



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR**

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HINDS COUNTY, MISSISSIPPI

**Primary Government Financial Statements and Special Reports
For the Year Ended September 30, 2001**

HINDS COUNTY

FINANCIAL SECTION

HINDS COUNTY

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HINDS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE PRIMARY GOVERNMENT FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

February 25, 2002

Members of the Board of Supervisors
Hinds County, Mississippi

We have audited the accompanying primary government financial statements of Hinds County, Mississippi, as of and for the year ended September 30, 2001, as listed in the table of contents. These primary government financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these primary government financial statements based on our audit.

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

The county did not maintain adequate subsidiary records documenting the completeness and valuation of general fixed assets. Due to the nature of the county's records, we were unable to satisfy ourselves as to the fair presentation of the General Fixed Assets Account Group, reported on the combined balance sheet at \$90,184,294, as of September 30, 2001.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding general fixed assets described in the third paragraph, the primary government financial statements referred to above present fairly, in all material respects, the financial position of the primary government of Hinds County, Mississippi, as of September 30, 2001, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

However, the primary government financial statements, because they do not include the financial data of component units of Hinds County, Mississippi, do not purport to, and do not present fairly the financial position of Hinds County, Mississippi, as of September 30, 2001, and the results of its operations 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 a report dated February 25, 2002, on our consideration of Hinds County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

HINDS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

HINDS COUNTY
 Combined Balance Sheet - All Fund Types and Account Groups
 September 30, 2001

Exhibit A

ASSETS	Governmental Fund Types				Fiduciary Fund Types	Account Groups	Totals Memorandum Only Primary Government	
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-term Debt	
Cash (Note 3)	\$ 5,737,220	10,378,052	706,404	14,639	388,349			17,224,664
Cash with fiscal agent	2,696							2,696
Other receivables	32,656							32,656
Intergovernmental receivables	1,131,594	14,443						1,146,037
Interfund receivables (Note 4)	61,500	302,312	52,367		124,807			540,986
Advances to other funds (Note 4)	70,000							70,000
Lease payments receivable (Note 7)		4,379,450						4,379,450
Fixed assets (Note 5)								4,379,450
Amount available in debt service funds						90,184,294		90,184,294
Amount to be provided for retirement of general long-term debt							730,575	730,575
Total Assets	\$ <u>7,035,666</u>	<u>15,074,257</u>	<u>758,771</u>	<u>14,639</u>	<u>513,156</u>	<u>90,184,294</u>	<u>38,880,908</u> <u>39,611,483</u>	<u>38,880,908</u> <u>153,192,266</u>
LIABILITIES AND FUND EQUITY								
Liabilities:								
Claims payable	\$ 509,083	607,038						1,116,121
Amounts held in custody for others			28,196		308,982			337,178
Intergovernmental payables	2,311,884				124,807			2,436,691
Interfund payables (Note 4)	479,486	61,500						540,986
Advances from other funds (Note 4)		70,000						70,000
Deferred revenue - lease principal payments (Note 7)		3,580,000						3,580,000
Deferred revenue - lease interest payments (Note 7)		799,450						799,450
Deferred revenue - other		428,743						428,743
Compensated absences liability (Note 8)							1,622,300	1,622,300
General obligation bonds payable (Note 8)							31,240,000	31,240,000
Limited obligation bond payable (Note 8)							465,000	465,000
Grant obligations payable (Note 8)							1,185,000	1,185,000
Capital leases payable (Note 8)							2,775,318	2,775,318
Other loans payable (Note 8)							2,323,865	2,323,865
Total Liabilities	<u>3,300,453</u>	<u>5,546,731</u>	<u>28,196</u>	<u>0</u>	<u>433,789</u>	<u>0</u>	<u>39,611,483</u>	<u>48,920,652</u>

Fund Equity.

Investment in general fixed assets						90,184,294		90,184,294
Fund balances:								
Reserved for advances	70,000							70,000
Reserved for debt service			730,575					730,575
Reserved for risk pool deposits	2,696							2,696
Unreserved	<u>3,662,517</u>	<u>9,527,526</u>		<u>14,639</u>	<u>79,367</u>			<u>13,284,049</u>
Total Fund Equity	<u>3,735,213</u>	<u>9,527,526</u>	<u>730,575</u>	<u>14,639</u>	<u>79,367</u>	<u>90,184,294</u>	<u>0</u>	<u>104,271,614</u>
Total Liabilities and Fund Equity	\$ <u>7,035,666</u>	<u>15,074,257</u>	<u>758,771</u>	<u>14,639</u>	<u>513,156</u>	<u>90,184,294</u>	<u>39,611,483</u>	<u>153,192,266</u>

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

HINDS COUNTY

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended September 30, 2001

Exhibit

	Governmental				Fiduciary	Total
	Fund Types				Fund Type	Memorandum
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	On Primary Government
Revenues						
Property taxes	\$ 26,928,007	6,515,488	3,541,294			36,984,789
Licenses, commissions and other revenue	2,071,905	2,240,510				4,312,415
Fines and forfeitures	1,080,781	32,526				1,113,307
Intergovernmental revenues	4,757,178	7,233,323	39,351	607,833		12,637,685
Charges for services	3,606,515	2,620,451				6,226,966
Use of money and property	1,081,156	522,003	36,225	5,922		1,645,306
Miscellaneous revenues	657,621	287,260			195,483	1,140,364
Total Revenues	<u>40,183,163</u>	<u>19,451,561</u>	<u>3,616,870</u>	<u>613,755</u>	<u>195,483</u>	<u>64,060,832</u>
Expenditures						
Current:						
General government	18,801,880	131,404				18,933,284
Public safety	17,290,104	4,036,141				21,326,245
Public works		8,240,605				8,240,605
Health & welfare	2,072,642	2,332,007			188,679	4,593,328
Culture & recreation	81,509	1,383,012				1,464,521
Conservation of natural resources	738,097					738,097
Economic development & assistance	1,306,440	2,173,085				3,479,525
Capital projects	219,766	97,636		857,993		1,175,395
Debt service:						
Principal retirement	113,667	569,682	2,534,389			3,217,738
Interest and fiscal charges	252,056	330,311	1,636,011			2,218,378
Total Expenditures	<u>40,876,161</u>	<u>19,293,883</u>	<u>4,170,400</u>	<u>857,993</u>	<u>188,679</u>	<u>65,387,116</u>
Excess of Revenues over (under) Expenditures	<u>(692,998)</u>	<u>157,678</u>	<u>(553,530)</u>	<u>(244,238)</u>	<u>6,804</u>	<u>(1,326,284)</u>
Other Financing Sources (Uses)						
Proceeds of other debt	713,330	1,467,200				2,180,530
Proceeds from sale of assets	38,929	18,200				57,129
Insurance recoveries	13,136					13,136
Operating transfers in	7,112	261,926	674,158			943,196
Operating transfers out	(256,282)	(686,914)				(943,196)
Lease principal payments		220,000				220,000
Proceeds of refunding bond	5,960,000					5,960,000
Payment to refunded bonds escrow agent	(5,790,188)					(5,790,188)
Total Other Financing Sources (Uses)	<u>686,037</u>	<u>1,280,412</u>	<u>674,158</u>	<u>0</u>	<u>0</u>	<u>2,640,607</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	<u>(6,961)</u>	<u>1,438,090</u>	<u>120,628</u>	<u>(244,238)</u>	<u>6,804</u>	<u>1,314,323</u>
Fund Balances						
Beginning of year	<u>3,742,174</u>	<u>8,089,436</u>	<u>609,947</u>	<u>258,877</u>	<u>72,563</u>	<u>12,772,997</u>
End of year	<u>\$ 3,735,213</u>	<u>9,527,526</u>	<u>730,575</u>	<u>14,639</u>	<u>79,367</u>	<u>14,087,320</u>

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

HINDS COUNTY

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HINDS COUNTY

Combined Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types
For the Year Ended September 30, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Property taxes	\$ 26,525,568	27,063,020	537,452	6,260,948	6,517,628	256,680
Licenses, commissions and other revenue	2,027,376	2,082,162	54,786	1,978,883	2,256,712	277,829
Fines and forfeitures	1,070,396	1,077,293	6,897	63,065	64,498	1,433
Intergovernmental revenues	6,180,158	6,234,250	54,092	7,315,598	7,174,548	(141,050)
Charges for services	3,320,964	3,492,938	171,974	2,659,218	2,620,451	(38,767)
Use of money and property	1,101,499	1,091,772	(9,727)	442,944	423,343	(19,601)
Miscellaneous revenues	941,514	944,394	2,880	278,512	304,510	25,998
Total Revenues	<u>41,167,475</u>	<u>41,985,829</u>	<u>818,354</u>	<u>18,999,168</u>	<u>19,361,690</u>	<u>362,522</u>
Expenditures						
General government	19,606,052	18,618,469	987,583	150,924	150,924	
Public safety	16,768,006	17,380,888	(612,882)	4,554,444	4,554,444	
Public works				7,959,659	7,959,659	
Health and welfare	2,064,200	2,064,200		2,406,162	2,406,162	
Culture and recreation	81,509	81,509		1,384,097	1,384,097	
Conservation of natural resources	364,204	738,905	(374,701)			
Economic development and assistance	593,104	593,104		2,107,705	2,107,705	
Capital projects				110,665	110,665	
Debt service	195,911	195,911				
Other costs	44,612	44,612				
Total Expenditures	<u>39,717,598</u>	<u>39,717,598</u>	<u>0</u>	<u>18,673,656</u>	<u>18,673,656</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	1,449,877	2,268,231	818,354	325,512	688,034	362,522
Other Financing Sources (Uses)	<u>(2,016,099)</u>	<u>(2,041,875)</u>	<u>(25,776)</u>	<u>1,002,960</u>	<u>1,060,716</u>	<u>57,756</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(566,222)	226,356	<u>792,578</u>	1,328,472	1,748,750	<u>420,278</u>
Fund Balances						
Beginning of year	<u>3,649,126</u>	<u>3,326,989</u>		<u>8,561,852</u>	<u>5,442,625</u>	
End of year	<u>\$ 3,082,904</u>	<u>3,553,345</u>		<u>9,890,324</u>	<u>7,191,375</u>	

Debt Service Funds

Capital Projects Funds

<u>Debt Service Funds</u>			<u>Capital Projects Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
3,527,332	3,543,653	16,321			
36,331	39,351	3,020			
40,067	37,911	(2,156)	608,688	608,688	
			5,820	5,922	102
<u>3,603,730</u>	<u>3,620,915</u>	<u>17,185</u>	<u>614,508</u>	<u>614,610</u>	<u>102</u>
			857,993	857,993	
4,170,400	4,170,400				
<u>4,170,400</u>	<u>4,170,400</u>	<u>0</u>	<u>857,993</u>	<u>857,993</u>	<u>0</u>
(566,670)	(549,485)	17,185	(243,485)	(243,383)	102
<u>342,600</u>	<u>674,158</u>	<u>331,558</u>	<u>0</u>	<u>0</u>	<u>0</u>
(224,070)	124,673	<u>348,743</u>	(243,485)	(243,383)	<u>102</u>
<u>555,641</u>	<u>303,535</u>		<u>258,022</u>	<u>258,022</u>	
<u>331,571</u>	<u>428,208</u>		<u>14,537</u>	<u>14,639</u>	

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

(1) 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 relationships with the county. Accordingly, the financial statements do not include the data of all of the county's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Hinds County Agriculture High School
- Hinds County Economic Development District
- Rankin/Hinds Pearl River Flood and Drainage Control District

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

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

B. Basis of Presentation.

The accompanying financial statements of the primary government have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. However, the primary government financial statements, because they do not include the financial data of the county's component units, do not present fairly, in all material respects, the financial position and results of operations for the entire reporting entity.

C. 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 1994 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 1993 by the Office of the State Auditor.

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2001

D. Fund Accounting.

The financial activities of the county are recorded in individual funds and account groups used to report financial position and results of operations. Fund accounting is used to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with specific regulations, restrictions or limitations. An account group is a financial reporting device designated to provide accountability for certain assets and liabilities that are not recorded in funds because they do not directly affect net expendable available financial resources. The following fund categories, which are further subdivided into separate "fund types", are utilized by the county:

GOVERNMENTAL FUND TYPES

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

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

FIDUCIARY FUND TYPES

Expendable Trust Funds - These funds are used to account for assets held by the county in a formal trustee capacity where the principal and income may be expended in the course of designated operations.

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.

ACCOUNT GROUPS - The General Fixed Assets Account Group is used to account for general fixed assets. The General Long-term Debt Account Group is used to account for general long-term debt and certain other liabilities.

E. Basis of Accounting/Measurement Focus.

Governmental Fund Types and Expendable Trust and Agency Funds - All Governmental Funds and Expendable Trust Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2001

The modified accrual basis of accounting is used by all Governmental Fund Types, Expendable Trust Funds and Agency Funds. Under this method, revenues are recognized in the accounting period in which they become both available and measurable to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current year or soon enough after year end to liquidate liabilities existing at the end of the year. Expenditures are recognized in the accounting period in which the fund liability is incurred. Modifications to the accrual basis of accounting include:

- Licenses, fees, fines and forfeits and other miscellaneous revenues are recognized when received since they normally are only measurable at that time.
- Property taxes are recognized as revenue when received because the remaining delinquent property taxes not collected before the close of the fiscal year are considered immaterial. See Note 1K for further explanation.
- Principal and interest on general long-term debt are recognized when due.
- Obligations for accumulated unpaid employee benefits are recognized when paid.

F. Cash and Investments.

State law authorizes the county to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the county may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value as appropriate during the year.

G. Receivables.

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

H. Interfund Receivables/Payables.

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 "interfund receivables/payables." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds 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.

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2001

I. Fixed Assets.

Fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in Governmental Funds, and the related assets are reported in the General Fixed Assets Account Group. However, the General Fixed Assets Account Group, reported on the accompanying combined balance sheet, is not fairly presented because the county did not maintain adequate subsidiary records documenting the completeness and valuation of general fixed assets. All purchased fixed assets are stated at cost where historical records are available and at an estimated historical cost where no historical records exist. The extent to which fixed assets costs have been estimated and the methods of estimation are not readily available. Donated fixed assets are recorded at their fair 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 general fixed assets. Public domain (infrastructure) fixed assets consisting of certain improvements other than buildings, such as roads, bridges, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to the county, are not capitalized. Depreciation is not provided on general fixed assets.

J. Fund Equity.

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

K. 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 when received. Real property taxes are recognized as revenue when received because most delinquent real property taxes are collected by selling real property for taxes, together with all fees, penalties and damages accruing until date of sale, before the close of the fiscal year. The remaining amount of real property not sold for taxes at the tax sale is considered immaterial; therefore, no end of year delinquent taxes receivable is recorded. The amount of delinquent personal property taxes unpaid at year end is also considered immaterial. 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.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

L. 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.

M. 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 in Governmental Funds to the extent that they are to be paid with current assets and the remainder of the liability to be reported in the General Long-term Debt Account Group, representing the county's commitment to fund such costs from future operations. Due to immateriality, the current portion of the liability was not estimated and reported in the Governmental Funds. Therefore, the county's full liability in the amount of \$1,622,300 for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported in the General Long-term Debt Account Group of the accompanying combined balance sheet.

N. Total Column on Primary Government Financial Statements.

The total column on the primary government financial statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position and results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Stewardship, Compliance and Accountability.

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

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

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

B. Budget/GAAP Reconciliation.

The following schedule reconciles the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual to the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances:

Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Budget (Cash Basis)	\$ 226,356	1,748,750	124,673	(243,383)
Increase (Decrease)				
Net adjustment for revenue accruals	(192,169)	(266,562)	(4,045)	(855)
Net adjustment for expenditure accruals	(41,148)	(44,098)		
GAAP Basis	\$ (6,961)	1,438,090	120,628	(244,238)

C. Individual Fund Deficits.

The following funds had deficit fund balances at September 30, 2001:

Fund	Deficit Amount
Special Revenue Funds:	
CMPDD Title III rural transportation	\$ 2,802
DARE grant	3,028
Victim witness assistance grant	2,415
Drug court grant	11,324
CDBG St. Thomas water project	37,271
Welfare to work	34,221
Workforce investment act grant	72,535
Juvenile justice grant	2,244
Terry depot project	2,406
DEQ waste assistance grant	19,843
DEQ waste tire program	24,735
Rankin/Hinds flood district	3

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

D. Legal Compliance - Financial Matters.

For fiscal year 2001, state law required the county to have its uninsured deposits fully collateralized (105%) by securities based upon market value, and the securities were to be held in the name of the county. Effective October 1, 2001, state law changed making the State Treasurer the pledgee of all collateral securities pledged for public funds and requiring financial institutions to place collateral securities with the State Treasurer. At September 30, 2001, the county had \$2,414,766 of uninsured deposits uncollateralized. This resulted in the county being in noncompliance with the laws on collateralization of uninsured deposits in effect for fiscal year 2001; however, the county experienced no financial loss due to the noncompliance.

(3) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2001, was \$17,224,664, and the bank balance was \$19,827,527. The bank balance is categorized below to reflect the level of credit risk assumed by the county at year end.

	<u>Bank Balance</u>
Amount federally insured or collateralized with securities held by the county or its agent in the county's name.	\$ 406,540
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the county's name.	17,006,221
Amount uncollateralized	<u>2,414,766</u>
Total Bank Balance	<u>\$ 19,827,527</u>

(4) Interfund Receivables and Payables.

The composition of interfund balances at September 30, 2001, consists of the following:

Interfund Receivables/Payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Jackson-Hinds library system	General Fund	\$ 17,470
Hinds mental health	General Fund	16,911
Garbage and solid waste	General Fund	34,454
Volunteer fire department	General Fund	7,631
Countywide road	General Fund	208,658
Countywide bridge	General Fund	17,188
Countywide bond and interest	General Fund	52,367
Junior colleges	General Fund	124,807

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	DARE grant	10,000
General Fund	HIDTA grant	10,000
General Fund	Victim witness assistance grant	10,000
General Fund	Drug court	30,000
General Fund	JAIBG grant	1,500
Total		<u>\$ 540,986</u>

Advances to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	DEQ waste tire grant	\$ 60,000
General Fund	Title III aging grant	10,000
Total		<u>\$ 70,000</u>

(5) Fixed Assets.

The General Fixed Assets Account Group balances at September 30, 2001, are as follows:

	<u>Balance Sept. 30, 2001</u>
Land	\$ 2,462,033
Buildings	56,812,836
Improvements other than buildings	720,864
Mobile equipment	12,440,301
Other furniture and equipment	14,623,260
Leased property under capital leases	<u>3,125,000</u>
Total	<u>\$ 90,184,294</u>

(6) Claims and Judgments.

Risk Financing.

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. The county purchases commercial insurance to cover all claims in excess of premium contributions. 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.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

The county had no year end liability because cash on deposit in the risk pool exceeded the pool's accrued unpaid claims in the amount of \$2,696, reported on the combined balance sheet in the General Fund.

(7) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2001:

<u>Class of Property</u>	<u>Amount</u>
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, 2001, are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2002	\$ 337,400
2003	335,500
2004	338,450
2005	336,100
2006	338,600
Later years	<u>2,693,400</u>
Total Minimum Lease Receivables	4,379,450
Less: Amount representing interest	<u>799,450</u>
Present Value of Net Minimum Lease Receivables	\$ <u>3,580,000</u>

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2001:

<u>Class of Property</u>	<u>General Fixed Assets Group</u>
Other furniture and equipment	\$ <u>3,125,000</u>

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2001, are as follows:

<u>Year Ending September 30</u>	<u>General Long-term Debt Group</u>
2002	\$ 565,993
2003	565,993
2004	565,993
2005	565,993

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

<u>Year Ending September 30</u>	<u>General Long-term Debt Group</u>
2006	565,993
Later years	<u>565,992</u>
Total Minimum Lease Payments	3,395,957
Less: Amount representing interest	<u>620,639</u>
Present Value of Net Minimum Lease Payments	<u>\$ 2,775,318</u>

(8) Long-term Debt.

Debt outstanding as of September 30, 2001, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
General Long-term Debt Account Group:			
A. General Obligation Bonds:			
1994 refunding bonds	\$ 13,375,000	5 to 6.25	03-01-11
Double G Coating bonds	3,580,000	3	05-01-14
Refunding bond 1999A	4,290,000	4.4 to 4.65	03-01-05
Youth detention center 1999A	3,895,000	4.8 to 6	10-01-19
Youth detention center 1999B	490,000	5.2 to 7	10-01-19
2001 refunding bonds	<u>5,610,000</u>	5.25 to 6.5	07-15-14
Total General Obligation Bonds	<u>\$ 31,240,000</u>		
B. Limited Obligation Bond:			
Wal-Mart tax increment financing	<u>\$ 465,000</u>	5.681	09-01-17
C. Grant Obligations:			
JRA - MCAA tower parking	\$ 595,000	7.7 to 8	08-01-09
JRA - Urban renewal	<u>590,000</u>	4.1 to 5.7	11-01-13
Total Grant Obligations	<u>\$ 1,185,000</u>		
D. Capital Lease:			
E-911 system	<u>\$ 2,775,318</u>	6.09	03-15-07

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
E. Other Loans:			
Metro parkway project	\$ 143,335	0	12-01-05
Metro parkway project	713,330	0	11-01-10
Document imaging/computer equipment upgrade	<u>1,467,200</u>	4.26	05-01-06
Total Other Loans	<u>\$ 2,323,865</u>		

Annual debt service requirements to maturity for the following debt reported in the General Long-term Debt Account Group are as follows:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	<u>Limited Obligation Bonds</u>	<u>Grant Obligations</u>	<u>Other Loans</u>	<u>Total</u>
2002	\$ 3,771,704	41,430	168,453	408,372	4,389,959
2003	3,739,726	40,485	161,778	431,984	4,373,973
2004	3,727,221	44,570	160,043	431,984	4,363,818
2005	3,708,392	43,350	162,705	431,984	4,346,431
2006	3,773,369	42,150	159,885	431,984	4,407,388
Later years	<u>24,095,050</u>	<u>515,378</u>	<u>783,811</u>	<u>356,665</u>	<u>25,750,904</u>
Total	42,815,462	727,363	1,596,675	2,492,973	47,632,473
Less: Amount representing interest	<u>11,575,462</u>	<u>262,363</u>	<u>411,675</u>	<u>169,108</u>	<u>12,418,608</u>
Total at Present Value	<u>\$ 31,240,000</u>	<u>465,000</u>	<u>1,185,000</u>	<u>2,323,865</u>	<u>35,213,865</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2001, the amount of outstanding debt was equal to 2.3% of the latest property assessments.

Advance Refunding - On April 1, 2001, the county issued \$5,960,000 in general obligation bonds with an average interest rate of 5.84% to advance refund \$5,230,000 of the following outstanding bond issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
General obligation bonds - industrial park 1994	8.29	\$ 5,230,000

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

The net proceeds of \$5,790,188 (after payment of \$169,812 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased, and the liability for those bonds has been removed from the General Long-term Debt Account Group.

The county advance refunded the above bonds to reduce its total debt service payments over the next 14 years by over \$125,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$300,556.

Prior Year Defeasance of Debt - In prior years, the county defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the county's financial statements. On September 30, 2001, \$4,145,000 of bonds outstanding were considered defeased.

The following changes occurred in liabilities reported at year end:

	Balance Oct. 1, 2000	Additions	Reductions	Adjustments	Balance Sept. 30, 2001
General Long-term Debt Account Group:					
Compensated absences	\$ 1,610,070	12,230			1,622,300
General obligation bonds	32,610,000	5,960,000	2,100,000	(5,230,000)	31,240,000
Limited obligation bonds	480,000		15,000		465,000
Grant obligations	1,270,000		85,000		1,185,000
Capital lease	3,125,000		349,682		2,775,318
Other loans	811,391	2,180,530	668,056		2,323,865
Total	\$ 39,906,461	8,152,760	3,217,738	(5,230,000)	39,611,483

The adjustment of \$5,230,000 is to remove general obligation bonds from the General Long-term Debt Account Group that were defeased during the fiscal year.

(9) 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.

Contingent Liability - The county is contingently liable for certain obligations which are repaid by the Jackson Redevelopment Authority (JRA). The principal amount of such debt outstanding at year end consists of the following:

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

<u>Description</u>	<u>Balance at Sept. 30, 2001</u>
JRA - Urban Renewal - Jackson State	\$ <u>4,790,000</u>

- (10) 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:

<u>Description</u>	<u>Balance at Sept. 30, 2001</u>
Industrial revenue bonds and notes	\$ <u>51,235,000</u>

- (11) Related Organization.

The Hinds County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Hinds County Livestock Commission, but the county's accountability for this organization does not extend beyond making the appointments. During the year, the county appropriated \$22,500 to this organization.

- (12) Joint Venture.

The county participates in the following joint venture:

Hinds 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 for city and county residents and is governed by 14 board members with each entity appointing seven members. By contractual agreement, the county's appropriation to the joint venture was \$1,323,242 in fiscal year 2001. Complete financial statements for the Jackson-Hinds Library System can be obtained from 400 North State Street, Jackson, MS 39201.

- (13) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Central Mississippi Planning and Development District operates in a district composed of the Counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Hinds County Board of Supervisors appoints three of the 33 members of the board of directors. The county contributes a small percentage of the district's total revenue. The county appropriated \$53,104 for support of the district in fiscal year 2001.

Hinds Community College operates in a district composed of the Counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Hinds County Board of Supervisors appoints five of the 15 members of the college board of trustees. The county appropriated \$7,712,468 for maintenance and support of the college in fiscal year 2001.

Hinds County Human Resource Agency, Inc., operates in a district composed of Hinds County, private citizens and local civic organizations. The Hinds County Board of Supervisors appoints five of the 15 members of the agency. The county appropriated \$170,000 for support of the agency in fiscal year 2001.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2001

(14) Defined Benefit Pension Plan.

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

Funding Policy. PERS members are required to contribute 7.25% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2001, 2000 and 1999 were \$2,187,789, \$2,118,127 and \$1,990,594, respectively, equal to the required contributions for each year.

(15) Subsequent Events.

Subsequent to September 30, 2001, Hinds County issued the following debt obligation:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11-19-01	3.59	\$ 2,000,000	Lease purchase	Ad valorem collections

HINDS COUNTY

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HINDS COUNTY

SUPPLEMENTAL INFORMATION

HINDS COUNTY

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HINDS COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2001

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Justice - Office of Justice Programs			
Local law enforcement block grants program	16.592	1999-LBVX7384	\$ 464,685
Local law enforcement block grants program	16.592	2000-LBBX2557	<u>55,462</u>
Total U.S. Department of Justice			<u>520,147</u>
U.S. Department of Labor - Employment and Training Administration			
Welfare-to-work grants to states and localities	17.253	Y-1798-9-00-81-60	1,211,296
Employment and Training Administration/Passed-through the Mississippi Development Authority			
Workforce investment act	17.255	400-00-02	<u>1,878,847</u>
Total U.S. Department of Labor			<u>3,090,143</u>
Total Expenditures of Major Federal Awards			<u>3,610,290</u>
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy/Passed-through the Mississippi Department of Public Safety			
High intensity drug trafficking area	07.UN	IOPGCP532	<u>20,383</u>
U.S. Department of Agriculture - Food and Nutrition Service			
National school lunch program	10.555	N/A	<u>22,020</u>
U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority			
Community development block grants/state's program	14.228	96-025-STEP-01	124,855
Community development block grants/state's program	14.228	99-025-PF-01	<u>29,824</u>
Total			<u>154,679</u>
HOME investment partnerships program	14.239	M98SG280251210	<u>4,643</u>
Total U.S. Department of Housing and Urban Development			<u>159,322</u>

HINDS COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2001

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Justice - Federal Equitable Sharing Agreement Seized property and funds	16.UN	N/A	<u>31,972</u>
Office of Juvenile Justice and Delinquency Prevention/ Passed-through the Mississippi Department of Public Safety Juvenile accountability incentive block grants	16.523	8JB1251	<u>25,325</u>
Juvenile justice and delinquency prevention - allocation to states	16.540	9VA1251	34,022
Juvenile justice and delinquency prevention - allocation to states	16.540	0VA1251	7,542
Juvenile justice and delinquency prevention - allocation to states	16.540	8NW1252	46,126
Juvenile justice and delinquency prevention - allocation to states	16.540	8NW1253	<u>9,365</u>
Total			<u>97,055</u>
Office of Justice Programs/Passed-through the Mississippi Department of Public Safety Byrne formula grant program	16.579	8NS1251	<u>87,210</u>
Violence against women formula grants	16.588	8SL1251	4,069
Violence against women formula grants	16.588	9SI.1251	24,810
Violence against women formula grants	16.588	9SP1251	<u>33,505</u>
Total			<u>62,384</u>
Office of Community Oriented Policing Services Public safety partnership and community policing grants	16.710	95CFWX1944	<u>96,956</u>
Total U.S. Department of Justice			<u>400,902</u>
U.S. Department of Labor - Employment and Training Administration/Passed-through the Mississippi Development Authority Employment and training assistance - dislocated workers	17.246	8-99-985-ED-51	57,290
Employment and training assistance - dislocated workers	17.246	7-99-985-ED-51	<u>50,529</u>
Total			<u>107,819</u>
Job training partnership act	17.250	9-99-985-TA-51	5,488
Job training partnership act	17.250	9-99-985-TH-51	4,076
Job training partnership act	17.250	400-99-985-ED	<u>62,112</u>
Total			<u>71,676</u>
Total U.S. Department of Labor			<u>179,495</u>

HINDS COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2001

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Transportation - Federal Highway Administration/Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	N/A	<u>7,370</u>
U.S. Department of Education - Office of Elementary and Secondary Education Women's educational equity act program	84.083	SO83A000094	<u>51,146</u>
U.S. Department of Health and Human Services - Administration on Aging/Passed-through the Mississippi Department of Health and Human Services Special programs for the aging - Title III, Part B	93.044	377Z21	<u>14,800</u>
Total Expenditures of Other Federal Awards			<u>855,438</u>
Total Expenditures of Federal Awards			\$ <u><u>4,465,728</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

HINDS COUNTY

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HINDS COUNTY

SPECIAL REPORTS

HINDS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

February 25, 2002

Members of the Board of Supervisors
Hinds County, Mississippi

We have audited the primary government financial statements of Hinds County, Mississippi, as of and for the year ended September 30, 2001, and have issued our report thereon dated February 25, 2002. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units, and the report is qualified because the county did not maintain adequate subsidiary records documenting the completeness and valuation of general fixed assets. 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.

Compliance

As part of obtaining reasonable assurance about whether Hinds County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance that we have reported to the management of Hinds County, Mississippi, in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules dated February 25, 2002, included within this document.

Internal Control Over Financial Reporting

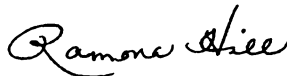
In planning and performing our audit, we considered Hinds County, Mississippi's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Hinds County, Mississippi's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 01-1, 01-2, 01-3, 01-4, 01-5, 01-6, 01-7 and 01-8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the primary government financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 01-2 to be a material weakness.

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



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

February 25, 2002

Members of the Board of Supervisors
Hinds County, Mississippi

Compliance

We have audited the compliance of Hinds County, Mississippi, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2001. Hinds County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Hinds County, Mississippi's management. Our responsibility is to express an opinion on Hinds County, Mississippi's compliance based on our audit.

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

In our opinion, Hinds County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 01-9.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division



State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

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

February 25, 2002

Members of the Board of Supervisors
Hinds County, 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, 2001. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as we considered necessary in the circumstances.

The Board of Supervisors of 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.

The county did not maintain adequate subsidiary records documenting the completeness and valuation of general fixed assets.

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

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

Purchase Clerk.

1. Finding

Section 31-7-103 and 31-7-109, Miss. Code Ann. (1972), requires a purchase requisition, purchase order and receiving report for purchases, except for those items enumerated by the Office of the State Auditor under the authority of Section 31-7-113, Miss. Code Ann. (1972). Two purchase transaction documents appeared to have been prepared after the fact as indicated by the dates on the documents.

Recommendation

The Purchase Clerk should ensure that the required purchase documents are issued in their proper sequence.

Purchase Clerk's Response

Purchase orders are not issued by the Purchase Clerk for goods or services with the knowledge that these goods and services having already been received. Hinds County purchasing and inventory will conduct an educational class with all personnel involved in the purchasing cycle.

Inventory Control Clerk.

2. Finding

Section 7-7-211, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe accounting systems. As reported in the prior year's audit report, the complete inventory of fixed assets records was not reconciled with the fixed assets records of the finance department. The other furniture and equipment balances on the fixed assets records were different by a material amount from the finance department balances.

Recommendation

The Inventory Control Clerk should ensure that the problem noted above is corrected.

Inventory Control Clerk's Response

An appropriate adjustment will be made to reconcile the inventory fixed assets amounts recorded by the finance department. This will reduce the problem. A biannual reconciliation will be done to assure the inventory fixed assets records and the finance department records remain in balance.

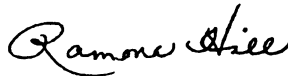
In our opinion, except as explained in the third paragraph and except for the noncompliance referred to in the preceding paragraph, Hinds County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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.



PHIL BRYANT
State Auditor



RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

HINDS COUNTY

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2001

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>
01-03-01	Brush clippers	\$ 19,490	Deviney Equipment	\$ 19,388	The lower bid did not state warranty or delivery time and the hydraulic tank capacity was less than the specification requirements.

HINDS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2001

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
09-27-01	Telephone equipment	\$ 104,402	BellSouth Communications	The telecommunications equipment in the Sheriff's office was at least 80% inoperable.

HINDS COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2001

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
02-21-01	Case catalyst software and security hook up keys	\$ 24,570	Stenograph Corporation
02-26-01	Custom splash T-shirts	3,288	RST Specialty
02-26-01	Career scope plan package	1,850	Vocational Research Institute
04-03-01	Unitel 2000D cellular system	7,595	Audio Intelligence Devices, Inc.
04-03-01	T-shirts and caps	6,314	National Association of Town Watch
07-11-01	Resource materials	2,588	Curtis and Associations
08-21-01	APCO-license fee for radio	4,630	APCO

HINDS COUNTY

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

February 25, 2002

Members of the Board of Supervisors
Hinds County, Mississippi

We have audited the primary government financial statements of Hinds County, Mississippi, as of and for the year ended September 30, 2001, and have issued our report thereon dated February 25, 2002. The auditor's report on the primary government financial statements is modified to reflect that the primary government financial statements do not include the financial data of the county's component units, and the report is qualified because the county did not maintain adequate subsidiary records documenting the completeness and valuation of general fixed assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the procedures prescribed by the State Auditor, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. 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.

With respect to the items tested, the results of those procedures and our audit of the primary government financial statements disclosed no instances of noncompliance with state laws and regulations other than those discussed in the Independent Auditor's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules.

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

Handwritten signature of Phil Bryant in cursive.

PHIL BRYANT
State Auditor

Handwritten signature of Ramona Hill in cursive.

RAMONA HILL, CPA
Director, Financial and Compliance Audit Division

HINDS COUNTY

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HINDS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY

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HINDS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2001

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|-----------|
| 1. | Type of auditor's report issued on the primary government financial statements: | Qualified |
| 2. | Material noncompliance relating to the primary government financial statements? | No |
| 3. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Reportable conditions identified that are not considered to be material weaknesses? | Yes |

Federal Awards:

- | | | |
|-----|--|-------------|
| 4. | Type of auditor's report issued on compliance for major federal programs: | Unqualified |
| 5. | Internal control over major programs: | |
| a. | Material weakness identified? | No |
| b. | Reportable condition identified that is not considered to be material weakness? | No |
| 6. | Any audit finding reported as required by Section ____.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| a. | Local Law Enforcement Block Grants Program, CFDA No. 16.592 | |
| b. | Welfare-to-Work Grants to States and Localities, CFDA No. 17.253 | |
| c. | Workforce Investment Act, CFDA No. 17.255 | |
| 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 findings 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 |

HINDS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2001

Section 2: Financial Statement Findings

Board of Supervisors.

01-1. Finding

Permit and zoning receipts were not deposited into the bank account on a daily basis.

Recommendation

The Board of Supervisors should ensure that permit and zoning receipts are deposited into the bank account on a daily basis.

Inventory Control Clerk.

01-2. Finding

As reported in the prior year's audit report, the complete inventory of fixed assets records was not reconciled with the fixed assets records of the finance department. The other furniture and equipment balances on the fixed assets records were different by a material amount from the finance department balances.

Recommendation

The Inventory Control Clerk should ensure that the problems noted above are corrected.

Circuit Clerk.

01-3. Finding

As reported in the prior year's audit report, we noted the following deviations from the prescribed accounting system contained in the *Mississippi County Financial Accounting Manual*:

- a. The bank statements did not reconcile to the cash journals.
- b. An accounts receivable control account was not maintained for subsidiary accounts receivable records.

Recommendation

The Circuit Clerk should establish a control account in order to balance monthly to the individual accounts receivable and reconcile bank statements to the cash journals.

HINDS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2001

01-4. Finding

As reported in the prior year's audit report, there is no separation of duties in the handling of transactions. One employee issues and posts all receipts and disbursements. The same employee reconciles the bank accounts. The lack of segregation of duties increases the chance that funds could be mishandled.

Recommendation

The Circuit Clerk should ensure that there is an adequate separation of duties in the collection, deposit preparation, disbursement, recording and reconciling functions. If a separation of duties is not possible, another employee or the Circuit Clerk should review receipts, disbursements and reconciliations periodically and investigate any unusual items.

Sheriff.

01-5. Finding

Bank statements were not reconciled to a monthly balance in the inmate account.

Recommendation

The Sheriff should ensure that the problem noted above is corrected.

Management Information System Department.

01-6. Finding

Control Objectives for Information Related Technologies (COBIT) and industry best practices require a documented disaster recovery plan. As reported in the prior year's audit report, the county did not have a documented disaster recovery plan for data processing and had not performed a formal risk assessment.

Recommendation

A formal disaster recovery plan for the data processing department should be developed. A risk assessment should be included in this process. An arrangement should be made with a vendor or user of comparable equipment for support of needed hardware and software in the event of a disaster. A hard copy of the disaster recovery plan should be maintained off-site. The plan should be updated as equipment, software and staff change.

01-07. Finding

Control Objectives for Information Related Technologies (COBIT) and industry best practices require formal written policies for access security. As reported in the prior year's audit report, the county did not have written policies for access security or procedures for maintenance and control over passwords. Passwords were not changed on a regular basis, and terminal access violations were not being investigated.

Recommendation

Written policies and procedures for access security should be implemented for maintenance and control over passwords. The county should document procedures for approving and assigning passwords. A limit of invalid access attempts should be implemented. Terminal access violations should be investigated.

HINDS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2001

01-8. Finding

Control Objectives for Information Related Technologies (COBIT) and industry best practices require formal written policies for security. As reported in the prior year's audit report, the county did not have written policies for security over the data processing facility.

Recommendation

The county should develop written policies for security over the data processing facility.

Section 3: Federal Award Findings and Questioned Costs

01-9. Finding

Programs: Local Law Enforcement Block Grants Program - CFDA No. 16.592; Award No. 1999-LBVX7384 and Award No. 2000-LBBX2557; U.S. Department of Justice - Office of Justice Programs

Welfare-to-Work Grants to States and Localities - CFDA No. 17.253; Award No. Y-1798-9-00-81-60; U.S. Department of Labor - Employment and Training Administration

Workforce Investment Act - CFDA No. 17.255; Award No. 400-00-02; U.S. Department of Labor - Employment and Training Administration/Passed-through the Mississippi Development Authority

Compliance Requirement: Equipment and Real Property Management

Under the requirements of the Single Audit Act of 1996, local governments are to follow the A-102 Common Rule (paragraph .32) for equipment acquired under federal awards received directly under a federal awarding agency or passed-through a primary recipient. Equipment records should be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to equipment records, an appropriate control system shall be used to safeguard equipment and equipment shall be adequately maintained. Inadequate documentation exists describing equipment purchased by the county from federal monies. Cross-referencing from the county's inventory to expenditure ledger documentation shows differences between items actually purchased with federal funds and departmental inventory listings.

Questioned Costs: None

Recommendation

Grant administrators should keep a master list of equipment and furniture purchased with federal dollars. Each item should have a description including make, model, serial number and actual cost. This listing should be submitted to the inventory control clerk for inclusion in the county inventory listing. Subsequently, the inventory control clerk should assign an inventory tag number to the item and provide a detailed description of all information in a department specifically named for the respective federal program.

HINDS COUNTY

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

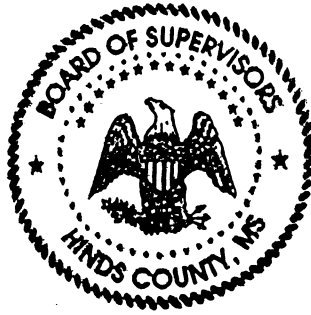
HINDS COUNTY

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CHARLES BARBOUR
District 1

DOUGLAS "DOUG" ANDERSON
District 2
Vice President

PEGGY HOBSON CALHOUN
District 3



RONNIE CHAPPELL
District 4

GEORGE S. SMITH
District 5
President

EUGENE L. McLEMORE, J. D.
County Administrator

CORRECTIVE ACTION PLAN

February 25, 2002

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

Gentlemen:

Hinds County respectfully submits the following corrective action plan for the year ended September 30, 2001.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

SECTION 2: FINANCIAL STATEMENT FINDINGS

01-1 Corrective Action Planned:

The County Administrator will require the Director of Permit and Zoning to ensure that permit and zoning receipts are deposited into the bank account on the same business day received or not later than the next business day

Anticipated Completion Date:

January 2, 2002

Name of Contact Person Responsible for Corrective Action:

Dr. Eugene McLemore, County Administrator
Mr. Jimmy Lewis, Director of Permit and Zoning

01-2 Corrective Action Planned:

An appropriate adjustment will be made to reconcile the inventory fixed asset amounts recorded by the finance department. This will reduce the problem. A biannual reconciliation will be done to assure the inventory fixed asset records and the finance department records remain in balance.

Anticipated Completion Date:

September 30, 2002

Name of Contact Person Responsible for Corrective Action:

James Ingram, Inventory Clerk

01-3 Corrective Action Planned:

My CPA has had two accountants working on the reconciliation problem on each of the four bank accounts referenced. Two of the accounts have been reconciled to the bank accounts. We believe the differences on the two accounts that have been reconciled is due to postings not made in the manual records. The other bank accounts which are expected to be more difficult and time consuming are in process. Due to the heavy workload my CPA has with his staff at this time, we will begin reconciliation process on the other two accounts, the civil court cost account and the fine account on Monday, March 18, 2002. It is expected these two accounts will be reconciled within the next 30 days. Of course, once the accounts are reconciled, further efforts will be to determine the reason for the outage and bring the manual records into balance with the bank accounts. On an ongoing basis, a procedure has been developed to reconcile the accounts on a monthly basis by the outside CPA firm. We can assure, in the future the accounts will be reconciled on a monthly basis and reconciliations will be in the file for future review by the State Auditor's Office.

We appreciate your consideration in allowing us additional time to resolve this time consuming and difficult process. At the completion of the complete reconciliation of all accounts, a meeting will be arranged with representatives of the State Auditor's Office and reconciliations will be presented to the auditors for your audit file.

Anticipated Completion Date:

We will explore remedies with our CPA to eliminate this finding within the next 30 to 45 days.

Name of Contact Person Responsible for Corrective Action:

Barbara Dunn, Circuit Clerk

01-4 Corrective Action Planned:

As a by product of the above reconciliation work, a procedure for separation of duties will be prepared. I and my CPA firm feel this is the best and most efficient approach to this matter, utilizing the knowledge and experience gained by the reconciliations, to come up with a procedure to be utilized for separation of duties in the future. It is anticipated this separation of duties will be discussed with the auditors at the above referenced meeting on the reconciliations. It is our diligent and determined effort to solve all problems referenced in the findings.

Anticipated Completion Date:

This will be accomplished within the next 30 to 45 days.

Name of Contact Person Responsible for Corrective Action:

Barbara Dunn., Circuit Clerk

01-5 Corrective Action Planned:

I have reviewed and made the necessary changes to correct the problem regarding check book balances being recorded properly on the inmate checking account.

Anticipated Completion Date:

September 30, 2002

Name of Contact Person Responsible for Corrective Action:

Malcolm McMillin, Sheriff

01-6 Corrective Action Planned:

Hinds County Data Processing Division will perform a risk assesment of the counties automated system. A disaster recovery plan will be developed and presented to the Board of Supervisors for approval. The disaster recovery plan will address vendor support, reciprocal agreements, hot and cold site support. A copy of the final approved plan will be maintained off site and regularly updated.

Anticipated Completion Date:

September 30, 2002

Name of Contact Person Responsible for Corrective Action:

Steve Ottis, Director of Information Management System

01-7 Corrective Action Planned:

Current policies and procedures for access security will be documented in a formal written document. Password procedures will be reviewed and documented in a written form.

Anticipated Completion Date:

September 30, 2002

Name of Contact Person Responsible for Corrective Action:

Steve Ottis, Director of Information Management System

01-8 Corrective Action Planned:

Current security policies will be documented in a formal written document.

Anticipated Completion Date:

September 30, 2002

Name of Contact Person Responsible for Corrective Action:

Steve Ottis, Director of Information Management System

SECTION 3: FEDERAL AWARD FINDING

01-9 Corrective Action Planned:

Each grant administrator will be required to maintain a master list of all equipment and furniture purchased with federal dollars. Each item listed will have a description including make, model, serial number and actual cost. The listing will be submitted to the Inventory Control Clerk to be included in the County's inventory listing. The Inventory Control Clerk will tag the equipment and furniture with an inventory number and provide a detailed description of all information in a department specifically named for the respective federal program. The Inventory Control Clerk will check the purchase order price and the invoice price to assure the correct cost.

Anticipated Completion Date:

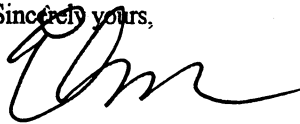
April 1, 2002

Name of Contact Person Responsible for Corrective Action:

Dr. Eugene McLemore, County Administrator

Mr. James Ingram, Inventory Clerk

Sincerely yours,

A handwritten signature in black ink, appearing to be 'E. McLemore', written over the typed name.

Dr. Eugene McLemore
County Administrator
(601) 968-6502

CHARLES BARBOUR
District 1

DOUGLAS "DOUG" ANDERSON
District 2
Vice President

PEGGY HOBSON CALHOUN
District 3



RONNIE CHAPPELL
District 4

GEORGE S. SMITH
District 5
President

EUGENE L. McLEMORE, J. D.
County Administrator

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2001

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

Gentlemen:

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

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2000 - FINDING NO. 1: Local Law Enforcement Block Grant Program - CFDA No. 16.592.

Condition:

As reported in the prior year audit report, Special Condition #5 of Local Law Enforcement Block Grant #1999-LBVX4310 states that a cash match totaling \$65,616 is to be provided over the grant period by the county. Accounting records showed receipt and expenditures of the grant award totaling \$590,547. However, the accounting records did not show a matching amount flowing through the account fund set up specifically for this program. Future participation in this program may be jeopardized if this matching requirement is not met.

Recommendation:

Grant awards and matches must be shown flowing through a specific fund, and also expenditures must be illustrated as to which department the monies are spent.

Current Status:

Corrective action was taken.

2000 - FINDING NO. 2: Local Law Enforcement Block Grant Program - CFDA No. 16.592.

Condition:

The county did not appear to adequately report the receipt and expenditure of federal award funds for Local Law Enforcement Grants #1999-LBVX4310 and #1999-LBVX7384. No reporting worksheets were found to account for the spent funds. Inadequate record keeping of federal award expenditures can adversely affect future awards from this program.

Recommendation:

The county should have copies of the reporting worksheets to ensure accurate accounting of program expenditures.

Current Status:

Corrective action was taken.

Sincerely yours,

A handwritten signature in black ink, appearing to read "E. L. McLemore". The signature is written in a cursive style with a large initial "E".

Dr. Eugene McLemore
County Administrator
(601) 968-6502