

Hinds County, Mississippi
Audited Financial Statements and
Special Reports
For the Year Ended September 30, 2008

BKD^{LLP}
CPAs & Advisors

HINDS COUNTY, MISSISSIPPI

FINANCIAL SECTION

HINDS COUNTY, MISSISSIPPI

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**Independent Accountants' Report on Financial Statements
and Supplementary Information**

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County, Mississippi (the County) as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Hinds County, Mississippi as of September 30, 2008, and the respective changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County, Mississippi as of September 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2009, 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* and should be considered in assessing the results of our audit.

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

The accompanying budgetary information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

December 3, 2009

HINDS COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

HINDS COUNTY, MISSISSIPPI
Statement of Net Assets
September 30, 2008

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 45,371,632
Property tax receivable	47,005,219
Fines receivable (net of allowance for uncollectibles of \$11,151,935)	512,607
Capital leases receivable	2,015,750
Intergovernmental receivables	2,744,103
Other receivables	1,593,669
Prepaid items	223,281
Deferred charge - issuance cost	784,608
Capital assets, net	<u>109,324,648</u>
Total Assets	<u>209,575,517</u>
LIABILITIES	
Claims payable	5,695,045
Amounts held in custody for others	2,299,686
Intergovernmental payables	3,290,964
Matured bonds and interest payable	18,459
Accrued interest payable	354,514
Deferred and unearned revenue	50,830,841
Other payables	145,427
Long-term liabilities	
Due within one year:	
Capital debt	3,830,918
Noncapital debt	1,004,753
Judgment payable	566,667
Due in more than one year:	
Capital debt	49,261,523
Noncapital debt	7,546,530
Judgment payable	<u>1,487,333</u>
Total Liabilities	<u>126,332,660</u>
NET ASSETS	
Invested in capital assets, net of related debt	76,694,000
Restricted:	
Expendable:	
General government	291,237
Debt service	20,184
Public safety	4,330,590
Public works	1,894,207
Health and welfare	345,159
Culture and recreation	459,842
Economic development	261,681
Other purposes	118,048
Unrestricted	<u>(1,172,091)</u>
Total Net Assets	<u>\$ 83,242,857</u>

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, 2008

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Primary Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 24,641,505	\$ 4,028,134	\$ 429,871	\$ -	\$ (20,183,500)
Public safety	32,191,879	5,347,885	2,827,103	543,760	(23,473,131)
Public works	10,030,869	-	3,016,789	3,473,805	(3,540,275)
Health and welfare	3,335,064	-	1,162,790	-	(2,172,274)
Culture and recreation	1,630,879	66,129	18,869	32,218	(1,513,663)
Conservation of natural resources	819,191	-	-	-	(819,191)
Economic development and assistance	863,244	-	-	-	(863,244)
Interest on long-term debt	3,206,347	-	-	-	(3,206,347)
Total Governmental Activities	<u>76,718,978</u>	<u>9,442,148</u>	<u>7,455,422</u>	<u>4,049,783</u>	<u>(55,771,625)</u>
Total Primary Government	\$ <u>76,718,978</u>	\$ <u>9,442,148</u>	\$ <u>7,455,422</u>	\$ <u>4,049,783</u>	\$ <u>(55,771,625)</u>
General revenues:					
Property taxes					48,802,224
Road and bridge privilege taxes					2,578,431
Grants and contributions not restricted to specific programs					3,857,257
Unrestricted interest income					2,287,227
Proceeds of interest rate swap					319,693
Miscellaneous					2,267,069
Total General Revenues					<u>60,111,901</u>
Changes in Net Assets					4,340,276
Net Assets - Beginning					78,902,581
Net Assets - Ending					<u>\$ 83,242,857</u>

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

HINDS COUNTY, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2008

Exhibit 3

	Major Funds					Total Governmental Funds
	County Wide Road Maintenance Fund	Series 2007A Tax Exempt Bonds Fund	Series 2007B Taxable Bonds (Parking Garage) Fund	Other Governmental Funds		
ASSETS						
Cash	\$ 7,900,332	\$ 1,403,788	\$ 12,682,022	\$ 12,637,455	\$ 45,371,632	
Property tax receivable	35,422,604	891,707	-	10,690,908	47,005,219	
Fines receivable (net of allowance for uncollectibles of \$11,151,935)	512,607	-	-	-	512,607	
Capital lease receivable	-	-	-	2,015,750	2,015,750	
Intergovernmental receivables	1,593,692	820,084	-	330,327	2,744,103	
Other receivables	1,593,485	-	-	184	1,593,669	
Due from other funds	-	227,651	-	151,279	378,930	
Advances to other funds	645,200	-	-	-	645,200	
Prepaid items	189,708	-	-	33,573	223,281	
Total Assets	\$ 47,857,628	\$ 3,343,230	\$ 12,682,022	\$ 25,859,476	\$ 100,490,391	
LIABILITIES AND FUND BALANCES						
Liabilities:						
Claims payable	\$ 1,334,184	\$ 993,564	\$ -	\$ 395,345	\$ 5,691,357	
Amounts held in custody for others	149,115	-	-	-	149,115	
Intergovernmental payables	5,590,650	-	-	-	5,590,650	
Due to other funds	378,930	-	-	-	378,930	
Advances from other funds	-	-	-	645,200	645,200	
Matured bonds and interest payable	-	-	-	18,459	18,459	
Deferred and unearned revenue	35,764,432	891,707	-	14,516,530	51,172,669	
Total Liabilities	43,217,311	1,885,271	-	15,575,534	63,646,380	
Fund balances:						
Reserved for:						
Debt service	-	-	-	107,671	107,671	
Advances	645,200	-	-	-	645,200	
Unreserved, reported in:						
General Fund	3,995,117	1,457,959	-	-	3,995,117	
Special Revenue Funds	-	-	-	6,238,515	7,696,474	
Capital Project Funds	-	-	12,682,022	3,937,756	24,399,549	
Total Fund Balances	4,640,317	1,457,959	12,682,022	10,283,942	36,844,011	
Total Liabilities and Fund Balances	\$ 47,857,628	\$ 3,343,230	\$ 12,682,022	\$ 25,859,476	\$ 100,490,391	

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 Assets
September 30, 2008

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 36,844,011
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$77,254,392.	109,324,648
Other long-term assets, such as fines receivable, are not available to pay for current period expenditures and, therefore, are deferred in the funds.	341,828
Long-term liabilities are not due and payable in the current period, and, therefore, not reported in the funds.	(63,697,724)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the funds.	(354,514)
Deferred issuance cost on refunding bond issue. Bond issuance costs are expensed in funds and amortized in government-wide statements.	<u>784,608</u>
Total Net Assets - Governmental Activities	<u><u>\$ 83,242,857</u></u>

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

HINDS COUNTY, MISSISSIPPI
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
 For the Year Ended September 30, 2008

	Major Funds						Total Governmental Funds
	County Wide		Series 2007A	Series 2007B	Other Governmental Funds	Total Governmental Funds	
	General Fund	Maintenance Road Fund	Tax Exempt Bonds Fund	Taxable Bonds (Parking Garage) Fund			
REVENUES							
Property taxes	\$ 36,001,155	\$ 1,686,127	\$ -	\$ -	\$ 11,114,942	\$ 48,802,224	
Road and bridge privilege taxes	-	2,578,431	-	-	-	2,578,431	
Licenses, commissions and other	2,571,699	-	-	-	72,549	2,644,248	
Fines and forfeitures	1,374,891	-	-	-	140,778	1,515,669	
Intergovernmental	5,668,424	5,705,250	-	-	2,714,501	14,088,175	
Charges for services	3,151,087	-	-	-	3,310,761	6,461,848	
Interest income	838,167	41,275	410,720	424,708	572,357	2,287,227	
Miscellaneous	568,453	52,847	-	-	358,942	980,242	
Total Revenues	50,173,876	10,063,930	410,720	424,708	18,284,830	79,358,064	
EXPENDITURES							
Current:							
General government	23,388,299	-	402	552,288	877,259	24,818,248	
Public safety	24,810,638	-	4,265,436	-	7,704,513	36,780,587	
Public works	-	11,321,645	600,000	-	3,890,373	15,812,018	
Health and welfare	2,028,932	-	-	-	1,189,788	3,218,720	
Culture and recreation	69,911	-	-	-	1,636,596	1,706,507	
Conservation of natural resources	819,147	-	-	-	-	819,147	
Economic development and assistance	52,387	-	-	-	810,892	863,279	
Debt service:							
Principal	303,254	-	-	-	4,306,058	4,609,312	
Interest	38,362	-	-	-	3,048,353	3,086,715	
Total Expenditures	51,510,930	11,321,645	4,865,838	552,288	23,463,832	91,714,533	
Excess of Revenues over (under) Expenditures	(1,337,054)	(1,257,715)	(4,455,118)	(127,580)	(5,179,002)	(12,356,469)	

HINDS COUNTY, MISSISSIPPI
 Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Continued)
 For the Year Ended September 30, 2008

	Major Funds						Total Governmental Funds
	County Wide		Series 2007A	Series 2007B	Other		
	General Fund	Maintenance Road Fund	Tax Exempt Bonds Fund	Taxable Bonds (Parking Garage) Fund	Governmental Funds	Governmental Funds	
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	\$ -	\$ 536,780	\$ -	\$ -	\$ 225,000	\$ 761,780	
Proceeds from sale of capital assets	19,093	-	-	-	-	19,093	
Compensation for loss of capital assets	31,959	-	-	-	-	31,959	
Proceeds of interest rate swap	-	-	-	-	319,693	319,693	
Transfers in	1,209,914	858,481	-	-	1,805,465	3,873,860	
Transfers out	(1,039,565)	-	(658,000)	(635,000)	(1,541,295)	(3,873,860)	
Total Other Financing Sources and Uses	221,401	1,395,261	(658,000)	(635,000)	808,863	1,132,525	
Net Changes in Fund Balances	(1,115,653)	137,546	(5,113,118)	(762,580)	(4,370,139)	(11,223,944)	
Fund Balances - Beginning	5,755,970	1,320,413	12,892,889	13,444,602	14,654,081	48,067,955	
Fund Balances - Ending	\$ 4,640,317	\$ 1,457,959	\$ 7,779,771	\$ 12,682,022	\$ 10,283,942	\$ 36,844,011	

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, 2008

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (11,223,944)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$16,709,575 exceeded depreciation of \$5,255,956 in the current period.	11,453,619
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of the net gain of \$21,100 and the proceeds from the sale of \$19,093 and compensation for loss of capital assets of \$31,959 in the current period.	(29,952)
Fines revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting.	118,949
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$4,609,312 exceeded debt proceeds of \$761,780.	3,847,532
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:	
The amount of increase in compensated absences	(6,296)
The amount of decrease in accrued interest payable	45,660
The amount of decrease in judgment payable	300,000
The amortization of deferred bond refunding loss	(54,524)
The amortization of issuance cost on bonds	<u>(110,768)</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,340,276</u>

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

HINDS COUNTY, MISSISSIPPI
Statement of Fiduciary Obligations
September 30, 2008

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,065,730
Other receivables	300,563
Total Assets	<u>\$ 1,366,293</u>
LIABILITIES	
Other liabilities	\$ 1,002,944
Intergovernmental payables	363,349
Total Liabilities	<u>\$ 1,366,293</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, 2008

(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 component units which have significant operational or financial relationships with the County.

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

- Hinds County Economic Development District
- Rankin/Hinds Pearl River Flood and Drainage Control District
- Hinds County Mental Health Commission

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. 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 and Fiduciary Funds (excluding Agency Funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency Funds have no measurement focus, but use the accrual basis of accounting.

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

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.

County Wide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

Series 2007A Tax Exempt Bonds - This fund is used to account for proceeds from the \$25,500,000 Mississippi Development Bank Special Obligation Bonds, Series 2007A (Hinds County, Mississippi General Obligation Public Improvements and Refunding Bond Project).

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

Series 2007B Taxable Bonds (Parking Garage) - This 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

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

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

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

Permanent Funds - These funds are used to account for resources that are legally restricted to the extent that only earnings, and not the principal, may be used for the support of county programs.

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.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. 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 assets 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. However, the County did not make any investments during the fiscal year.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

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

G. Receivables.

Receivables are reported net of allowances for 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, 2008, 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 offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

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. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

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 assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards require governments meeting certain criteria to retroactively report major general infrastructure assets by September 30, 2007. Current year general infrastructure assets are required to be reported. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

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:

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

* Leased property capitalization policy and estimated useful life 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 Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

M. Equity Classifications.

Government-wide Financial Statements:

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

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

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

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

Fund Financial Statements:

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

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

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 to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

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.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

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.

Q. Deferred Revenue.

Deferred revenue represents real property tax revenues 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.

The following are future effective accounting pronouncements which management believes will have some impact on future financial reporting of the County.

GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pension. This statement establishes standards for the measurement, recognition and display of other postretirement benefits expenses/expenditures and related liabilities (assets), note disclosures and required supplementary information in the financial reports of state and local governmental employers. The statement requires the net Other Post-Employment Benefits (OPEB) obligation, or the shortfall of annual OPEB contributions to annual costs be reported as a financial statement liability. The provisions of this statement are effective for the fiscal year ending September 30, 2009. Although management has not determined the effect this statement will have on its financial statements, its impact is expected to be substantial.

GASB Statement No 53, Accounting and Financial Reporting for Derivative Instruments. This statement is effective for the fiscal year ending September 30, 2010. Earlier application is encouraged. The guidance in this statement will require governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. On the other hand, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Although management has not evaluated the impact of this statement on the County's financial statements, given the nature of the County's involvement in interest rate swaps, the potential impact could be substantial.

GASB Statement No 54, Fund Balance Reporting and Governmental Fund Type Definitions. This statement is effective for the fiscal year ending September 30, 2011. Early implementation is encouraged. The requirements in this statement will change financial reporting by providing fund balance categories and classifications that are expected to be more easily understood. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. This statement is expected to have a significant effect on how the County reports its fund balances.

S. Operating Leases.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

(2) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2008, was \$46,418,157 (including Agency Funds and excluding petty cash of \$19,205), and the bank balance was \$51,964,699. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

Investments:

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, 2008:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
County Wide Road		
Maintenance Fund	General Fund	\$ 227,651
Other Governmental Funds	General Fund	151,279
Total		\$ 378,930

The receivables represent the tax revenue collected but not settled until October 2008. All interfund balances are expected to be repaid within one year from the date of the financial statements.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	\$ 645,200

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	\$ 1,209,914
County Wide Road Maintenance Fund	General Fund	744,891
County Wide Road Maintenance Fund	Other Governmental Funds	113,590
Other Governmental Funds	Series 2007A Tax Exempt Bonds Fund	658,000
Other Governmental Funds	Series 2007B Taxable Bonds (Parking Garage) Fund	635,000
Other Governmental Funds	General Fund	294,674
Other Governmental Funds	Other Governmental Funds	217,791
Total		\$ 3,873,860

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, 2008, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 1,026,196
Reimbursement for housing prisoners	128,900
Public Safety grants	296,026
Public Works grants	820,084
Other	472,897
Total governmental activities	\$ 2,744,103

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

(5) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2008:

	Balance 10/01/07	Additions	Deletions	Transfers*	Balance 09/30/08
<u>Nondepreciable capital assets:</u>					
Land	\$ 1,378,804	\$ -	\$ -	\$ -	\$ 1,378,804
Construction in progress	5,291,886	11,170,069	-	(750,680)	15,711,275
Total nondepreciable capital assets	<u>6,670,690</u>	<u>11,170,069</u>	<u>-</u>	<u>(750,680)</u>	<u>17,090,079</u>
<u>Depreciable capital assets:</u>					
Infrastructure	81,376,737	4,094,876	-	-	85,471,613
Buildings	43,785,051	-	-	-	43,785,051
Improvements other than buildings	9,571,843	-	-	750,680	10,322,523
Mobile equipment	14,756,307	682,603	(279,045)	-	15,159,865
Furniture and equipment	4,260,459	224,897	-	-	4,485,356
Leased property under capital leases	9,623,264	537,130	-	-	10,160,394
Total depreciable capital assets	<u>163,373,661</u>	<u>5,539,506</u>	<u>(279,045)</u>	<u>750,680</u>	<u>169,384,802</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	(41,824,187)	(1,962,348)	-	-	(43,786,535)
Buildings	(12,565,741)	(826,638)	-	-	(13,392,379)
Improvements other than buildings	(3,210,359)	(368,430)	-	-	(3,578,789)
Mobile equipment	(10,709,404)	(767,694)	249,093	-	(11,228,005)
Furniture and equipment	(3,118,976)	(581,254)	-	-	(3,700,230)
Leased property under capital leases	(714,703)	(749,592)	-	-	(1,464,295)
Total accumulated depreciation	<u>(72,143,370)</u>	<u>(5,255,956)</u>	<u>249,093</u>	<u>-</u>	<u>(77,150,233)</u>
Total depreciable capital assets, net	<u>91,230,291</u>	<u>283,550</u>	<u>(29,952)</u>	<u>750,680</u>	<u>92,234,569</u>
Governmental activities capital assets, net	<u>\$ 97,900,981</u>	<u>\$ 11,453,619</u>	<u>\$ (29,952)</u>	<u>\$ -</u>	<u>\$ 109,324,648</u>

* Transfers represent construction-in-progress costs transferred due to project completion during the year ended September 30, 2008.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 590,038
Public safety	2,308,127
Public works	2,227,840
Health and welfare	119,970
Culture and recreation	9,981
Total governmental activities depreciation expense	\$ 5,255,956

Commitments with respect to unfinished capital projects at September 30, 2008, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Belk Project	\$ 2,384	10/31/08
Byram Parkway	225,833	02/28/09
Byram-Clinton Corridor	1,880,072	12/31/09
John Bell Williams Airport	89,425	06/30/10
Parking Garage	175,996	12/31/09
Penal Farm	4,531,985	09/30/09
Raymond Courthouse	137,243	06/30/10
Regional Jail	1,848,817	12/31/11
Utica Park	16,862	09/30/09
	\$ 8,908,617	

(6) 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 from January 1, 2008, to January 1, 2009. 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 coverages of \$1,000,000 to \$2,000,000 and retention deductibles ranging from \$10,000 to \$75,000.

HINDS COUNTY, MISSISSIPPI
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The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization, with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The County had no year-end liability because cash on deposit in the risk pool approximated the pool's accrued unpaid claims.

Settled claims did not exceed insurance coverage for the fiscal years ended September 30, 2006 or September 30, 2008. For the year ended September 30, 2007, settled claims exceeded commercial coverage by \$2,000,000. This amount is recognized as a liability in the Government-wide Statement of Net Assets.

(7) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options through 2014 as of September 30, 2008:

Class of Property	Amount
Buildings	<u>\$ 5,000,000</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2008, are as follows:

Year Ending September 30	Principal	Interest
2009	\$ 280,000	\$ 54,600
2010	290,000	46,200
2011	300,000	37,500
2012	310,000	28,500
2013	315,000	19,200
2014	<u>325,000</u>	<u>9,750</u>
 Total	 <u>\$ 1,820,000</u>	 <u>\$ 195,750</u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2008:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 931,602
Nonmobile equipment	9,228,792
	<u>10,160,394</u>
Less accumulated depreciation	<u>(1,568,454)</u>
Leased property under capital leases	<u><u>\$ 8,591,940</u></u>

The following is a schedule by years of the total payments due as of September 30, 2008:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 746,605	\$ 275,644
2010	679,056	251,587
2011	679,976	223,259
2012	709,494	193,741
2013	740,453	162,782
2014 - 2018	<u>2,755,570</u>	<u>333,859</u>
Total	<u><u>\$ 6,311,154</u></u>	<u><u>\$ 1,440,872</u></u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

(8) Long-term Debt.

Debt outstanding as of September 30, 2008, 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:			
General Obligation Refunding Bonds, Series 1994	\$ 5,310,000	5.50% to 6.25%	03/01/11
General Obligation Bond, Series 1994 (Double G)	1,820,000	3.00%	05/06/14
Mississippi Development Bank Special Obligation Bonds, Series 2005 (Hinds County, Mississippi General Obligation Public Improvements Bond Project)	1,325,000	3.10% to 5.25%	10/01/35
General Obligation Bonds, Series 1999-A	180,000	6.00%	10/01/19
General Obligation Bonds, Series 1999-B	20,000	5.70% to 7.00%	10/01/19
Taxable General Obligation Refunding Bonds, Series 2001	3,460,000	5.80% to 6.50%	07/15/14
Mississippi Development Bank Special Obligation Bonds, Series 2007A (Hinds County, Mississippi General Obligation Public Improvements and Refunding Bond Project)	25,185,000	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)	<u>13,795,000</u>	5.46%	10/01/36
Total General Obligation Bonds	<u>\$ 51,095,000</u>		
B. Limited Obligation Bonds:			
Tax Increment Limited Obligation Bonds, Series 1997 (Wal-Mart)	\$ 325,000	5.20% to 5.75%	09/01/17
Tax Increment Financing Revenue Bond, Series 2005 (Byram Parkway Project)	382,000	5.34%	04/01/18
Tax Increment Financing Revenue Bond, Series 2008 (Byram Parkway Project)	<u>225,000</u>	4.96%	04/01/18
Total Limited Obligation Bonds	<u>\$ 932,000</u>		
C. Grant Obligations			
Jackson Redevelopment Authority Urban Renewal Bonds, Central Business District Parking Project	\$ 95,000	8.00%	08/01/09
Jackson Redevelopment Authority, City of Jackson, Hinds County, Mississippi Urban Renewal Bonds (Jackson Mall Area Project), Series 1998-A	<u>315,000</u>	4.10%	11/01/13
Total Grant Obligations	<u>\$ 410,000</u>		

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
D. Capital Leases:			
E-911 System	\$ 5,121,962	5.09%	03/15/17
Two Nissan Pathfinders	6,900	5.75%	02/24/09
Sheriff's Vehicles	127,413	3.98%	12/29/09
Ford F-150 Truck	8,743	5.80%	11/12/09
Road Equipment	536,780	3.28%	08/25/13
Self-Contained Breathing Apparatus Equipment	<u>509,356</u>	0.00%	09/01/16
Total Capital Leases	<u>\$ 6,311,154</u>		
E. Other Loans:			
Metro Parkway Project Extension	\$ 213,999	0.00%	11/01/10
Computer Upgrade Note	<u>730,246</u>	3.95%	05/01/11
Total Other Loans	<u>\$ 944,245</u>		

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

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 3,330,000	\$ 2,478,271	\$ 80,000	\$ 42,336
2010	3,520,000	2,302,303	79,000	44,393
2011	3,680,000	2,107,504	83,000	40,092
2012	1,925,000	1,962,552	91,000	35,579
2013	1,950,000	1,871,039	93,000	32,164
2014 - 2018	7,395,000	8,103,277	431,000	77,744
2019 - 2023	6,305,000	6,460,502	75,000	1,951
2024 - 2028	7,360,000	4,912,759	-	-
2029 - 2033	9,355,000	2,952,162	-	-
2034 - 2036	<u>6,275,000</u>	<u>605,742</u>	-	-
Total	<u>\$ 51,095,000</u>	<u>\$ 33,756,111</u>	<u>\$ 932,000</u>	<u>\$ 274,259</u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

<u>Year Ending September 30</u>	<u>Grant Obligations</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 140,000	\$ 28,638	\$ 305,382	\$ 28,845
2010	50,000	19,593	314,626	19,600
2011	50,000	10,045	324,237	9,990
2012	55,000	7,995	-	-
2013	55,000	5,843	-	-
2014 - 2018	60,000	4,818	-	-
Total	\$ 410,000	\$ 76,932	\$ 944,245	\$ 58,435

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, 2008, the amount of outstanding debt was equal to 3.02% 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, 2008, \$8,820,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2008:

	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Sept. 30, 2008</u>	<u>Within One</u>
					<u>Year</u>
Governmental Activities:					
Compensated absences	\$ 2,331,237	\$ 6,296	\$ -	\$ 2,337,533	\$ 233,753
Tort claims payable	2,354,000	-	(300,000)	2,054,000	566,667
General obligation bonds	54,605,000	-	(3,510,000)	51,095,000	3,330,000
Deferred bond refunding charge	(440,732)	-	54,524	(386,208)	-
Limited obligation bonds	765,000	225,000	(58,000)	932,000	80,000
Grant obligations	545,000	-	(135,000)	410,000	140,000
Capital leases	6,384,198	536,780	(609,824)	6,311,154	924,255
Other loans	1,240,733	-	(296,488)	944,245	305,382
Total	\$67,784,436	\$ 768,076	\$ (4,854,788)	\$63,697,724	\$ 5,580,057

Compensated absences and tort claims typically are liquidated through the general fund.

HINDS COUNTY, MISSISSIPPI
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For the Year Ended September 30, 2008

(9) 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 Improvement 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, 2008, the fair market value of the transaction was a liability of \$5,299,587, which is not recorded on the County’s financial statements. The swap value is determined by the counterparty using a market value approach, which determines the estimated value at which the counterparty would have entered into under a similar transaction.

Risks Associated with the Amended 2006 Swap Agreement:

Credit Risk – The County’s swap relies on the performance of the 2006 Swap Counterparty. The County is exposed to the risk that the 2006 Swap Counterparty is unable to fulfill its obligations to the County. The obligations of the 2006 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, respectively.

Basis Risk – The County pays fixed rates on the Mississippi Development Bank Special Obligation Bonds Series 2005 (Hinds County, Mississippi General Obligation Public Improvement Bond Project) and, therefore, the 2006 swap does not address any basis risk.

Termination Risk – The amended 2006 Swap Agreement does not contain any extraordinary termination events or triggers that would expose the County to significant termination risk. If the 2006 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, respectively. If the third- party guarantor suffers a loss of creditworthiness, the 2006 Swap Counterparty shall find an acceptable replacement guarantor. If such replacement guarantor is not available

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

or if the County fails to meet its obligations to the 2006 Swap Counterparty, the termination provisions in the 2006 Swap Agreement will apply. The County may be liable for a payment equal to the fair market value of the swap if a termination occurs prior to October 1, 2035, and that fair market value is negative.

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

(10) 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 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, 2008, the fair market value of the transaction was a liability of \$6,466,281, which is not recorded on the County's financial statements. The swap value is determined by the counterparty using a market value approach, which determines the estimated value at which the counterparty would have entered into a similar transaction.

Risks Associated with the amended 2007 Swap Agreement:

Credit Risk – The County's swap relies on the performance of the 2007 Swap Counterparty. The County is exposed to the risk that the 2007 Swap Counterparty is unable to fulfill its obligations to the County. The obligations of the 2007 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, respectively.

Basis Risk – The County pays fixed rates 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), and, therefore, the swap does not address any basis risk.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

Termination Risk – The amended 2007 Swap Agreement does not contain any extraordinary termination events or triggers that would expose the County to significant termination risk. If the 2007 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, respectively. If the third- party guarantor suffers a loss of creditworthiness, the 2007 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 2007 Swap Counterparty, the termination provisions in the 2007 Swap Agreement will apply. The County may be liable for a payment equal to the fair market value of the swap if a termination occurs prior to October 1, 2036, and that fair market value is negative.

Interest Rate Risk – Under the 2007 Swap Agreement, the County is subject to interest rate risk for changes in the LIBOR rate through September 30, 2010, and 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 contract, 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.

(11) Contingencies.

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

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County’s legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

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

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

Description	Balance at Sept. 30, 2008
Refunding Revenue Bonds (Mississippi Methodist Hospital and Rehab Center Project), Series 1993	\$ 8,660,000

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

(13) Related Organizations.

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 \$18,000 to this organization.

(14) 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 \$1,558,159 in fiscal year 2008. Complete financial statements for the Jackson-Hinds Library System can be obtained from the following address: 400 North State Street, Jackson, MS 39201.

(15) 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 revenue. The County appropriated \$52,352 for support of CMPDD in fiscal year 2008.

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 appropriated \$9,453,528 for maintenance and support of the College in fiscal year 2008.

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 \$122,400 for support of the Agency in fiscal year 2008.

(16) 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.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2008

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2008, was 11.85% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2008, 2007 and 2006 were \$3,064,499, \$2,909,228, and \$2,638,724, respectively, equal to the required contributions for each year.

(17) Subsequent Events.

Subsequent to September 30, 2008, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/20/08	3.50%	\$ 300,000	Other loans	Savings on energy efficiency improvements
01/05/09	3.28%	1,434,920	Lease purchase	Ad valorem taxes
09/30/09	1.95%	1,500,000	Tax anticipation notes payable	Ad valorem taxes
11/16/09	2.65%	6,000,000	Tax anticipation notes payable	Ad valorem taxes

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, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 36,027,518	\$ 36,075,192	\$ 36,015,311	\$ (59,881)
Licenses, commissions and other	2,361,800	2,361,800	2,557,889	196,089
Fines and forfeitures	1,481,000	1,507,169	1,376,444	(130,725)
Intergovernmental	6,301,100	6,679,310	5,141,032	(1,538,278)
Charges for services	2,037,000	2,206,562	3,812,943	1,606,381
Interest income	1,031,400	989,608	841,373	(148,235)
Miscellaneous	323,000	3,668,335	568,453	(3,099,882)
Total Revenues	<u>49,562,818</u>	<u>53,487,976</u>	<u>50,313,445</u>	<u>(3,174,531)</u>
EXPENDITURES				
Current:				
General government	24,231,115	24,206,544	23,358,246	848,298
Public safety	24,334,356	25,855,956	24,859,274	996,682
Public works	432,000	380,036	380,036	-
Health and welfare	2,144,942	2,149,062	2,099,240	49,822
Culture and recreation	61,022	70,472	69,911	561
Conservation of natural resources	843,191	843,286	825,344	17,942
Economic development and assistance	52,352	52,352	52,352	-
Debt service:				
Principal	213,254	213,254	303,254	(90,000)
Interest	35,782	35,782	35,782	-
Bond issuance costs	2,450	2,579	2,579	-
Total Expenditures	<u>52,350,464</u>	<u>53,809,323</u>	<u>51,986,018</u>	<u>1,823,305</u>
Excess of Revenues over (under) Expenditures	<u>(2,787,646)</u>	<u>(321,347)</u>	<u>(1,672,573)</u>	<u>(1,351,226)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	14,032	19,093	5,061
Compensation for loss of capital assets	25,000	35,181	31,959	(3,222)
Transfers in	3,445,127	3,200,127	3,389,768	189,641
Transfers out	(2,650,946)	(3,551,068)	(3,236,572)	314,496
Total Other Financing Sources and Uses	<u>829,181</u>	<u>(301,728)</u>	<u>204,248</u>	<u>505,976</u>
Excess of Revenue and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ (1,958,465)</u>	<u>\$ (623,075)</u>	<u>(1,468,325)</u>	<u>\$ (845,250)</u>
FUND BALANCES				
Beginning of year			5,414,483	
End of year			<u>\$ 3,946,158</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)
 County Wide Road Maintenance Fund
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,778,898	\$ 1,778,898	\$ 1,684,232	\$ (94,666)
Road and bridge privilege taxes	2,300,000	2,570,793	2,570,793	-
Intergovernmental	1,778,000	2,685,899	2,942,758	256,859
Interest income	8,700	28,700	41,275	12,575
Miscellaneous	-	-	52,847	52,847
Total Revenues	<u>5,865,598</u>	<u>7,064,290</u>	<u>7,291,905</u>	<u>227,615</u>
EXPENDITURES				
Current:				
Public works	5,865,598	9,248,271	8,283,212	965,059
Total Expenditures	<u>5,865,598</u>	<u>9,248,271</u>	<u>8,283,212</u>	<u>965,059</u>
Excess of Revenues over (under) Expenditures	<u>-</u>	<u>(2,183,981)</u>	<u>(991,307)</u>	<u>1,192,674</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	858,481	858,481	-
Total Other Financing Sources and Uses	<u>-</u>	<u>858,481</u>	<u>858,481</u>	<u>-</u>
Excess of Revenue and Other Financing Sources over (under) Expenditures and Other Financing Uses	<u>\$ -</u>	<u>\$ (1,325,500)</u>	<u>(132,826)</u>	<u>\$ 1,192,674</u>
FUND BALANCES				
Beginning of year			<u>1,536,614</u>	
End of year			<u>\$ 1,403,788</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 2007A Tax Exempt Bonds
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 325,000	\$ 325,000	\$ 410,720	\$ 85,720
Total Revenues	<u>325,000</u>	<u>325,000</u>	<u>410,720</u>	<u>85,720</u>
EXPENDITURES				
Current:				
General government	-	614	614	-
Public safety	-	-	1,964,726	(1,964,726)
Public works	-	8,458,418	100,000	8,358,418
Total Expenditures	<u>-</u>	<u>8,459,032</u>	<u>2,065,340</u>	<u>6,393,692</u>
Excess of Expenditures over Revenues	<u>325,000</u>	<u>(8,134,032)</u>	<u>(1,654,620)</u>	<u>6,479,412</u>
OTHER FINANCING SOURCES				
Transfers out	-	(658,000)	(658,000)	-
Total Other Financing Sources	<u>-</u>	<u>(658,000)</u>	<u>(658,000)</u>	<u>-</u>
Excess of Expenditures over Revenue and Other Financing Sources	<u>\$ 325,000</u>	<u>\$ (8,792,032)</u>	<u>(2,312,620)</u>	<u>\$ 6,479,412</u>
FUND BALANCES				
Beginning of year			13,060,655	
End of year			<u>\$ 10,748,035</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 (Parking Garage)
 For the Year Ended September 30, 2008

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 350,000	\$ 350,000	\$ 424,708	\$ 74,708
Total Revenues	<u>350,000</u>	<u>350,000</u>	<u>424,708</u>	<u>74,708</u>
EXPENDITURES				
Current:				
General government	-	13,076,408	593,407	12,483,001
Total Expenditures	<u>-</u>	<u>13,076,408</u>	<u>593,407</u>	<u>12,483,001</u>
Excess of Expenditures over Revenues	<u>350,000</u>	<u>(12,726,408)</u>	<u>(168,699)</u>	<u>12,557,709</u>
OTHER FINANCING SOURCES				
Transfers out	-	(635,000)	(635,000)	-
Total Other Financing Sources	<u>-</u>	<u>(635,000)</u>	<u>(635,000)</u>	<u>-</u>
Excess of Expenditures over Revenue and Other Financing Sources	<u>\$ 350,000</u>	<u>\$ (13,361,408)</u>	<u>(803,699)</u>	<u>\$ 12,557,709</u>
FUND BALANCES				
Beginning of year			13,485,721	
End of year			<u>\$ 12,682,022</u>	

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

HINDS COUNTY, MISSISSIPPI
Notes to the Required Supplementary Information
For the Year Ended September 30, 2008

Notes to the Required Supplementary Information

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

HINDS COUNTY, MISSISSIPPI
Notes to the Required Supplementary Information
For the Year Ended September 30, 2008

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

	<u>Governmental Fund Types</u>			
	<u>General Fund</u>	<u>County Wide Road Maintenance Fund</u>	<u>Series 2007A Tax Exempt Bonds Fund</u>	<u>Series 2007B Taxable Bonds (Parking Garage) Fund</u>
Budget (Cash Basis)	\$ (1,468,325)	\$ (132,826)	\$ (2,312,620)	\$ (803,699)
Increase (Decrease)				
Net adjustments for revenue accruals	(139,569)	3,308,805	-	-
Net adjustments for expenditure accruals	<u>(492,241)</u>	<u>3,038,433</u>	<u>2,800,498</u>	<u>(41,119)</u>
GAAP Basis	<u>\$ (1,115,653)</u>	<u>\$ 137,546</u>	<u>\$ (5,113,118)</u>	<u>\$ (762,580)</u>

HINDS COUNTY, MISSISSIPPI

SUPPLEMENTARY INFORMATION

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Transportation			
Passed through Mississippi Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	MS 024125	\$ 1,084,349
Highway Planning and Construction	20.205	N/A	55,450
Highway Planning and Construction	20.205	N/A	<u>57,300</u>
Total U.S. Department of Transportation			<u>1,197,099</u>
U. S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency			
Homeland Security Cluster			
State Domestic Preparedness Equipment Support Program	97.004	3SUPEX-001	250,000
State Domestic Preparedness Equipment Support Program	97.004	3SUPEX-003	<u>225,000</u>
			<u>475,000</u>
Passed through the Mississippi Emergency Management Agency			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
	97.036	FEMA-1764- DR-MS	279,845
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
	97.036	FEMA-3291- DR-MS	<u>33,901</u>
			<u>313,746</u>
Passed through the Mississippi Department of Public Safety			
Homeland Security Cluster			
State Domestic Preparedness Equipment Support Program	97.004	04LE025	24,753
State Domestic Preparedness Equipment Support Program	97.004	04HS025R	<u>26,250</u>
			<u>51,003</u>
Homeland Security Grant Program	97.067	05HS025	12,000
Homeland Security Grant Program	97.067	05LE025	5,625
Homeland Security Grant Program	97.067	06LE025	89,956
Homeland Security Grant Program	97.067	06HS025R	<u>149,541</u>
			<u>257,122</u>
Total U.S. Department of Homeland Security			<u>1,096,871</u>
Total Expenditures of Major Federal Awards			<u>2,293,970</u>

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy			
Passed through the Gulf Coast HIDTA			
High Intensity Drug Trafficking Area Award	07.UN	I7PGCP532Z	\$ 41,190
High Intensity Drug Trafficking Area Award	07.UN	I8PGCP532	<u>72,498</u>
Total Office of National Drug Control Policy			<u>113,688</u>
U.S. Department of Agriculture			
Passed through the Mississippi Department of Education			
National School Lunch Program	10.555	N/A	<u>84,963</u>
Total U.S. Department of Agriculture			<u>84,963</u>
U.S. Department of Housing and Urban Development			
Direct:			
Shelter Plus Care	14.238	MS26C700010	<u>18,919</u>
Total U.S. Department of Housing and Urban Development			<u>18,919</u>
U.S. Department of the Interior, National Park Service			
Passed through the Mississippi Department of Wildlife, Fisheries & Parks			
Outdoor Recreation, Acquisition, Development and Planning	15.916	28-00584	<u>50,973</u>
Total U.S. Department of the Interior, National Park Service			<u>50,973</u>
U.S. Department of Justice			
Direct:			
Gang Resistance Education and Training	16.737	N/A	3,603
Federal equitable sharing program	16.UN	N/A	<u>65,388</u>
Subtotal direct programs			<u>68,991</u>
Passed through the Mississippi Department of Public Safety:			
Juvenile Accountability Block Grants	16.523	4JB1251	23,104
Juvenile Accountability Block Grants	16.523	5JB1251	<u>22,818</u>
			<u>45,922</u>
Crime Victim Assistance	16.575	5VA1251	38,011
Crime Victim Assistance	16.575	6VA1251	<u>13,197</u>
			<u>51,208</u>

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Violence Against Women Formula Grants	16.588	5SL1251	\$ 21,226
Violence Against Women Formula Grants	16.588	7SL1251	7,801
			<u>29,027</u>
Edward Byrne Memorial Justice Assistance Grant Program	16.738	07HR4051	<u>21,001</u>
Passed through the City of Jackson:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX- 0570	223,538
Subtotal pass-through programs			<u>370,696</u>
Total U. S. Department of Justice			<u>439,687</u>
U.S. Department of Transportation			
Passed through the Mississippi Department of Public Safety State and Community Highway Safety	20.600	8TA1251	<u>99,475</u>
Total U.S. Department of Transportation			<u>99,475</u>
U. S. Department of Health and Human Services			
Passed through the Mississippi Department of Health and 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	377I21A	<u>27,184</u>
Passed through the Mississippi Department of Health and Human Services/ Administrative office of Court Child Support Enforcement	93.563	N/A	<u>20,273</u>
Passed through the Mississippi Department of Health and Human Services/ Mississippi Department of Health WNV Mosquito control activities	93.UN	0618-1727- 0786/0787 (40000EPO)	<u>21,457</u>
Total U. S. Department of Health and Human Services			<u>68,914</u>
Total Expenditures of Other Federal Awards			<u>876,619</u>
Total Expenditures of Federal Awards			<u>\$ 3,170,589</u>

HINDS COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

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.

HINDS COUNTY, MISSISSIPPI

SPECIAL REPORTS

**Independent Accountants' 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 the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County, Mississippi (the County) as of and for the year ended September 30, 2008, which collectively comprise its basic financial statements and have issued our report thereon dated December 3, 2009, which contained explanatory paragraphs regarding a departure from accounting principles generally accepted in the United States of America and the omission of certain required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2008-01 through 2008-06 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-01 through 2008-06 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*.

We also noted certain additional matters that we reported to the County's management in a separate letter dated December 3, 2009.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management and others within the County and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 3, 2009

**Independent Accountants' Report on Compliance and Internal Control Over
Compliance with Requirements Applicable to Major Federal Awards Programs**

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

Compliance

We have audited the compliance of Hinds County, Mississippi (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the compliance of the County based on our audit.

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

As described in items 2008-07 and 2008-08 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding procurement, suspension and debarment and reporting that are applicable to its Homeland Security Cluster program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliances described in the preceding paragraphs, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies

or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2008-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2008-07 to be a material weakness.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the governing body, management and others within the County and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

December 3, 2009

**Independent Accountants' 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 made a study and evaluation of the central purchasing system and inventory control system of Hinds County, Mississippi as of and for the year ended September 30, 2008. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other procedures as we considered necessary in the circumstances.

The Board of Supervisors of Hinds County, Mississippi is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). The Board of Supervisors of 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 County's responses to findings identified through audit tests are included in the paragraphs which follow. We did not audit these responses and, accordingly, express no opinion on them.

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 Made Noncompetitively From a Sole Source should include all purchases of noncompetitive items available from one source made under the authority of Section 31-7-13(m) during the fiscal year. The Schedule of Purchases Made Noncompetitively From a Sole Source originally provided excluded a sole source purchase noted in the October 15, 2007, meeting minutes of the Board of Supervisors.

Additionally, three sole source purchases identified during audit testing totaling \$194,751 were not included in the Schedule of Purchases Made Noncompetitively From a Sole Source originally provided or documented as approved in the minutes of the meetings of the Board of Supervisors.

Recommendation

Single source purchases made under the authority of Section 31-7-13(m) should be properly approved by the Board of Supervisors, accumulated and presented in the accompanying schedules in compliance with Section 31-7-115.

Purchase Clerk's Response

Agree with recommendation.

2. Finding

In accordance with Section 31-7-115, the Schedule of Purchases Not Made From the Lowest Bidder should include all purchases not made from the lowest bidder under the authority of Section 31-7-13(d) during the fiscal year. The Schedule of Purchases Not Made From the Lowest Bidder originally provided excluded a purchase made from the best, but not lowest bidder noted in the June 16, 2008, meeting minutes of the Board of Supervisors.

Recommendation

Purchases not made from the lowest bidder under the authority of Section 31-7-13(m) should be accumulated and presented in the accompanying schedules in compliance with Section 31-7-115.

Purchase Clerk's Response

Recommendation noted and will comply.

3. Finding

In accordance with Section 31-7-13, purchases which involve an expenditure of more than \$5,000 but not more than \$25,000 may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained. Only one written bid was noted for six purchases totaling \$34,695.

Recommendation

Two competitive written bids should be obtained for applicable purchases in accordance with Section 31-7-13.

Purchase Clerk's Response

Recommendation noted and procedure in place; however, a new verification or check system will be utilized to ensure total compliance.

Inventory Control Clerk

1. Finding

In accordance with Section 31-7-107, inventory reports are to be filed with the Board of Supervisors by October 1 each year. The Clerk of the Board of Supervisors shall keep the original of each inventory report filed by the Inventory Control Clerk as a permanent record of the County and forward a copy to the State Department of Audit not later than October 15. It was noted that such reports were not provided to the Board of Supervisors and were provided several months late to the State Department of Audit.

Recommendation

The Inventory Control Clerk should ensure this report is filed timely with the Board of Supervisors and State Department of Audit by October 1 and October 15, respectively, for each fiscal year.

Inventory Control Clerk's Response

The Inventory Control Clerk will ensure proper reports are filed timely with the Board of Supervisors and State Department of Audit by October 1 and October 15, respectively, for each fiscal year. All reports have been filed for fiscal year 2008.

2. Finding

In accordance with Section 31-7-107, no person shall serve as the Inventory Control Clerk who, within one year after his appointment, does not receive certification from the State Auditor as having successfully completed the professional education program offered for inventory control clerks. This certification must be completed upon reappointment to the position each election term. There was no documentation provided for certification of the Inventory Control Clerk for the 2004-2007 or 2008-2012 terms of office. However, it was noted an interim Inventory Control Clerk received certification in July 2007.

Recommendation

The Inventory Control Clerk should ensure he obtains certification through successfully completing the State Auditor professional education program within one year of each appointment.

Inventory Control Clerk's Response

The Inventory Control Clerk was on military leave from May 2006 to May 2009. He will obtain certification through successfully completing the State Auditor professional education program within one year of his return.

Receiving Clerk

1. Finding

In accordance with Section 31-7-101, no person shall serve as the Receiving Clerk who, within one year after her appointment, does not receive certification from the State Auditor as having successfully completed the professional education program offered for receiving clerks. This certification must be completed upon reappointment to the position each election term. There was no documentation provided for the certification of the Receiving Clerk for the 2004-2007 term of office, as the last certification available for examination was dated in November 2001. Once the matter was brought to her attention, the Receiving Clerk successfully completed the professional education program for the 2008-2012 term of office in October 2009.

Recommendation

The Receiving Clerk should ensure she obtains proper certification through successfully completing the State Auditor professional education program within one year of each appointment.

Receiving Clerk's Response

The Receiving Clerk was certified for the 2004-2007 term but cannot locate the certificate. The Receiving Clerk received certification for the 2008-2012 term on October 16, 2009.

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.

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

This report is intended for use in evaluating the central purchasing system and inventory control system of 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, LLP

December 3, 2009

HINDS COUNTY, MISSISSIPPI
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2008

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>
07/03/08	Rubber Tire Wheel Loader	\$ 139,445	Tubb Equipment	\$ 139,000	The lowest bid met the requirements; however, the accepted bid exceeded requirements, plus the County has a history of excellent operations from the manufacturer of the accepted bid equipment. Also, the difference was minor in comparison with the extra benefits allowed with accepting the second lowest bid.

HINDS COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
For the Year Ended September 30, 2008

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
10/01/07	Labor & Parts – Chiller Compressor for the Mississippi Title Building	\$ 12,210	Martin Mechanical	Air conditioning system in occupied building

HINDS COUNTY, MISSISSIPPI

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2008

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/15/07	C-Burn All-Hazardous Response	\$ 225,000	Linco Security
11/05/07	USR Trailers with Lights & Generator	170,000	Paratech Inc
02/04/08	Crisis Response Telephone	5,000	Rescue Phone
02/04/08	BCRAD Radiation Gas Det for Armored Truck	5,025	Lenco Industries
02/04/08	BC5503 Lenco Bear Cuts for Armored Truck	183,768	Lenco Industries
05/19/08	National Night Out T-Shirts & Caps	8,867	National Night Out
05/19/08	AVS Winvote Replacement Batteries	40,500	Election Services Online
06/16/08	Search and Rescue Cart with Oxy	5,958	Petrogen, Inc.
07/21/08	Mass Casualty Response Kits	10,525	Tactical & Survival Specialties, Inc

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 for the year ended September 30, 2008, we considered Hinds County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Hinds County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 3, 2009, 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 the County has complied with all state legal requirements. 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 County's responses to findings identified through compliance tests are included in the paragraphs which follow. We did not audit these responses and, accordingly, express no opinion on them.

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

Board of Supervisors

1. Finding

In accordance with Section 25-1-19, bonds of county officers and employees must be approved and filed with the appointing authority of such officer or employee. Although adequate bonding coverage was noted through examination of invoice documentation, there were numerous bonds not properly filed by providing a copy of the bond to the officers' or employees' appointing authority during the fiscal year ended September 30, 2008.

Recommendation

The County should ensure all county officers and employees who are required to be individually bonded file a copy of their bond with the appropriate party within the County.

Board of Supervisors' Response

The County will ensure all county officers and employees who are required to be individually bonded file a copy of their bond with the appropriate party within the County.

2. Finding

In accordance with Section 25-1-15(2), a new bond in an amount not less than that required by law shall be secured upon employment, and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. Indefinite periods of coverage would limit the amount available for recovery if a loss occurred over multiple terms. Indefinite coverage periods were noted for certain bonded individuals, including those serving in the positions of Purchase Clerk, Receiving Clerk, Assistant Receiving Clerks, Inventory Control Clerk, Road Manager, Constables, Sheriff Deputies, Justice Court Judges and Justice Court Deputy Clerks for the fiscal year ended September 30, 2008.

Recommendation

The County should ensure public officials and public employees who are required have individual bonds obtain a new bond in an amount required by law at the beginning of each new term for the public official or appointed official by whom they are employed, if applicable, or at least every four years concurrent with the normal election cycle of the Governor.

Board of Supervisors' Response

The County has contacted the insurance company on January 29, 2009, and requested that all employee bonds maintained by the company be changed to bonds with a definite term ending January 2, 2012.

3. Finding

In accordance with Section 25-3-3(7), when a tax assessor holds a valid designation from the International Association of Assessing Officers as a Cadastral Mapping Specialist (CMS), he shall receive an additional \$6,500 annually beginning the next fiscal year after completion. It was noted a deputy tax assessor holding a CMS designation received additional statutorily supported annual compensation of \$3,500. Such additional compensation was effective October 1, 2005, and resulted from an improper statutory compensation increase, as such statute pertains only to the tax assessor and not deputy assessors.

Recommendation

The County should ensure compensation adjustments are only made according to statutory provisions.

Board of Supervisors' Response

The County will ensure compensation adjustments are only made according to statutory provisions.

4. Finding

In accordance with Section 19-3-47, the Board of Supervisors may employ counsel at an annual salary in an amount that it deems proper, not to exceed the maximum annual amount authorized by law for payment to a member of the Board. The board attorney was paid \$50,625, or \$4,925 more than the \$45,700 amount per statute for the fiscal year ended September 30, 2008.

Recommendation

The Board should not employ counsel at an annual salary in excess of the maximum amount authorized by law.

Board of Supervisors' Response

The Board will not employ counsel at an annual salary in excess of the maximum amount authorized by law.

5. Finding

The tax levy for the fiscal year ended September 30, 2008, included an incorrect statutory reference for Hinds County Schools General Obligation Bonds.

Recommendation

The tax levy, as made by the Board of Supervisors, should correctly reflect statute references authorizing such levies.

Board of Supervisors' Response

The County concurs with the audit finding and has taken corrective action beginning with the 2010 fiscal year tax levy adoption.

6. Finding

In accordance with Section 19-11-27, no board of supervisors nor any member thereof shall buy any machinery or equipment in the last six months of their term unless or until he has been elected at the general election of that year to prevent potential overspending by incumbent members that are not re-elected to another four-year term. The provisions of this section do not apply to a contract, lease or lease-purchase contract executed pursuant to the bidding requirements in Section 31-7-13 and approved by a unanimous vote of the Board. Such unanimous vote shall include a statement indicating the Board's proclamation that the award of the contract is essential to the efficiency and economy of the operation of the county government. A proclamation regarding the approval of state contract purchases for several purchases of vehicles and equipment made between July and December 2007, as being essential to the efficiency and economy of the operation of the county government was not made by the Board.

Recommendation

Purchases of machinery or equipment should not be made during the last six months of a board supervisor's term unless such is a contract, lease or lease-purchase contract executed pursuant to the bidding requirements in Section 31-7-13, approved by a unanimous board vote and accompanied by the proper proclamation.

Board of Supervisors' Response

The Board of Supervisors will not make purchases of machinery or equipment during the last six months of a board supervisor's term unless such is a contract, lease or lease-purchase contract executed pursuant to the bidding requirements in Section 31-7-13, approved by a unanimous board vote and accompanied by the proper proclamation.

7. Finding

In accordance with Section 25-11-127, upon the employment of a current Public Employees Retirement System (PERS) retiree, the County should notify PERS within five days of such employment and each year thereafter prior to July 1.

Timely notification of PERS was not made by the County for all three PERS retirees selected as part of payroll testing for the fiscal year ended September 30, 2008. Notification was not filed until November 10, 2006, for an employee hired November 1, 2006. For the same employee, the annual notification was not

made until July 16, 2007, and no annual notification was made for 2008. Notification was not filed until April 10, 2008, for a retiree hired by the County on March 24, 2008. The County did not timely make the annual notification for another PERS retiree by July 1, 2008, as such was not filed until April 1, 2009.

Recommendation

The County should evaluate current procedures regarding the notification of PERS when current retirees are hired to ensure timely filing at the time of employment and each year thereafter.

Board of Supervisors' Response

A system has been put in place to correct the findings of timely submitting PERS Form 4-B re-employment of a PERS service retiree, and files are being submitted electronically to PERS.

8. Finding

In accordance with Section 25-11-127(4), a current retiree of the PERS system may be employed and draw a retirement allowance either for a period of time not to exceed one half of the normal working days for the position in any fiscal year during which the retiree will receive no more than half of the salary in effect for the position at the time of employment, or for a period of time in any fiscal year sufficient in length to permit a retiree to earn not in excess of 25% of retiree's average compensation. A PERS retiree working in the tax collector's office was originally hired on a temporary basis at the full-time pay rate in December 2006. As the retiree worked much longer than originally anticipated at the time of her hire, she was paid almost 100% of the full-time compensation amount, which is in excess of the statutorily allowed amount.

Recommendation

The County should ensure all PERS retirees are not paid in excess of statute amounts.

Board of Supervisors' Response

PERS service retiree filled out Form 4-B incorrectly, correction made and resubmitted to PERS.

9. Finding

In accordance with Section 45-9-131, upon approval of the governing authorities of the County, a member of any county law enforcement agency retiring under any state or state-approved retirement system may be allowed to purchase as his personal property one sidearm which was issued to him by the law enforcement agency from which he retired. Two retirees from the Sheriff's office were given their service weapons upon their retirement in October 2007 and another retiree was given his service weapon in March 2008.

Recommendation

Retirees wishing to maintain their service weapon should be required to purchase the firearm at an amount determined by the governing authorities of the County.

Board of Supervisors' Response

The County will allow retirees wishing to maintain their service weapon to purchase the firearm at an amount determined by the governing authorities of the County.

10. 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 for the fiscal year ended September 30, 2008.

Recommendation

Each member of the Board of Supervisors should inspect all roads and bridges of their respective districts 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 does inspect all roads and bridges of their respective districts 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.

11. Finding

In accordance with Sections 31-7-101 and 31-7-107, for each term, the Board of Supervisors, or the County Administrator with the approval of the Board of Supervisors, should appoint individuals to serve as the County's Purchasing, Receiving and Inventory Control Clerks. The current Purchasing Clerk was appointed by the Board in April 2003, and the current Inventory Control Clerk was appointed by the Board in August 1989. There was no documentation of appointment of the current Receiving Clerk. Additionally, there was no documentation of the appointment of an interim Inventory Control Clerk during the military absence of the Inventory Control Clerk.

Recommendation

The appointments of the Purchasing, Receiving and Inventory Control Clerks should be made at the beginning of each term of office by either the Board of Supervisors or by the County Administrator with proper board approval.

Board of Supervisors' Response

The appointments of the Purchasing, Receiving and Inventory Control Clerks were made at the beginning of each term of office by the County Administrator with proper board approval. This action will be ratified and placed on the Board's minutes.

Chancery Clerk

1. Finding

In accordance with Section 9-1-45, the Chancery Clerk is required to file a true and accurate annual financial report for the preceding year with the Mississippi Office of the State Auditor by April 15 of each year. The 2007 annual financial report filed by the Chancery Clerk did not agree to supporting financial records, which resulted in \$2,302 of excess revenues subject to the salary limitation. Additionally, the annual financial report contained calculation errors which resulted in a deficiency of \$640 in retirement contributions due to PERS.

Recommendation

The Chancery Clerk should ensure the annual financial report is in agreement with supporting financial records and retirement contributions are accurately calculated.

Chancery Clerk's Response

Effective with the 2008 Annual Financial Report, all calculations were done and will continue to be completed using the computer ensuring accuracy of all calculations.

2. Finding

In accordance with Section 27-105-5, within 30 days following its fiscal year-end, the Chancery Clerk provided a listing to the State Treasurer of all accounts held with qualified public depositories, including the deposit balance in those accounts, as of its fiscal year-end. However, the Chancery Clerk's payroll account with a bank balance of \$51,490 was not reported to the State Treasurer by the financial institution for the fiscal year ended September 30, 2008.

Recommendation

The Chancery Clerk should ensure that all accounts held with qualified public depositories are included on the report provided to the State Treasurer within 30 days following the fiscal year-end.

Chancery Clerk's Response

The Chancery Clerk contacted the financial institution to request the payroll account be collateralized and reported to the office of the State Treasurer. All public funds accounts are properly collateralized effective October 2009.

Circuit Court Clerk

1. Finding

In accordance with Section 25-7-13(2)(k), for public service not particularly provided for, the circuit court may allow the clerk to be paid \$5,000 per year. However, in counties having two judicial districts, the allowance should be for each judicial district for a total of \$10,000. During the fiscal year ended September 30, 2007, the Circuit Court Clerk received two payments of \$5,000 each for services not otherwise provided for in the first and second judicial districts for fiscal year 2007. During the fiscal year ended September 30, 2008, the Circuit Court Clerk received another \$5,000 payment for services not otherwise provided for in the first judicial district for fiscal year 2007, which was in excess of the statutorily permitted amount of \$10,000 per fiscal year for counties having two judicial districts.

Recommendation

The County should ensure payments to the Circuit Court Clerk for fees not otherwise provided do not exceed the statute amount.

Circuit Court Clerk's Response

The Circuit Court Clerk will take actions to correct any and all findings.

2. Finding

In accordance with Section 9-1-45, the Circuit Court Clerk is required to file by April 15 of each year a true and accurate annual financial report for the preceding year with the Mississippi Office of the State Auditor. The Circuit Court Clerk was unable to provide receipts or other documentation in support of some expenses recorded on the annual financial report for 2008.

Recommendation

The Circuit Court Clerk should maintain supporting documentation in order to provide evidence as to the appropriate business purpose of fee account expenses reported on the annual financial report in accordance with statutory requirements.

Circuit Court Clerk's Response

The Circuit Court Clerk will take actions to correct any and all findings.

3. Finding

In accordance with Section 19-2-9(2), elected officials, other than members of the Board of Supervisors, who are authorized to employ personnel should adopt and maintain a system of personnel administration for their respective employees or shall adopt the Board of Supervisors' personnel administration system. The personnel system adopted and any amendments thereto shall be filed with the Board of Supervisors. Documentation of the personnel system adopted by the Circuit Court Clerk's office was not properly filed with the Board of Supervisors.

Recommendation

The Circuit Court Clerk should ensure the personnel administration system utilized is filed with the Board of Supervisors.

Circuit Court Clerk's Response

The Circuit Court Clerk will take actions to correct any and all findings.

Justice Court

1. Finding

In accordance with Section 9-11-3(2), justice court judges are required to file annually in the office of the Chancery Clerk a certificate of completion of a course of continuing education conducted by the Mississippi Judicial College. Such certificates were not filed for one of the justice court judges for the fiscal year ended September 30, 2008.

Recommendation

Justice court judges should annually file their continuing education certificates with the Chancery Clerk.

Justice Court's Response

The justice court judges will submit certificates to the Chancery Clerk's office as required.

Sheriff

1. Finding

In accordance with Section 19-2-9(2), elected officials, other than members of the Board of Supervisors, who are authorized to employ personnel should adopt and maintain a system of personnel administration for their respective employees or shall adopt the Board of Supervisors' personnel administration system. The personnel system adopted and any amendments thereto shall be filed with the Board of Supervisors. The personnel system adopted by the Sheriff was not filed with the Board of Supervisors.

Recommendation

Any personnel systems utilized by the Sheriff's office, including amendments, should be filed with the Board of Supervisors.

Sheriff's Response

Personnel Policies – The sheriff's office will file a copy of its general orders, which include personnel policies and procedures with the Board of Supervisors.

2. Finding

Senate Bill 2857 allows the Board of Supervisors to acquire one or more credit cards which may be used by members of the Board of Supervisors and county employees to pay expenses incurred by them when traveling in or out of the state in the performance of their official duties. Hinds County Sheriff Office personnel utilize six credit cards in the performance of their official duties pertaining to travel.

A total of six monthly credit card statements for the fiscal year were selected to examine usage of credit cards. During the examination of the statements and supporting documentation provided, several issues were noted.

- Monthly statements examined were noted to have late fees of \$29 each and finance charges assessed on unpaid balances that ranged from a few dollars to over \$50 for each finance charge. Late fees and finance charges due to partial payments are incurred as a result of missing or insufficient receipts for credit card charges.
- According to Section 8, Item 124 of the State of Mississippi Travel Policy, alcoholic beverages are not reimbursable. The majority of food charges noted on the monthly statements examined were only supported by credit card receipts rather than detailed restaurant receipts, which would reflect whether or not any alcoholic beverages were charged. During the examination of credit card statement for March 2008, a charge supported by a detailed restaurant receipt reflected the purchase of a beer. No documentation as to whether or not the County was reimbursed by the employee for the alcoholic beverage was provided. We understand when the matter was brought to the attention of the Sheriff's office, reimbursement was obtained from the employee for the alcoholic beverage.
- During March 2008, overnight travel charges were authorized for four employees for training. The authorization limited hotel charges to \$161.13 per night and meal charges to \$58.00 per person per day. Per review of the actual travel receipts, one hotel charge was \$221.95, or \$60.82 above the authorized amount. Additionally, total meals for one day totaled \$330.54, or \$98.54 above the authorized daily maximum amount for meals. We understand when the matter was brought to the attention of the Sheriff's office, reimbursement was obtained from the employee for the overage in the cost of meals.

Recommendation

The County should evaluate current practices associated with payment of credit card statements and related receipt requirements to ensure compliance with state travel and credit card usage policies.

Sheriff's Response

Credit Card Procedures - Unauthorized charges for meals/beverages were collected during the auditors' visit. Hotel per diem overage of \$60.82 was noted. A sheriff's office employee required to drive over 700 miles to destination had an overnight hotel charge while en route. The customary daily rate was at a higher rate due to geographic location, i.e., Orange Beach, Alabama (resort area). Employees are discouraged from exceeding per diem; however, this was an isolated, unavoidable incident.

Election Commissioners

1. Finding

In accordance with Section 23-15-153(2), the election commissioners are entitled to receive a per diem amount for every day or period of no less than five hours accumulated over two or more days actually employed in the performance of their duties in the conduct of an election or actually employed in the performance of their duties for the necessary time spent in the revision of the registration books and poll books. Additionally, in accordance with Section 23-15-153(6), every election commissioner shall sign personally a certification setting forth the number of hours actually worked in the performance of the commissioner's official duties and for which the commissioner seeks compensation.

During examination of election commissioners' pay for the year ended September 30, 2008, instances were noted of per diem amounts paid in addition to holiday pay for the Thanksgiving holiday.

Recommendation

Certifications signed by every election commissioner should be properly completed to include the number of hours actually worked in the performance of their duties and other statutory required information in accordance with Section 23-15-153(6).

Election Commissioners' Response

During the period designated, Connie Cochran, as well as most of the other Commissioners, worked assiduously during reported period more than twelve hours per day inputting data in the Statewide Election Management System (SEMS). Hours worked were over and beyond the statutory required five hours per day. In the future, total hours worked along with the explanation of work performed per day, will be inserted.

Unlike Hinds County employees, election commissioners only receive pay when they fulfill the five hours per diem requirement

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

BKD, LLP

December 3, 2009

HINDS COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements: | Unqualified |
| | Governmental Activities | Unqualified |
| | General Fund | Unqualified |
| | County Wide Road Maintenance Fund | Unqualified |
| | Series 2007A Tax Exempt Bonds Fund | Unqualified |
| | Series 2007B Taxable Bonds (Parking Garage) Fund | Unqualified |
| | Aggregate Remaining Fund Information | Unqualified |
| | Aggregate Discretely Presented Component Units | Adverse |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be a material weaknesses? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | Yes |
| | b. Significant deficiency identified that is not considered to be a material weakness? | No |
| 5. | Type of auditor's report issued on compliance for major federal programs: | |
| | Highway Planning and Construction Cluster | Unqualified |
| | Homeland Security Cluster | Qualified |
| | Disaster Grants - Public Assistance (Presidentially Declared Disasters) | Unqualified |
| 6. | Any audit finding(s) reported as required by Section ____.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. Highway Planning and Construction Cluster | |
| | Highway Planning and Construction | 20.205 |

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2008

b.	Homeland Security Cluster	
	Homeland Security Grant Program	97.067
	State Domestic Preparedness Equipment Support Program	97.004
c.	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036
8.	The dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as a low-risk auditee?	No
10.	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133?	Yes

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

Reference Number	Finding	Questioned Costs
2008-01	<p>Design Deficiency – Financial Statement Preparation (Significant Deficiency, Material Weakness)</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> – The County relies on its external auditors in assisting in the preparation of external financial statements and related disclosures, including the cash to accrual conversion. Under auditing standards generally accepted in the United States of America, outside auditors cannot be considered part of the entity’s internal control structure. The County does not have documented procedures in place that provide review of accrual conversion amounts or otherwise prevent or detect material misstatements in the external financial statements. However, County personnel reviewed and approved all cash to accrual conversion entries.</p> <p><i>Effect</i> – The financial statements might be materially misstated, and the errors would not be detected by management.</p> <p><i>Cause</i> – The County has not developed procedures or provided staffing to prepare accrual conversion or external financial statements and, consequently, relies on its external auditors for this function.</p> <p><i>Recommendation</i> – The County should evaluate the costs and benefits of providing for preparation of external financial statements and related disclosures by its personnel. Many counties are now outsourcing their accounting services to accounting firms as a means to improve internal controls without adding additional employees.</p>	\$0

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2008

Reference Number	Finding	Questioned Costs
	<i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will take under advisement the recommendation to evaluate the costs and benefits of providing for the preparation of external financial statements and related disclosures by its personnel.	
2008-02	Design Deficiency – Monitoring (Significant Deficiency, Material Weakness)	
	<i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal control over financial reporting.	\$0
	<i>Condition</i> – The County does not have procedures in place to provide for review and approval of financial statement adjustments.	
	<i>Effect</i> – The financial statements might be materially misstated, and the errors would not be detected by management.	
	<i>Cause</i> – There are no procedures in place, such as the review of financial statement adjustments, which would mitigate the risk of potential errors or misappropriations not being detected timely by employees in the normal course of performing their duties.	
	<i>Recommendation</i> – The County should implement procedures to ensure all adjusting journal entries are reviewed and approved by someone without recording responsibility.	
	<i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will request the Chancery Clerk implement procedures to ensure all adjusting journal entries are reviewed by someone without recording responsibility.	
2008-03	Design Deficiency – Monitoring (Significant Deficiency, Material Weakness)	\$0
	<i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal control over financial reporting.	
	<i>Condition</i> – The Circuit Court Clerk’s record keeping system does not allow for reconciliation between open bonds and the bond bank account or daily cash receipts with bank deposits.	
	<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.	
	<i>Cause</i> – There are no procedures in place such as a monthly review and reconciliation of outstanding bond amounts with funds maintained in	

HINDS COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

Reference Number	Finding	Questioned Costs
	<p>the Circuit Court Clerk’s bond bank account or reconciliation of daily cash receipts with amounts deposited to the bank.</p> <p>Recommendation – The Circuit Court Clerk should maintain a listing of bond funds held, including names and amounts paid, which is regularly reconciled to funds maintained in the Circuit Court Clerk’s bond bank account. Someone independent of the cash receipts and record keeping processes should review and reconcile daily receipts with bank deposits.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The Circuit Court Clerk will take actions to correct any and all findings.</p>	
2008-04	<p>Design Deficiency – Recording (Significant Deficiency, Material Weakness)</p> <p>Criteria or Specific Requirement – The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition – The County did not record amounts paid on their behalf by the Mississippi Office of State Aid Road Construction as additions to capital assets, public works expenditures or intergovernmental revenues.</p> <p>Effect – The financial statements were materially misstated, and the errors were not detected by management.</p> <p>Cause – There are no procedures in place to capture amounts paid by the Office of State Aid on behalf of the County.</p> <p>Recommendation – The County should implement procedures to obtain amounts paid on their behalf to properly reflect public works expenditures, intergovernmental revenues and applicable additions to capital assets.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The County was unaware that these amounts not paid directly by the County should be a part of fixed assets. In the future, the County will implement procedures to obtain amounts paid on our behalf to properly reflect public works expenditures, intergovernmental revenues and applicable additions to capital assets.</p>	
2008-05	<p>Design Deficiency – Monitoring (Significant Deficiency, Material Weakness)</p> <p>Criteria or Specific Requirement – The County is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition – 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 agreement provides for semiannual calculations which compare the relationship of the</p>	\$0

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2008

Reference Number	Finding	Questioned Costs
	<p>tax-exempt BMA Index and LIBOR and provide for a settlement, either positive or negative. The County does not have procedures to monitor this agreement and verify the calculations.</p> <p>Additionally, it does not appear that anyone in County management understands whether these agreements represent an effective internal rate hedge. Copies of the agreements in effect had to be obtained from the County's consultant who is also a party to the swap.</p> <p><i>Effect</i> – The financial statements might be materially misstated, and errors would not be detected by management. Additionally, amounts due to or from the County might go undetected.</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>Recommendation</i> – The County needs to assign the responsibility for monitoring these agreements to a qualified person who reports the status regularly to management and the Board.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will seek a qualified financial advisor to monitor these agreements and report the status to County management and the Board of Supervisors on a regular basis regarding the swap performance.</p>	
2008-06	<p style="text-align: center;">Design Deficiency – Financial Statement Preparation (Significant Deficiency, Material Weakness)</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> – Generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for the County's legally separate component units.</p> <p><i>Effect</i> – The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.</p> <p><i>Cause</i> – The County has not developed procedures to include the financial data for the County's legally separate component units.</p> <p><i>Recommendation</i> – The County should evaluate the costs and benefits of including financial data of its legally separate component units to be reported with the financial data of the County's primary government.</p>	

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2008

Reference Number	Finding	Questioned Costs
	<p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will evaluate the costs and benefits of including financial data of its legally separate component units to be reported with the financial data of the County’s primary government and determine appropriate actions to be taken, if any.</p>	

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

Reference Number	Finding	Questioned Costs
2008-07	<p>Federal Program – Homeland Security Cluster, CFDA No. 97.004 and 97.067, Program Year 2004</p> <p>Criteria or Specific Requirement – Procurement, Suspension, and Debarment – Federal regulations require that nonfederal entities, when engaging in covered transactions with an entity at a lower-tier, must verify that the lower-tier entity is not suspended or debarred or otherwise excluded from the conduction of business with federal funds by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity (2 CFR part 180).</p> <p>Condition – The County’s procedures for procurement do not include a verification check of the EPLS. Also, the County’s bid process does not contain a clause that the entity must not be suspended or debarred.</p> <p>Context – We sampled 30 procurements from a total population of 169 procurements. Of the sample, we identified 2 procurements which should have had the required verification. None of these contained the aforementioned clause or other evidence of EPLS verification ensuring that the vendor is not suspended or debarred from conducting business with federal funds.</p> <p>Effect – Although the County did not properly ensure entities were not suspended or debarred of the sample items tested, no covered transactions were conducted with excluded parties.</p> <p>Cause – The County does not have procedures in place to verify that lower-tier entities engaged in covered transactions are not suspended or debarred from conducting business with federal funds.</p> <p>Recommendation – The County should implement a policy, whereas this verification is accomplished by checking the EPLS maintained by the GSA, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity.</p>	\$0

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2008

Reference Number	Finding	Questioned Costs
	<p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The Purchase Clerk shall include language in all projects using federal funds, whereby a business must not be debarred or suspended from doing business with federal funds to participate in all projects. Additionally, the Purchase Clerk shall verify same by checking EPLS maintained by GSA.</p>	
2008-08	<p><i>Federal Program</i> – Homeland Security Cluster, CFDA No. 97.004 and 97.067, Program Years 2004, 2005 and 2006</p> <p><i>Criteria or Specific Requirement</i> – Reporting – In accordance with OMB Circular A-102 <i>Common Rule</i>, OMB Circular A-133 and pass-through grantor requirements, the County is required to submit semiannual reports to the grantor.</p> <p><i>Condition</i> – The County’s procedures for completing the financial reports do not include reconciliation or comparison to general ledger or other financial reports, as the financial reports are prepared from an ancillary file of invoices which may not be complete or correct.</p> <p><i>Context</i> – Two out of three Homeland Security reports were not reconciled to financial reporting or general ledger records.</p> <p><i>Effect</i> – The reports submitted to the pass-through grantor might contain amounts that are not able to be supported.</p> <p><i>Cause</i> – The reports to the pass-through grantor are not prepared from or reconciled to the underlying supporting accounting records.</p> <p><i>Recommendation</i> – The County should implement a policy, whereas the required reports are completed based on general ledger or other financial reporting data or the completed reports are reconciled back to the general ledger or other financial reporting data.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will implement a policy, whereas the required reports are completed based on general ledger or other financial reporting data or the completed reports are reconciled back to the general ledger or other financial reporting data.</p>	\$0

HINDS COUNTY, MISSISSIPPI
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2008

Reference Number	Summary of Finding	Status
2007-06	The County's procedures for procurement do not include a verification check of the EPLS. Also, the County's bid process does not contain a clause that the entity must not be suspended or debarred.	Not corrected. See current year finding 2008-07.
2007-07	The County's procedures for completing semiannual financial reports to the grantor do not include reconciliation or comparison to general ledger or other financial reports, as the financial reports are prepared from an ancillary file of invoices and many may not be complete or correct.	Not corrected. See current year finding 2008-08.

HINDS COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

ROBERT GRAHAM
District 1
Vice President

DOUGLAS "DOUG" ANDERSON
District 2

PEGGY HOBSON CALHOUN
District 3



PHIL FISHER
District 4

GEORGE S. SMITH
District 5
President

VERN O. GAVIN
County Administrator

HINDS COUNTY CORRECTIVE ACTION PLAN

Reference Number 2008-07

The County will include language in the bid specifications for all projects using federal funds, whereby we can determine, if a business has been debarred or suspended from doing business with federal funds before allowing the business to participate in any project.

The Purchasing Clerk will be the person responsible for implementing the corrective action.

The corrective action was implemented effective October 1, 2009.

Reference Number 2008-08

The County will implement a policy, whereas the required reports are completed based on general ledger or other financial reporting data and the completed reports are reconciled back to the general ledger or other financial data. The County will require financial reports be submitted to the Finance Office for completion and ledger verification rather than completed by the department.

The Finance Director will be the person responsible for the implementation of corrective action.

The corrective action will be implemented effective December 1, 2009.