

HINDS COUNTY, MISSISSIPPI
Primary Government Financial Statements
and Special Reports
SEPTEMBER 30, 2002

HINDS COUNTY BOARD OF
SUPERVISORS
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HINDS COUNTY

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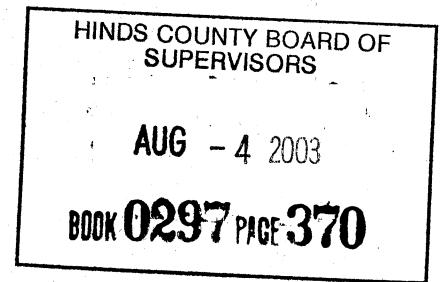
HINDS COUNTY

FINANCIAL SECTION

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Ruth N. Wylie Certified Public Accountant



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

June 16, 2003

Members of the Board of Supervisors
Hinds County, Mississippi

I have audited the accompanying primary government financial statements of Hinds County, Mississippi, as of and for the year ended September 30, 2002, as listed in the table of contents. These primary government financial statements are the responsibility of the county's management. My responsibility is to express an opinion on these primary government financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

The county did not maintain adequate subsidiary records documenting the valuation and completeness of general fixed assets. Due to the nature of the county's records, I was unable to satisfy myself as to the fair presentation of the General Fixed Assets Account Group, reported on the combined balance sheet at \$91,431,169 as of September 30, 2002.

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 my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I 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, 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

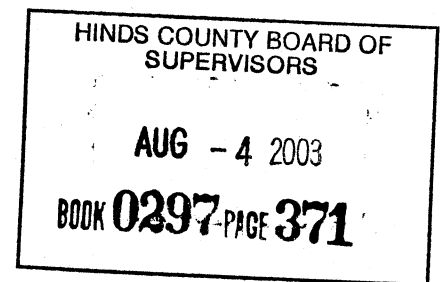
However, the primary government financial statements, because they do not include the financial data of component units of Hinds County, Mississippi, do not purport to, and do not present fairly the financial position of Hinds County, Mississippi, as of September 30, 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 16, 2003, on my consideration of Hinds County, Mississippi's internal control over financial reporting and my 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 my audit.

My 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 Managements 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 my opinion, is fairly stated, in all material respects, in relation to the primary government financial statements taken as a whole.

Ruth N. Wylie, CPA

Madison, Mississippi



HINDS COUNTY

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PRIMARY GOVERNMENT FINANCIAL STATEMENTS

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EXHIBIT A

HINDS COUNTY
 Combined Balance Sheet - All Fund Types and Account Groups
 September 30, 2002

	Governmental Fund Types				Fiduciary Fund Types	Account Groups		Totals Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-term Debt	Primary Government
ASSETS								
Cash and investments (Note 4)	\$ 5,333,106	13,619,666	841,554	9,652	340,295			20,144,273
Other receivables	32,296							32,296
Intergovernmental receivables	1,087,940	98,065						1,186,005
Interfund receivables (Note 5)		317,196	54,433		433,017			804,646
Advances to other funds (Note 5)	224,000							224,000
Lease payments receivable (Note 8)		4,042,050						4,042,050
Fixed assets (Note 6)						91,431,169		91,431,169
Amount available in debt service funds							878,734	878,734
Amount to be provided for retirement of general long-term debt							40,133,238	40,133,238
Total Assets	\$ 6,677,342	18,076,977	895,987	9,652	773,312	91,431,169	41,011,972	158,876,411
LIABILITIES AND FUND EQUITY								
Liabilities:								
Claims payable	\$ 567,197	406,645						973,842
Amounts held in custody for others			17,253		340,295			357,548
Intergovernmental payables	2,079,155				433,017			2,512,172
Interfund payables (Note 4)	804,646							804,646
Advances from other funds (Note 5)		224,000						224,000
Deferred revenue - lease principal payments (Note 8)		3,350,000						3,350,000
Deferred revenue - lease interest payments (Note 8)		692,050						692,050
Deferred revenue - federal		565,179						565,179
Compensated absences liability (Note 9)							1,718,577	1,718,577
General obligation bonds payable (Note 9)							29,075,000	29,075,000
Limited obligation bonds payable (Note 9)							450,000	450,000
Grant obligations payable (Note 9)							1,090,000	1,090,000
Capital leases payable (Note 9)							4,353,704	4,353,704
Other loans payable (Note 9)							4,324,691	4,324,691
Total Liabilities	3,450,998	5,237,874	17,253		773,312		41,011,972	50,491,409
Fund Equity:								
Investment in general fixed assets						91,431,169		91,431,169
Fund balances:								
Reserved for advances	224,000							224,000
Reserved for debt service			878,734					878,734
Unreserved	3,002,344	12,839,103		9,652				15,851,099
Total Fund Equity	3,226,344	12,839,103	878,734	9,652	-	91,431,169	-	108,385,002
Total Liabilities and Fund Equity	\$ 6,677,342	18,076,977	895,987	9,652	773,312	91,431,169	41,011,972	158,876,411

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

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HINDS COUNTY
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types
 For the Year Ended September 30, 2002

EXHIBIT B

	Governmental Fund Types				Fiduciary Fund Types	Totals Memorandum Only
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	Primary Government
Revenues						
Property taxes	\$ 29,942,911	6,621,476	3,584,710			40,149,097
Licenses, commissions and other revenue	2,104,657	2,473,408				4,578,065
Fines and forfeitures	1,030,120	187,410				1,217,530
Intergovernmental revenues	4,777,486	7,818,801	37,599	138		12,634,024
Charges for services	3,748,563	2,415,226				6,163,789
Use of money and property	572,479	252,894	12,633			838,006
Miscellaneous revenues	470,088	308,534			212,125	990,747
Total Revenues	<u>42,646,304</u>	<u>20,077,749</u>	<u>3,634,942</u>	<u>138</u>	<u>212,125</u>	<u>66,571,258</u>
Expenditures						
Current:						
General government	19,747,729	1,160,401				20,908,130
Public safety	18,545,755	3,845,285				22,391,040
Public works		10,582,945				10,582,945
Health & welfare	2,074,591	1,360,922			218,929	3,654,442
Culture & recreation	62,963	1,309,616				1,372,579
Conservation of natural resources	741,575					741,575
Economic development & assistance	592,400	3,143,581				3,735,981
Capital projects	7,903			5,125		13,028
Debt service:						
Principal retirement	195,000	626,976	2,849,174			3,671,150
Interest and fiscal charges	76,127	276,417	1,596,779			1,949,323
Total Expenditures	<u>42,044,043</u>	<u>22,306,143</u>	<u>4,445,953</u>	<u>5,125</u>	<u>218,929</u>	<u>69,020,193</u>
Excess of Revenues over (under) Expenditures	<u>602,261</u>	<u>(2,228,394)</u>	<u>(811,011)</u>	<u>(4,987)</u>	<u>(6,804)</u>	<u>(2,448,935)</u>
Other Financing Sources (Uses)						
Proceeds of other debt		4,975,362				4,975,362
Proceeds from sale of assets	3,268	105,990				109,258
Insurance recoveries	37,828					37,828
Operating transfers in	80,922	314,015	959,170		7,125	1,361,232
Operating transfers out	(1,233,148)	(85,396)			(42,688)	(1,361,232)
Lease principal payments		230,000				230,000
Total Other Financing Sources (Uses)	<u>(1,111,130)</u>	<u>5,539,971</u>	<u>959,170</u>		<u>(35,563)</u>	<u>5,352,448</u>
Excess of Revenues and Sources over (under) Expenditures and Other Uses	<u>(508,869)</u>	<u>3,311,577</u>	<u>148,159</u>	<u>(4,987)</u>	<u>(42,367)</u>	<u>2,903,513</u>
Fund Balances						
Beginning of year as previously reported	3,735,213	9,527,526	730,575	14,639	79,367	14,087,320
Prior period adjustments:						
Error corrections (Note 3)					(37,000)	(37,000)
Beginning of year as restated	<u>3,735,213</u>	<u>9,527,526</u>	<u>730,575</u>	<u>14,639</u>	<u>42,367</u>	<u>14,050,320</u>
End of year	\$ <u>3,226,344</u>	<u>12,839,103</u>	<u>878,734</u>	<u>9,652</u>	<u>-</u>	<u>16,953,833</u>

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

HINDS COUNTY

EXHIBIT C

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, 2002

	General Fund			Special Revenue Funds			Debt Service Funds			Capital Project Funds		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Revenues												
Property taxes	\$ 27,887,392	29,877,234	1,989,842	8,037,211	6,614,357	(1,422,854)	3,433,473	3,570,687	137,214			
Licenses, commissions and other revenue	2,017,750	2,102,725	84,975	2,379,071	2,465,644	86,573						
Fines and forfeitures	889,405	1,030,120	140,715	236,675	187,410	(49,265)						
Intergovernmental revenues	5,765,693	4,790,869	(974,824)	9,233,324	7,963,832	(1,269,492)	138,000	37,599	(100,401)	-	138	138
Charges for services	2,888,000	2,976,786	88,786	1,988,960	2,415,226	426,266	586,404		(586,404)			
Use of money and property	570,955	578,081	7,126	225,745	145,494	(80,251)	47,265	12,634	(34,631)	160,200	-	(160,200)
Miscellaneous revenues	2,304,987	923,593	(1,381,394)	465,402	487,423	22,021	-			-		
Total Revenues	42,324,182	42,279,408	(44,774)	22,566,388	20,279,386	(2,287,002)	4,205,142	3,620,920	(584,222)	160,200	138	(160,062)
Expenditures												
General government	21,450,295	19,161,629	2,288,666	494,477	1,160,086	(665,609)						
Public safety	17,743,636	18,481,901	(738,265)	6,716,510	3,861,949	2,854,561						
Public works	-	-	-	8,621,742	9,061,204	(439,462)						
Health & welfare	2,223,550	2,023,602	199,948	6,224,087	1,402,513	4,821,574						
Culture & recreation	61,548	57,191	4,357	202,994	1,307,834	(1,104,840)						
Conservation of natural resources	173,700	739,034	(565,334)	1,940,869	-	1,940,869						
Economic development & assistance	592,352	592,352	-	1,306,775	3,302,889	(1,996,114)				78,958	5,125	73,833
Capital projects	8,245	7,902	343									
Debt service	171,203	271,127	(99,924)	-	565,993	(565,993)	8,887,557	4,445,953	4,441,604			
Total Expenditures	42,424,529	41,334,738	1,089,791	25,507,454	20,662,468	4,844,986	8,887,557	4,445,953	4,441,604	78,958	5,125	(73,833)
Excess of Revenue over (under) Expenditures	(100,347)	944,670	1,045,017	(2,941,066)	(383,082)	2,557,984	(4,682,415)	(825,033)	3,857,382	81,242	(4,987)	(233,895)
Other Financing Sources (Uses)	(3,051,117)	(1,541,536)	1,509,581	(453,369)	3,624,696	4,078,065	3,960,906	959,170	(3,001,736)	-	-	-
Excess of Revenues and Sources over (under) Expenditure and Other Uses	(3,151,464)	(596,866)	2,554,598	(3,394,435)	3,241,614	6,636,049	(721,509)	134,137	855,646	81,242	(4,987)	(233,895)
Fund Balances												
Beginning of year	3,151,464	3,553,345		6,521,031	10,378,052		1,535,913	707,417		3,382,857	14,639	
End of year	\$ -	2,956,479		3,126,596	13,619,666		814,404	841,554		3,464,099	9,652	

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

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HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

(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.

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HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

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 that are legally restricted to expenditures (other than expendable trusts or for major capital projects) 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 the 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 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.

The modified accrual basis of accounting is used by all Governmental Fund Types 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

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HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

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 forfeitures 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.
- Obligations for accumulated unpaid employee benefits are recognized when paid.
- Principal and interest on general long-term debt are recognized when due.

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. 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. 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.

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. 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 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 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.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

J. Fund Equity.

Unreserved fund balance represents the amount available for budgeting future operations. Reservations of fund balance represents 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.

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 Intergovernmental Revenues in Governmental Funds.

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 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.

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Notes to Financial Statements
For the Year Ended September 30, 2002

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 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. Budgetary Basis/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			Fiduciary
	General	Special Revenue	Debt Service	Capital Projects
Budget (Cash Basis)	\$ (596,866)	3,241,614	134,137	(4,987)
Increase (Decrease):				
Net adjustment for revenue accruals	797,302	1,713,638	14,022	-
Net adjustment for expenditure accruals	(709,305)	(1,643,675)	-	-
GAAP Basis	\$ (508,869)	3,311,577	148,159	(4,987)

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HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

(3) Prior Period Adjustments.

Expendable Trust Funds.

The effects of error corrections on the prior period financial statements are summarized in the table below:

<u>Expendable Trust Funds</u>	<u>Fund Balance</u>
As previously reported	\$ 79,367
Amounts held in custody for others	<u>(37,000)</u>
As adjusted	<u>\$ 42,367</u>

(4) Deposits.

The carrying amount of the count's total deposits with financial institutions at September 30, 2002 was \$20,144,273, and the bank balance was \$23,245,563. The collateral for public entities' deposits in financial institutions is now 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, collateralization of the entity's funds is monitored by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

(5) Interfund Receivables and Payables.

The composition of interfund balances at September 30, 2002, consists of the following:

Interfund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Jackson-Hinds library system	General fund	\$ 18,129
Hinds Mental Health Commission	General fund	17,577
Garbage and solid waste	General fund	36,498
Volunteer fire department	General fund	8,045
Countywide road	General fund	219,050
Countywide bridge	General fund	17,897
Countywide bond and int.	General fund	54,433
Junior college clearing account	General fund	126,370
County school maintenance	General fund	<u>306,647</u>
Total		<u>\$ 804,646</u>

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HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	DEQ waste tire program grant	\$ 40,000
General fund	DEQ waste assistance grant fund	15,000
General fund	CMPDD title IIIB aging grant	10,000
General fund	HIDTA grant	10,000
General fund	Victim witness assistance grant	10,000
General fund	Drug court fund	30,000
General fund	JAIBG grant	1,500
General fund	Violence against women grant	10,000
General fund	Gun violence prosecution grant	15,000
General fund	Americorp grant	10,000
General fund	Narcotics enforcement task force grant	10,000
General fund	JAIBG - Juvenile accountability	<u>62,500</u>
Total		<u>\$ 224,000</u>

(6) Fixed Assets.

The General Fixed Assets Account Group balances at September 30, 2002, are as follows:

	<u>Balance</u> <u>Sept. 30, 2002</u>
Land	\$ 4,720,531
Buildings	56,870,696
Improvements other than buildings	632,448
Mobile equipment	13,424,836
Other furniture and equipment	12,823,087
Leased property under capital leases	<u>2,959,571</u>
Total	<u>\$ 91,431,169</u>

(7) 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 Municipal Workers' Compensation Group, 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 \$350,000 for each accident and completely covers all 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 General Reinsurance Company, effective from January 1, 2002, to January 1, 2003. The pool may make a supplemental assessment or declare a refund depending on the loss experience of the county.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

The county finances its exposure to risk of loss relating to employee health and accident coverage for dental insurance 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, and are paid by county employees, with the county paying a small portion for administration. 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 exceeded the pool's accrued unpaid claims, which is included in the cash in the expendable trust funds.

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2002:

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

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2002, are as follows:

Year Ending September 30:	Amounts
2003	\$ 335,500
2004	338,450
2005	336,100
2006	338,600
2007	335,800
Later Years	<u>2,357,600</u>
 Total Minimum Lease Receivables	 4,042,950
Less: Amount representing interest	<u>692,050</u>
 Present Value of Net Minimum Lease Receivables	 \$ <u>3,350,000</u>

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2002:

Classes of Property	General Fixed Assets Group
Other furniture and equipment	\$ 3,125,000
Mobile equipment	<u>1,975,362</u>
 Total	 \$ <u>5,100,362</u>

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HINDS COUNTY
 Notes to Financial Statements
 For the Year Ended September 30, 2002

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2002, are as follows:

<u>Year Ending September 30:</u>	<u>General Long -term Debt Group</u>
2003	\$ 1,004,614
2004	1,004,614
2005	1,004,614
2006	1,004,614
2007	<u>1,004,614</u>
Total Minimum Payments Required	5,023,070
Less: Amount representing interest	<u>669,366</u>
Present Value of Net Minimum Lease Payables	<u>\$ 4,353,704</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2002 consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
General Long-term Debt Account Group:			
A. General Obligation Bonds:			
1994 refundings	\$ 12,875,000	5.10 to 6.25	3/1/01
Double G Coating bonds	3,350,000	3.00	5/1/14
Refund bond 1999A	3,285,000	4.25 to 4.65	3/1/05
Youth detention center 1999A	3,790,000	4.80 to 6.00	10/1/19
Youth detention center 1999B	480,000	5.25 to 7.00	10/2/19
2001 refunding bonds	<u>5,295,000</u>	5.25 to 6.50	7/15/14
Total General Obligation Bonds	<u>\$ 29,075,000</u>		
B. Limited obligation bonds:			
Wal-Mart tax increment financing	<u>\$ 450,000</u>	5.68	9/1/17
C. Grant Obligations:			
JRA - NCAA tower parking	\$ 535,000	7.70	8/1/09
JRA - Urban renewal	<u>555,000</u>	4.10 to 5.70	11/1/13
	<u>\$ 1,090,000</u>		

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HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

Description and Purpose	Amount Outstanding	Interest Rates	Final Maturity Date
D. Capital Leases:			
E-911 system	\$ 2,378,342	6.09	3/15/07
Road equipment	<u>1,975,362</u>	4.00	8/5/07
Total Capital Leases	\$ <u><u>4,353,704</u></u>		
E. Other Loans:			
Metro parkway project	114,668	0.00	1/1/07
Metro parkway project extension	641,997	0.00	3/1/04
Document imaging/computer equipment upgradde	1,197,719	4.26	10/1/12
2002 negotiable note	<u>2,370,307</u>	3.00	1/1/16
Total Other Loans	\$ <u><u>4,324,691</u></u>		

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

Year Ending September 30	General Obligation Bonds	Limited Obligation Bonds	Grant Obligations	Other Loans	Total
2003	\$ 3,739,736	40,485	161,778	1,084,518	5,026,517
2004	3,727,221	44,570	160,043	1,106,688	5,038,522
2005	3,708,393	43,350	162,705	1,107,568	5,022,016
2006	3,773,369	42,150	159,885	1,108,483	5,083,887
2007	3,742,119	40,950	161,882	96,250	4,041,201
Later years	<u>20,353,131</u>	<u>474,427</u>	<u>621,930</u>	<u>285,332</u>	<u>21,734,820</u>
Total	39,043,969	685,932	1,428,223	4,788,839	45,946,963
Less: Amounts representing interest	<u>9,968,969</u>	<u>235,932</u>	<u>338,223</u>	<u>464,148</u>	<u>11,007,272</u>
Total at Present Value	\$ <u><u>29,075,000</u></u>	<u><u>450,000</u></u>	<u><u>1,090,000</u></u>	<u><u>4,324,691</u></u>	<u><u>34,939,691</u></u>

Legal Debt Margin - The amount of general obligation bonded debt that can be incurred by the county is limited by state statute. Total outstanding general obligation bonded 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, 2002, the amount of outstanding debt was equal to 2.2% of the latest property assessments.

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HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

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, 2002, bonds outstanding in the amount of \$4,985,000 of bonds were considered defeased.

The following changes occurred in liabilities reported in the General Long-term Debt Account Group at year-end:

<u>Styling</u>	<u>Balance</u> <u>Oct. 1, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2002</u>
General Long-term Debt Account Group:				
Compensated absences	\$ 1,622,300	96,277		1,718,577
General obligation bonds	31,240,000		2,165,000	29,075,000
Limited obligation bonds	465,000		15,000	450,000
Grant obligations	1,185,000		95,000	1,090,000
Capital leases	2,775,318	1,975,362	396,976	4,353,704
Other loans	<u>2,323,865</u>	<u>3,000,000</u>	<u>999,174</u>	<u>4,324,691</u>
Total	\$ <u>39,611,483</u>	<u>5,071,639</u>	<u>3,671,150</u>	<u>41,011,972</u>

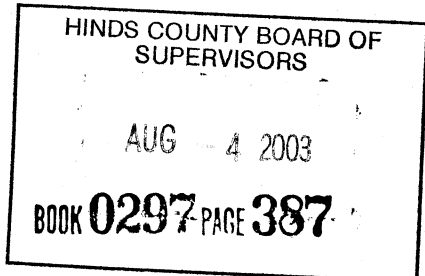
(10) Contingencies.

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 the audit of a federal granting agency may become a liability of the county. Accordingly, 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:

<u>Description</u>	<u>Balance at</u> <u>Sept. 30, 2002</u>
JRA - Urban Renewal - Jackson State	\$ <u>4,790,000.00</u>



HINDS COUNTY
Notes to Financial Statements
For the Year Ended September 30, 2002

(11) 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>Classes of Property</u>	<u>Balance at Sept. 30, 2002</u>
Industrial revenue bonds	\$ <u>42,100,000</u>

(12) 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 \$18,000 to this organization.

(13) 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 \$1,273,608 in fiscal year 2002. Complete financial statements for the Jackson-Hinds Library System can be obtained from 400 North State Street, Jackson, MS 39201.

(14) 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 \$52,352 for support of the district in fiscal year 2002.

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 \$7,825,941 for maintenance and support of the college in the fiscal year 2002.

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 \$136,000 for support of the agency in fiscal year 2002.

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HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2002

(15) 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's share only) to PERS for the years ending September 30, 2002, 2001 and 2000 were \$2,338,299, \$2,187,789 \$2,118,127, respectively, which are equal to the required contributions for each year.

(16) As a result of revenue shortfalls, the State Tax Commission had to withhold 9.8% of the March 2002 homestead exemption reimbursement from local governments. The amount withheld from Hinds County during the 2001-2002 fiscal year was \$147,825.

(17) Subsequent events.

An investigation is being conducted into certain payments made by the county for insurance coverage.

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement 34, titled *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes will be required upon implementation of this statement. The county will implement the new reporting model as required by Statement 34 for the fiscal year beginning October 1, 2002.

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SUPPLEMENTAL INFORMATION

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SCHEDULE 1

HINDS COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARD			
U.S. Department of Labor			
Passed through the Mississippi Development Authority			
Workforce investment act cluster:			
WIA adult program	17.258	400	\$ 1,061,643
WIA youth activities	17.259	400	1,345,817
WIA Dislocated workers	17.260	400	<u>676,657</u>
Total Major Federal Awards			<u>3,084,117</u>
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy			
Passed through the Gulf Coast HIDTA			
High intensity drug trafficking area award	07.UN	11PGCP532	<u>48,361</u>
U.S. Department of Agriculture			
Passed through the Mississippi Department of Education			
National school lunch program	10.555	N/A	<u>41,979</u>
U.S. Department of Housing and Urban Development			
Passed through the Mississippi Development Authority			
Community and development block grants	14.228	96-025STEP-01/ 99-025-PF-01	227,123
HOME investment partnerships program	14.239	M98SG280251210	<u>1,827</u>
Total U. S. Department of Housing and Urban Development			<u>228,950</u>
U.S. Department of Justice			
Direct:			
Federal equitable sharing agreement - seized property and funds	16.UN	N/A	2,214
Local law enforcement block grants program	16.592	N/A	263,476
Community prosecution and project safe neighborhoods	16.609	N/A	12,381
Public safety partnership and community policing grants	16.710	N/A	315,543
Passed through the Mississippi Department of Public Safety			
Juvenile accountability incentive block grants	16.523	9JB1251/OJB1251	146,820
Victim witness assistance grant	16.575	OVA1251/IVA1251	40,802
Byrne formula grant program	16.579	9NS1251	77,104
Stop violence against women formula grants	16.588	OSL1251	<u>15,316</u>
Total U. S. Department of Justice			<u>873,656</u>
U.S. Department of Labor			
Passed through the Mississippi Development Authority			
Employment and training assistance - dislocated workers	17.246	8-99-985-ED-51	6,414
Direct			
Welfare-to-work grants to states and localities	17.253	N/A	206,076
Passed through the Mississippi Department of Health and Human Services			
Welfare-to-work grants to states and localities	17.253	N/A	<u>200</u>
Total U. S. Department of Labor			<u>212,690</u>

SCHEDULE 1

HINDS COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Transportation			
Passed through Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	118,539
Passed through the Mississippi Department of Public Safety			
State and community highway safety	20.600	IOP1251	<u>70,195</u>
Total U. S. Department of Transportation			<u>188,734</u>
U. S. Department of Education			
Direct			
Women's educational equity act program	84.083	N/A	38,339
Passed through the Mississippi Department of Public Safety			
Safe and drug-free schools and communities state grants	84.186	IDF1251	<u>28,146</u>
Total U. S. Department of Education			<u>66,485</u>
U. S. Department of Health and Human Services			
Passed through the Mississippi Department of Health and Human Services			
Special programs for the aging - Title III, Part B grants for supportive services and senior centers	93.044	377221	<u>17,677</u>
Corporation for National and Community Service			
Americorps	94.006	N/A	<u>6,388</u>
Total Other Federal Awards			<u>1,684,920</u>
Total for All Federal Awards			\$ <u>4,769,037</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.

<p>HINDS COUNTY BOARD OF SUPERVISORS</p> <p align="center">AUG 2002</p> <p align="center">BOOK 0297 PAGE 391</p>

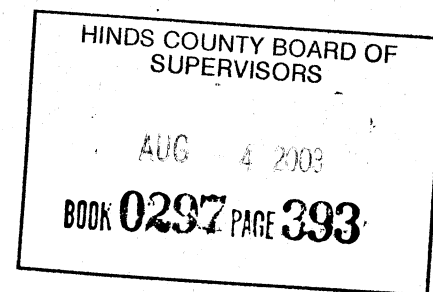
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SPECIAL REPORTS



Ruth N. Wylie Certified Public Accountant



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*

June 16, 2003

Members of the Board of Supervisors
Hinds County, Mississippi

I have audited the primary government financial statements of Hinds County, Mississippi, as of and for the year ended September 30, 2002, and have issued my report thereon dated June 16, 2003. 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 existence, completeness and valuation of general fixed assets. I conducted my 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, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain an instance of noncompliance that I 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 June 16, 2003, included within this document.

Internal Control Over Financial Reporting

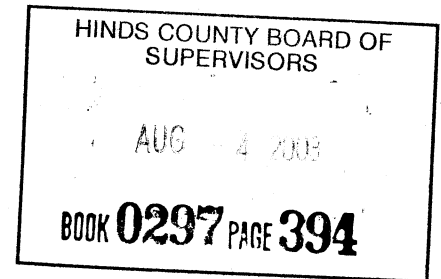
In planning and performing my audit, I considered Hinds County, Mississippi's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the primary government financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my 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 2002-1, 2002-2, 2002-3, 2002-4, 2002-5, and 2002-6.

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. My 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, I consider items 2002-1, and 2002-3 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.

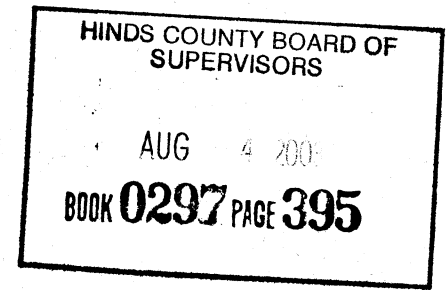
Ruth N. Wylie, CPA

Madison, Mississippi





Ruth N. Wylie Certified Public Accountant



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

June 16, 2003

Members of the Board of Supervisors
Hinds County, Mississippi

I 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 its major federal program for the year ended September 30, 2002. Hinds County, Mississippi's major federal program is 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 its major federal program is the responsibility of Hinds County, Mississippi's management. My responsibility is to express an opinion on Hinds County, Mississippi's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Hinds County, Mississippi's compliance with those requirements.

In my opinion, Hinds County, Mississippi, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2002.

Internal Control Over Compliance

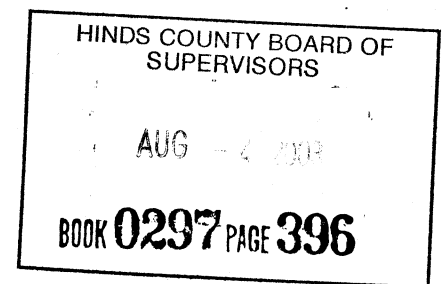
The management of Hinds County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered Hinds County, Mississippi's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

My 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. I noted no matters involving the internal control over compliance and its operation that I 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.

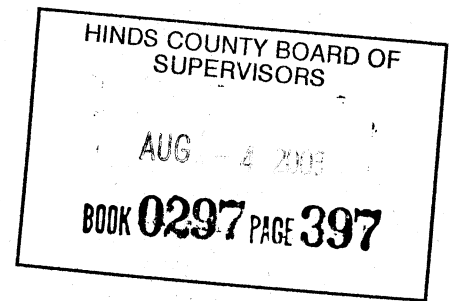
Ruth N. Wylie, CPA

Madison, Mississippi





Ruth N. Wylie Certified Public Accountant



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))

June 16, 2003

Members of the Board of Supervisors
Hinds County, Mississippi

I 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, 2002. My study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other auditing procedures as I 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 Section 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 applicable 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 may deteriorate.

The results of my audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming my opinion on compliance. My finding and recommendation and your response is disclosed below:

Inventory Control Clerk.

Finding

As reported in the prior years' audit reports, Section 7-7-211, Miss. Code Ann. (1972), gives the Office of the State Auditor the authority to prescribe accounting systems. The county did not maintain adequate records to document the historical cost of the land and buildings shown in the general fixed assets, nor could the amounts for mobile equipment and other furniture and equipment be determined. As of the date of this audit, these records were not complete.

Recommendation

The Inventory Control Clerk should ascertain the historical and/or estimated cost of the land and buildings owned by the county. Additionally a complete inventory of all other assets of the county should be made and these records should be maintained and updated regularly by the Inventory Control Clerk.

Inventory Control Clerk's Response

Historical or estimated costs will be determined and recorded, and a completed inventory will be presented to the Board of Supervisors.

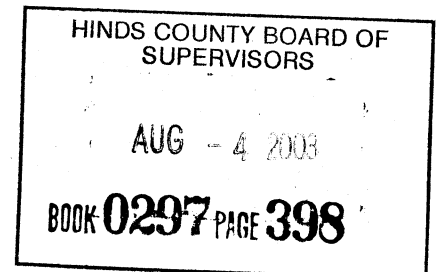
In my opinion, except as explained in the third paragraph and referred to in the preceding paragraph, Hinds County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements.

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 my aforementioned study and evaluation of the purchasing system and, in my 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.

Ruth N. Wylie, CPA

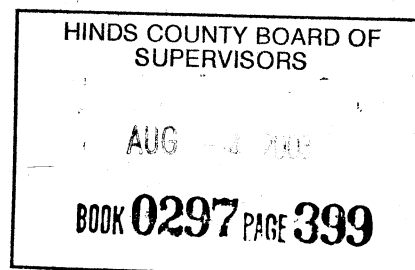
Madison, Mississippi



HINDS COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2002

Schedule 1

My test results did not identify any purchases made from sources other than the lowest bidder.



HINDS COUNTY
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2002

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
7/2/2001	Telecommunication System	\$ 125,064	Cisco Systems	The telephone system repair for the Jackson Detention Center was totally inoperable.

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HINDS COUNTY
 Schedule of Purchases Made Noncompetitively From a Sole Source
 For the Year Ended September 30, 2002

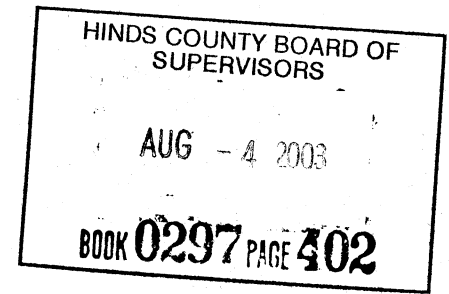
Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
11/19/01	Computer upgrade	\$ 782,427.00	Unisys Corporation
02/19/02	Poliray system	3,275.10	ODV, Inc.
07/01/02	T-Shirts	8,012.90	File of Life
08/05/02	4 opinionmeters	7,120.00	Opinion Meter Int.
10/15/01	FCC required license fee	4,630.00	APCO International
03/06/02	T-Shirts	4,900.00	DARE America, Inc.
05/06/02	Refrigerator magnets	2,212.50	File of Life
11/04/01	FMS 307 forensic mapping system	11,884.00	KARA
11/05/01	Advocate V courtroom recorder	13,158.99	Lanier Worldwide

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 SUPERVISORS
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Ruth N. Wylie Certified Public Accountant



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

June 16, 2003

Members of the Board of Supervisors
Hinds County, Mississippi

I have audited the primary government financial statements of Hinds County, Mississippi, as of and for the year ended September 30, 2002, and have issued my report thereon dated June 16, 2003. 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 existence, completeness and valuation of general fixed assets. I conducted my 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 I considered necessary in the circumstances.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I have also performed procedures to test compliance with certain state laws and regulations. My 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, I do not express such an opinion.

With respect to the items tested, the results of those procedures and our audit of the primary governmental financial statements disclosed no instances of noncompliance with state laws and regulations other than the one 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.

Ruth N. Wylie, CPA

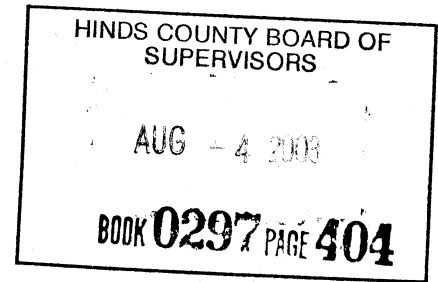
Madison, Mississippi

HINDS COUNTY

HINDS COUNTY BOARD OF
SUPERVISORS
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2002



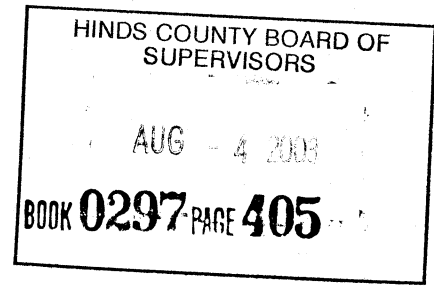
Section 1: Summary of Auditor's Results

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 weaknesses 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 weaknesses identified? | No |
| | b. Reportable conditions identified that are not considered to be material weaknesses? | No |
| 6. | Any audit findings reported as required by Section __.510(a) of Circular A-133? | No |
| 7. | Federal program identified as major program: | |
| | Workforce Investment Act Cluster | |
| | WIA adult program | 17.258 |
| | WIA youth activities | 17.259 |
| | WIA dislocated workers | 17.260 |
| 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, 2002

Section 2: Financial Statement Findings

Board of Supervisors.

2002-1. Finding

The county does not have an effective system of internal control that requires all invoices to be approved by the appropriate county official or employee before payment. This was particularly true for payments related to insurance, wherein the county apparently relied on the insurance consultant. Nor does the county have written policies and procedures that would require payment to be made only from proper invoices and only to vendors who have made legitimate claims to the county. This lack of internal control resulted in payments being made for services, which were not authorized by the Board of Supervisors, and payments made from statements, rather than invoices.

Recommendation

I recommend the county amend their procedures to require proper management approval of all invoices prior to payment being made. I further recommend the county establish procedures requiring payment only from valid and original invoices.

Response

The county will amend their procedures to require proper management approval of all invoices prior to payment being made. Also, the county will establish procedures requiring payment only from valid and original invoices.

2002-2. Finding

The county made some payments to vendors for services, for which the contracts or contract renewals were not approved by the Board of Supervisors. Past Attorney General's opinions state that a county board of supervisors may only speak through its official minutes. It is questioned how the county can enter into a contract or agreement or contract renewal, without reflecting such in the official minutes. The minutes should also reflect the costs to the county, as approved by the Board of Supervisors. The failure of contracts to be approved by the Board of Supervisors in their official minutes shows a lack of proper internal controls and the board minutes being incomplete.

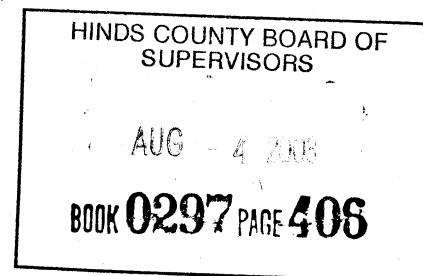
Recommendation

I recommend the Board of Supervisors require that proper internal accounting controls be established and followed relating to the approval and execution of contracts. I also recommend that the Board of Supervisors exercise due diligence by ensuring that the board minutes are complete and that they accurately reflect the intentions of the Board.

Response

Hinds County will establish and follow proper internal accounting controls relating to the approval and execution of contracts. The Board of Supervisors will ensure the board minutes are complete and accurately reflect the intention of the Board.

HINDS COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2002



Board of Supervisors and Inventory Control Clerk.

2002-3. Finding

As reported in the prior years' audit reports, the county did not keep adequate records to document the historical cost of the land and buildings shown in the general fixed assets, nor could the amounts for mobile equipment and other furniture and equipment be determined. As of the date of this audit, these records were not complete.

The county was unable to provide adequate documentation supporting the valuation of fixed assets for assets acquired in prior years and the current fiscal year. Additionally, the county was not able to provide me with satisfactory documentation to prove that all fixed assets are recorded. Furthermore, the county had not established proper internal control procedure to insure that all fixed assets are recorded properly as they are purchased or obtained; nor, does the county have in place procedures to insure that the fixed assets that are recorded are valued properly.

I noted that radio towers and buildings totaling several million dollars appear to be improperly reported as other furniture and equipment. Under GASB Statement 34, the new accounting pronouncement, which requires fixed assets to be depreciated, the classification of these towers and buildings as equipment would cause them to be depreciated too rapidly.

The fixed asset reporting system does not provide sufficient detail on transactions that would identify the specific type of transaction; i.e. purchases, corrections, donations, seized property are not identified when added, nor does the reporting system report the asset properly as to funding source. Further, the system does not provide pertinent accounting information, so that purchases of fixed assets can be traced to the additions of fixed assets. Additionally, the system does not provide a listing of other furniture and equipment.

Recommendation

The Inventory Control Clerk should ascertain the historical and/or estimated cost of the land and buildings owned by the county. Additionally a complete inventory of all other assets of the county should be made and these records should be maintained and updated regularly by the Inventory Control Clerk, as well as reconciled to the accounting records of the county. Radio towers and related buildings should be reclassified to improvements.

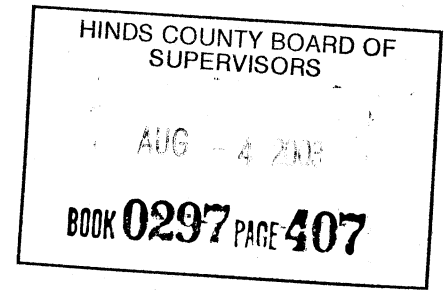
The fixed asset reporting system should be significantly revised in order that all necessary information is included, and so that fixed assets can be properly identified as to funding source, method of acquisition, and the expenditure document, when applicable. The system should provide a separate listing of other furniture and equipment.

Response

The Inventory Control Clerk will ascertain the historical and/or estimated cost of the land and buildings owned by the county. The county does a complete inventory of all assets of the county annually. This inventory will be reconciled to the accounting records of the county. Also, radio towers and related buildings will be reclassified to improvements.

The fixed asset reporting system will be revised in order to include information to identify fixed assets as to funding source, method of acquisition, and expenditure document, when applicable. Also a separate listing of other furniture and equipment will be developed.

HINDS COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2002



Sheriff.

2002-4. Finding

Inmate accounts are maintained by the Sheriff's Office in a fiduciary capacity. I found a general lack of internal controls over these accounts as described below:

- The individual inmate accounts have not been reconciled to the bank account.
- Collections for medical services, which are charged to these accounts do not appear to have been settled to the county.
- Charges for medical services are made to individual inmate accounts, even if the inmate does not have any funds available to cover the charges.
- Canteen charges are based on a printout from the canteen, and are not reconciled to the inmate accounts.
- The inmate bank account is not reflected on the general accounting records.
- The county does not generate a report that provides a detail listing of individual inmate account balances.

The bank statement for the inmate account is reconciled to the balance in the checkbook, but it is not reconciled to the detail of the individual inmate accounts, as noted above. Thus, there is no assurance that the county has sufficient funds available in the inmate checking account to repay the inmates their funds.

With the present system, there is no assurance that the inmate funds are allocated or expended properly.

Recommendation

I recommend that the Sheriff develop proper and adequate internal controls over the inmate accounts to insure that the problems noted above are corrected.

Response

The Sheriff will develop proper and adequate internal controls over the inmate accounts to insure the finding is addressed.

AUG - 4 2003

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HINDS COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2002

2002-5. Finding

In a prior fiscal year, the county issued \$10,000 to the Sheriff's Office to be used for the purchase of information or evidence. Due to the lack of reimbursements for the expenditure of these funds, the balance at September 30, 2002, was \$22.70. It appears that reimbursement for expenditures of these funds are not being properly requested or reimbursed.

Recommendation

I recommend that the Sheriff properly request and that the county properly reimburse for the expenditure of these funds.

Response

The sheriff will request reimbursement for expenditures of the above referenced funds.

Management Information System Department.

2002-6. Finding

A written formal disaster recovery plan for the data processing department has not been prepared.

Recommendation

I recommend the county develop a written disaster recovery plan for the data processing department.

Response

The Management Information Systems Manager will develop a written disaster recovery plan for the Data Processing Department.

Section 3: Federal Award Findings and Questioned Costs

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

HINDS COUNTY

HINDS COUNTY BOARD OF
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AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CHARLES BARBOUR
District 1

DOUGLAS "DOUG" ANDERSON
District 2
President

PEGGY HOBSON CALHOUN
District 3



RONNIE CHAPPELL
District 4

GEORGE S. SMITH
District 5
Vice President

EUGENE L. McLEMORE, J.D.
County Administrator

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

For the Year Ended September 30, 2002

Ruth N. Wylie, CPA
P.O. Box 718
Madison, Mississippi 39130

Dear Ms. Wylie:

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

U.S. DEPARTMENT OF JUSTICE

2000 – FINDING NO. 1: Local Law Enforcement Block Grant Program – CDFA 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 specifically set up for this program. Future participation in this program may be jeopardized if that matching requirement is not met.

Recommendation:

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

Current Status:

Corrective action was taken.

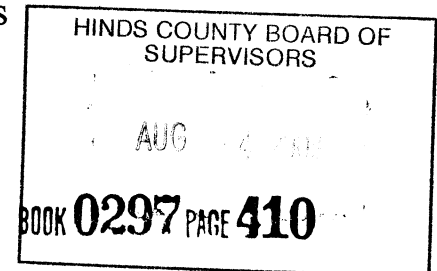
2000 – FINDING NO. 2: Local Law Enforcement Block Grant Program – CDFA No. 16.592.

Condition:

As reported in the prior year audit report, 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:

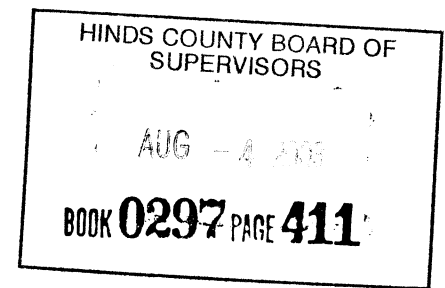
The county should have copies of reporting worksheets to ensure accurate accounting of program expenditures.



Current Status:

Corrective action was taken.

U.S. DEPARTMENT OF JUSTICE
U.S. DEPARTMENT OF LABOR



2001 – FINDING NO.9: Local Law Enforcement Block Grants Program – CDFA No. 16.592
Welfare-to-Work Grants to States and Localities – CDFA No. 17.253
Workforce Investment Act – CDFA No. 17.255

Condition:

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.

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.

Current Status:

We are presently in the process of correcting county inventory listings.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Eugene McLemore".

Eugene McLemore
County Administrator, Hinds County