor these agreements, verify calculations, and report the status to County management and the Board of Supervisors on a regular basis regarding the swap performance.</p>

Section 3: Findings Required to be Reported by OMB Circular A-133

The results of our tests did not disclose any findings and questioned costs related to federal awards.

HINDS COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

HINDS COUNTY, MISSISSIPPI  
Summary Schedule of Prior Audit Findings  
For the Year Ended September 30, 2013

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
None		