



HINDS COUNTY, MISSISSIPPI
Primary Government Financial Statements
and Special Reports
SEPTEMBER 30, 2004

Ruth N. Wylie
Certified Public Accountant

HINDS COUNTY
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HINDS COUNTY

FINANCIAL SECTION



Ruth N. Wylie Certified Public Accountant

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

November 10, 2005

Members of the Board of Supervisors
Hinds County, Mississippi

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County, Mississippi, as of and for the year ended September 30, 2004, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents. These financial statements are the responsibility of the county's management. My responsibility is to express opinions on these financial statements based on my audit.

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 opinions.

The financial statements referred to above include only the primary government of Hinds County, Mississippi, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the county's legal entity. The financial statements do not include financial data for the county's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the county's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of Hinds County, Mississippi, as of September 30, 2004, and the respective changes in its financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information for the primary government of Hinds County, Mississippi, as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 10, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

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

The Budgetary Comparison Schedules and corresponding notes are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

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

Ruth N. Wylie, CPA

Madison, Mississippi

HINDS COUNTY

PRIMARY GOVERNMENT FINANCIAL STATEMENTS

HINDS COUNTY
Statement of Net Assets
September 30, 2004

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash and investments	\$ 21,751,264
Property tax receivable	37,503,653
Fines receivable, net	593,530
Capital leases receivable	3,368,100
Intergovernmental receivables	1,207,057
Other receivables, net	17,888
Prepaid items	27,381
Capital assets, net	82,450,413
Total Assets	<u>146,919,286</u>
LIABILITIES	
Claims payable	904,825
Retainage payable	30,045
Intergovernmental payables	2,709,957
Accrued interest payable	256,694
Deferred revenue	40,932,835
Other payables	910,507
Matured bonds and interest payable	19,659
Long-term liabilities	
Due within one year:	
Capital related debt	2,729,004
Non-capital debt	1,726,710
Due in more than one year:	
Capital related debt	22,134,028
Non-capital debt	6,267,277
Total Liabilities	<u>78,621,541</u>
NET ASSETS	
Invested in capital assets, net of related debt	57,587,381
Restricted net assets:	
Expendable:	
General government	122,599
Debt service	255,639
Capital projects	3,432,853
Public safety	5,273,683
Public works	2,907,181
Economic development	272,481
Other purposes	89,250
Unrestricted	(1,643,322)
Total Net Assets	<u>\$ 68,297,745</u>

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

HINDS COUNTY
Statement of Activities
For the Year Ended September 30, 2004

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 22,195,074	4,699,827	191,725		(17,303,522)
Public safety	25,974,927	4,256,599	3,258,621	50,000	(18,409,707)
Public works	11,145,619	3,389	2,634,166	339,944	(8,168,120)
Health and welfare	3,420,615		1,021,692		(2,398,923)
Culture and recreation	1,594,758	70,883			(1,523,875)
Conservation of natural resources	653,542				(653,542)
Economic development and assistance	4,125,311		3,440,295		(685,016)
Interest on long-term debt	1,780,147				(1,780,147)
Total Governmental Activities	<u>70,889,993</u>	<u>9,030,698</u>	<u>10,546,499</u>	<u>389,944</u>	<u>(50,922,852)</u>
Total Primary Government	\$ <u>70,889,993</u>	<u>9,030,698</u>	<u>10,546,499</u>	<u>389,944</u>	<u>(50,922,852)</u>
General revenues:					
Taxes:					
Property taxes				\$ 43,990,764	
Road & bridge privilege taxes				2,261,477	
Grants and contributions not restricted to specific programs				3,205,968	
Unrestricted gifts and donations				289,603	
Unrestricted investment income				828,138	
Miscellaneous				771,086	
Total General Revenues				<u>51,347,036</u>	
SPECIAL ITEM - Gain on sale of parking lot land				850,259	
Changes in Net Assets				<u>1,274,443</u>	
Net Assets - Beginning				64,595,107	
Prior period adjustment				2,428,195	
Net Assets - Beginning restated				<u>67,023,302</u>	
Net Assets - Ending				<u>\$ 68,297,745</u>	

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

HINDS COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2004

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 8,456,258	1,993,460	11,301,546	21,751,264
Property tax receivable	27,317,495	1,274,543	8,911,615	37,503,653
Fines receivable	593,530			593,530
Capital lease receivable			3,368,100	3,368,100
Intergovernmental receivables	1,012,503		194,554	1,207,057
Other receivables	12,888		5,000	17,888
Due from other funds		219,461	161,715	381,176
Advances to other funds	320,000			320,000
Prepaid Items	27,381			27,381
Total Assets	\$ 37,740,055	3,487,464	23,942,530	65,170,049
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 584,161	121,742	198,922	904,825
Retainage payable		30,045		30,045
Intergovernmental payables	2,709,957			2,709,957
Due to other funds	381,176			381,176
Advances from other funds			320,000	320,000
Deferred revenue	27,911,025	1,274,543	12,340,797	41,526,365
Other payables	910,507			910,507
Matured bonds and interest payable			19,659	19,659
Total Liabilities	32,496,826	1,426,330	12,879,378	46,802,534
Fund balances:				
Reserved for:				
Debt service			429,898	429,898
Advances	320,000			320,000
Unreserved, reported in:				
General fund	4,923,229			4,923,229
Special revenue funds		2,061,134	7,200,401	9,261,535
Capital project funds			3,432,853	3,432,853
Total Fund Balances	5,243,229	2,061,134	11,063,152	18,367,515
Total Liabilities and Fund Balances	\$ 37,740,055	3,487,464	23,942,530	65,170,049

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

HINDS COUNTY

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
September 30, 2004

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 18,367,515
Amounts reported for governmental services in the statement of net assets (Exhibit 1) are different because:	
Capital assets are used in governmental activities are not financial resources and therefore are not reported in the funds	
Capital assets net of depreciation as of 10-1-03	83,980,309
Plus capital outlay expenditures made during the year	964,085
Less depreciation expense recorded during the year	(4,718,464)
Less net book value of capital assets sold or disposed of during the year	(203,712)
Add adjustment to beginning of year balance	2,428,195
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fines receivable	593,530
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-tem liabilities	(32,857,019)
Accrued interest on bonds	<u>(256,694)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>68,297,745</u></u>

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

HINDS COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2004

Exhibit 4

	<u>Major Funds</u>			
	General Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 33,211,122	1,746,221	9,033,421	43,990,764
Road and bridge privilege taxes		2,261,477		2,261,477
Licenses, commissions and other revenue	2,998,466		85,168	3,083,634
Fines and forfeitures	1,233,801		125,203	1,359,004
Intergovernmental revenues	4,681,731	2,310,915	5,861,892	12,854,538
Charges for services	2,835,958		3,081,046	5,917,004
Interest income	497,262	34,235	296,641	828,138
Miscellaneous revenues	458,871	119,107	434,163	1,012,141
Total Revenues	<u>45,917,211</u>	<u>6,471,955</u>	<u>18,917,534</u>	<u>71,306,700</u>
EXPENDITURES				
Current:				
General government	20,865,131		1,171,920	22,037,051
Public safety	20,522,581		4,293,876	24,816,457
Public works		6,070,471	2,759,435	8,829,906
Health and welfare	1,965,395		1,353,975	3,319,370
Culture and recreation	75,080		1,502,837	1,577,917
Conservation of natural resources	653,567		-	653,567
Economic development and assistance	547,479		3,577,832	4,125,311
Debt service:				
Principal	200,000	380,907	3,696,177	4,277,084
Interest	62,635	57,715	1,659,796	1,780,146
Bond issue costs				-
Total Expenditures	<u>44,891,868</u>	<u>6,509,093</u>	<u>20,015,848</u>	<u>71,416,809</u>
Excess of Revenues over (under) Expenditures	<u>1,025,343</u>	<u>(37,138)</u>	<u>(1,098,314)</u>	<u>(110,109)</u>
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued			50,450	50,450
Proceeds from sale of capital assets	38,716	21,020		59,736
Transfers in		-	1,435,024	1,435,024
Transfers out	(1,430,053)	-	(4,971)	(1,435,024)
Total Other Financing Sources and Uses	<u>(1,391,337)</u>	<u>21,020</u>	<u>1,480,503</u>	<u>110,186</u>
SPECIAL ITEM - Sale of parking lot land	<u>931,500</u>			<u>931,500</u>
Net Changes in Fund Balances	565,506	(16,118)	382,189	931,577
Fund Balance - Beginning restated	<u>4,677,723</u>	<u>2,077,252</u>	<u>10,680,963</u>	<u>17,435,938</u>
Fund Balances - Ending	<u>\$ 5,243,229</u>	<u>2,061,134</u>	<u>11,063,152</u>	<u>18,367,515</u>

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

HINDS COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2004

Net changes in fund balances - total governmental funds (Exhibit 4)	\$	931,577
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Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net assets differs from the change in fund balances by the amount that capital outlays of \$964,085, exceeded depreciation of \$4,718,464.		(3,754,379)
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In the statement of activities, only gains and losses from the sale of capital assets are reported, whereas in the governmental funds, proceeds from the sale of capital assets increase financial resources and loss from the sale of capital assets decrease financial resources. Thus, the change in net assets differs from the change in fund balances by the amount of gain of \$850,259 on the special item less the loss of \$62,735 and the proceeds from the sales of \$59,736 and special item sale of \$931,500.		(203,712)
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Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.		70,213
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Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Thus, the change in net assets differs from the change in fund balances by the amount that debt repayments of \$4,277,084 exceeded debt proceeds of \$50,450.		4,226,634
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net assets differs from the change in fund balances by a combination of the following items:		
Compensated absences		4,110

Change in net assets of governmental activities (Exhibit 2)	\$	<u>1,274,443</u>
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The notes to the financial statements are an integral part of this statement.

HINDS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2004

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>523,334</u>
Total Assets	\$ <u><u>523,334</u></u>
LIABILITIES	
Intergovernmental payables	\$ <u>523,334</u>
Total Liabilities	\$ <u><u>523,334</u></u>

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

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(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 county's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements, which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information concerning the primary government of the county as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues are reported separately from business-type activities. Business type activities rely mainly on fees and charges for support.

The Statement of Net Assets presents the financial condition of the governmental activities and business-type activities of the primary government of the county at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the county's governmental activities and business-type activities for the primary government. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the county, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the county.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the county. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied.

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

The county reports the following major governmental funds:

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

Countywide Road Maintenance Fund - Accounts for monies from specific revenue sources that are restricted for road maintenance.

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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.

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.

FIDUCIARY FUND TYPES

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2001 by the Government Finance Officers Association and the *Mississippi County Financial Accounting Manual* as revised in 2002 by the Office of the State Auditor.

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

F. Receivables.

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

G. 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 "due to/from other funds. Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

H. Prepaid Items.

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

I. Capital Assets.

Capital acquisition and construction are reflected as expenditures in governmental fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial statement. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which costs of capital assets, other than infrastructure, have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

General infrastructure assets acquired after September 30, 1980, are reported in the basic financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

- Leased property capitalization policy will correspond with the amounts for the asset classification, as listed above.

J. Long-term liabilities.

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

In the statement of net assets, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

K. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net assets - All other net assets not meeting the definition of Arestricted@ or Ainvested in capital assets, net of related debt.@

Fund Financial Statements:

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

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

L. Property Tax Revenues.

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

M. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

N. Compensated Absences.

The county has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, governmental funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

Therefore, the county's full liability for accumulated unpaid personal leave up to a maximum of 30 days per employee is reported as a liability in the Statement of Net Assets.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
Recognition of capital assets	\$ 58,653,187
Recognition of accumulated depreciation of capital assets	56,224,992
Total prior period adjustment	<u>\$ 2,428,195</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2004, was \$22,274,598, and the bank balance was \$24,520,829. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

Investments:

The county had no investments at year end.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2004:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
Countywide Road Maintenance Fund	General Fund	219,461
Nonmajor Governmental Funds	General Fund	<u>161,715</u>
Total		<u>\$ 381,176</u>

The amount payable to the Countywide Road Fund and to the Nonmajor Governmental Funds represents taxes and fees that have not been settled to the individual funds from the General Fund at year end. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances To/From Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Major Funds:		
General Fund	Nonmajor Governmental Funds	<u>\$ 320,000</u>
Total		<u>\$ 320,000</u>

The principal purpose of advance to nonmajor governmental funds was to provide operating capital for Federal, state and local grants in order to pay for operations of the funds until reimbursed.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	<u>1,435,024</u>
Total		<u>\$ 1,435,024</u>

The principal purposes of interfund transfers were to provide funds for grant matches, to provide funds as budgeted for operations, to provide funds to pay for capital outlay, or to provide funds to pay for debt service.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2004 consisted of the following for Governmental Activities:

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Description	Amount
Legislative tag credit	\$ 1,003,830
Public safety grants	185,925
Other	20,978
Total Governmental Activities	\$ <u>1,210,733</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2004:

	Balance Oct. 1, 2003	Additions	Deletions	Adjustments	Balance Sept. 30, 2004
<u>Non-depreciable capital assets:</u>					
Land	\$ 4,720,531		(81,241)	(3,566,489)	1,072,801
Construction in progress		304,900		296,000	600,900
Total non-depreciable capital assets	<u>4,720,531</u>	<u>304,900</u>	<u>(81,241)</u>	<u>(3,270,489)</u>	<u>1,673,701</u>
<u>Depreciable capital assets:</u>					
Infrastructure				75,129,730	75,129,730
Buildings	56,859,647			(14,812,178)	42,047,469
Improvements other than buildings	7,024,698			1,622,829	8,647,527
Mobile equipment	11,116,509	429,785	(512,550)	(68,884)	10,964,860
Furniture and equipment	2,533,315	178,950	(99,806)	(157,830)	2,454,629
Leased property under capital leases	1,725,609	50,450		210,009	1,986,068
Total depreciable capital assets	<u>79,259,778</u>	<u>659,185</u>	<u>(612,356)</u>	<u>61,923,676</u>	<u>141,230,283</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	-	(2,356,418)		(35,337,974)	(37,694,392)
Buildings	-	(794,328)		(9,535,745)	(10,330,073)
Improvements other than buildings	-	(335,430)		(1,266,174)	(1,601,604)
Mobile equipment	-	(772,610)	410,040	(8,025,088)	(8,387,658)
Furniture and equipment	-	(204,028)	79,845	(1,721,646)	(1,845,829)
Leased property under capital leases	-	(255,650)		(338,365)	(594,015)
Total accumulated depreciation	<u>-</u>	<u>(4,718,464)</u>	<u>489,885</u>	<u>(56,224,992)</u>	<u>(60,453,571)</u>
Total depreciable capital assets, net	<u>79,259,778</u>	<u>(4,059,279)</u>	<u>(122,471)</u>	<u>5,698,684</u>	<u>80,776,712</u>
Governmental activities capital assets, net	\$ <u>83,980,309</u>	<u>(3,754,379)</u>	<u>(203,712)</u>	<u>2,428,195</u>	<u>82,450,413</u>

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

Adjustments to capital assets included the reclassification of certain capital assets to the proper category of assets, the exclusion of capital assets under the threshold established for GASB 34, adjustments to amounts as determined when estimating or determining the historical cost, and including the accumulated depreciation of capital assets as of October 1, 2003, when the county began the capital assets project to obtain the proper values. Also included in adjustments is a total of \$296,000 for the prior year and \$304,900 for the current year, totaling \$600,900 for the Byram-Clinton Corridor Project, a highway project designated by the U.S. Congress, and specified for this purpose.

Depreciation expense was charged to the following functions:

Governmental Activities	
General government	\$ 277,763
Public safety	1,520,186
Public works	2,802,945
Health and welfare	100,729
Culture and recreation	<u>16,841</u>
Total governmental activities depreciation expense	<u>\$ 4,718,464</u>

As of September 30, 2004, the county did not have any commitments with respect to unfinished capital projects. The Byram-Clinton Corridor Project is in its initial engineering phase; accordingly, no amounts are committed to capital projects at September 30, 2004. Additionally, any funds that are committed to this project are held by the State Aid Division of the Department of Transportation after contracts are awarded until the funds are expended, including the local match portion of the funding grant.

(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 \$500,000 for law enforcement personnel and \$500,000 for all other employees 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 liability. However the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from October 1, 2003, to September 30, 2004. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The county 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.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(8) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2004:

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

The future minimum lease receivables together with the present value of the net minimum lease receivables as of September 30, 2004, are as follows:

<u>Year Ending September 30:</u>	<u>Amounts</u>
2005	\$ 336,100
2006	338,600
2007	335,800
2008	337,850
2009	334,500
2010-2014	<u>1,685,250</u>
Total Minimum Lease Receivables	3,368,100
Less: Amount representing interest	<u>498,100</u>
Present Value of Net Minimum Lease Receivables	\$ <u><u>2,870,000</u></u>

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2004:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ <u>1,986,068</u>
Total	<u><u>1,986,068</u></u>

The amounts reported above do not include assets which were purchased through capital leases, but were less than the capitalization threshold, and thus reported as expenditures when purchased on the government wide financial statements, thereby reducing net assets.

The future minimum lease payments together with the present value of the net minimum lease payables as of September 30, 2004, are as follows:

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>
2005	\$ 1,016,503
2006	1,018,881
2007	<u>1,004,614</u>
Total Minimum Payments Required	3,039,998
Less: Amount representing interest	<u>278,253</u>
Present Value of Net Minimum Lease Payables	<u>\$ 2,761,745</u>

(9) Long-term Debt.

Debt outstanding as of September 30, 2004 consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
A. General Obligation Bonds:			
1994 refunding	\$ 11,780,000	5.30 to 6.25	3/1/11
Double G Coating bonds	2,870,000	3.00	5/1/14
Refund bond 1999A	1,155,000	4.60 to 4.65	3/1/05
Youth detention center 1999A	3,580,000	5.00 to 6.00	10/1/19
Youth detention center 1999B	450,000	5.20 to 7.00	10/2/19
2001 refunding bonds	<u>4,675,000</u>	5.45 to 6.50	7/15/14
Total General Obligation Bonds	<u>\$ 24,510,000</u>		
B. Limited obligation bonds:			
Wal-Mart tax increment financing	<u>\$ 415,000</u>	5.68	9/1/17
C. Grant Obligations:			
JRA - NCAA tower parking	\$ 410,000	7.70	8/1/09
JRA - Urban renewal	<u>485,000</u>	4.10 to 5.70	11/1/13
Total Grant Obligations	<u>\$ 895,000</u>		
D. Capital Leases:			
E-911 system	\$ 1,510,390	6.09	3/15/07
Expedition and pick-up	24,605	6.45	7/2/06
Road equipment	<u>1,226,750</u>	4.00	8/5/07
Total Capital Leases	<u>\$ 2,761,745</u>		
E. Other Loans:			
Metro parkway project	\$ 57,334	0.00	1/1/07
Metro parkway project extension	499,331	0.00	3/1/04
Document imaging/computer equipment upgrade	623,828	4.26	10/1/12
2002 negotiable note	<u>1,231,271</u>	3.00	1/1/16
Total Other Loans	<u>\$ 2,411,764</u>		

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 2,425,000	1,283,392	20,000	23,350
2006	2,615,000	1,158,369	20,000	22,150
2007	2,725,000	1,017,119	20,000	20,950
2008	2,850,000	868,454	30,000	19,910
2009	2,645,000	715,185	30,000	18,320
2010-2014	9,145,000	1,663,442	165,000	65,980
2015-2019	<u>2,105,000</u>	<u>361,050</u>	<u>130,000</u>	<u>15,217</u>
Total	\$ <u>24,510,000</u>	<u>7,067,011</u>	<u>415,000</u>	<u>185,877</u>

<u>Year Ending September 30</u>	<u>Grant Obligations</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 110,000	52,705	1,009,062	75,457
2006	115,000	44,885	1,046,037	38,481
2007	125,000	36,882	71,333	-
2008	135,000	28,638	71,333	-
2009	140,000	19,593	71,333	-
2010-2014	<u>270,000</u>	<u>28,700</u>	<u>142,666</u>	<u>-</u>
Total	\$ <u>895,000</u>	<u>211,403</u>	<u>2,411,764</u>	<u>113,938</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, 2004, the amount of outstanding debt was equal to 1.64% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2004:

	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2003</u>			<u>Sept. 30, 2004</u>	<u>within one</u>
					<u>year</u>
Governmental Activities:					
Compensated absences	\$ 1,867,620		4,110	1,863,510	
General obligation bonds	26,840,000		2,330,000	24,510,000	2,435,000
Limited obligation bonds	435,000		20,000	415,000	20,000
Grant obligations	995,000		100,000	895,000	110,000
Capital leases	3,564,846	50,450	853,551	2,761,745	881,652
Other loans	<u>3,385,297</u>		<u>973,533</u>	<u>2,411,764</u>	<u>1,009,062</u>
Total	\$ <u>37,087,763</u>	<u>50,450</u>	<u>4,281,194</u>	<u>32,857,019</u>	<u>4,455,714</u>

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2004

(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. 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 Sept. 30, 2004</u>
JRA - Urban Renewal - Jackson State	\$ <u>3,765,000.00</u>

The amount shown above is the amount reported as payable at September 30, 2004 by the Jackson Redevelopment Authority for the urban renewal bonds. The county is not involved in making the payments for this debt.

(11) No-Commitment Debt (Not Included in Financial Statements).

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

<u>Classes of Property</u>	<u>Balance at Sept. 30, 2004</u>
Industrial revenue bonds	\$ <u>20,170,000</u>

(12) Related Organizations.

The Hinds County Board of Supervisors is responsible for appointing a voting majority of the members of the boards 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 \$20,000 to this organization.

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2004

(13) Joint Ventures.

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 system for city and county residents and is governed by 14 members with each entity appointing seven members. By contractual agreement, the county's appropriation to the joint venture was \$1,441,899 in fiscal year 2004. Complete financial statements for the Jackson-Hinds Public Library can be obtained from the following address: 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 2004.

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 \$8,444,337 for maintenance and support of the college in the fiscal year 2004.

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 2004.

(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 to PERS for the years ending September 30, 2004, 2003 and 2002 were \$2,422,035, \$2,359,106, and \$2,187,789, respectively, equal to the required contributions for each year.

REQUIRED SUPPLEMENTARY INFORMATION

HINDS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 32,374,128	32,518,138	33,225,958	707,820
Licenses, commissions and other revenue	2,382,850	2,407,477	2,464,186	56,708
Fines and forfeitures	1,123,000	925,000	1,219,915	294,915
Intergovernmental revenues	4,676,015	4,827,238	4,700,381	(126,857)
Charges for services	3,673,780	3,812,156	3,232,925	(579,232)
Interest income	332,500	468,900	492,819	23,919
Miscellaneous revenues	303,000	314,714	335,595	20,881
Total Revenues	<u>44,865,272</u>	<u>45,273,624</u>	<u>45,671,779</u>	<u>398,155</u>
EXPENDITURES				
Current:				
General government	20,964,327	21,864,295	20,626,960	1,237,335
Public safety	19,040,404	20,904,920	20,449,309	455,611
Public works	341,500	351,443	351,443	0
Health and welfare	2,015,190	2,082,313	2,000,526	81,787
Culture and recreation	77,746	105,984	93,555	12,430
Conservation of natural resources	776,072	782,255	772,368	9,887
Economic development and assistance	592,352	592,352	592,352	0
Debt service:				
Principal	200,000	200,000	200,000	0
Interest	60,043	60,043	60,043	0
Bond issue costs	2,750	2,750	2,593	157
Total Expenditures	<u>44,070,383</u>	<u>46,946,353</u>	<u>45,149,148</u>	<u>1,797,206</u>
Excess of Revenues over (under) Expenditures	<u>794,889</u>	<u>(1,672,729)</u>	<u>522,631</u>	<u>2,195,360</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	49,000	49,000	940,855	891,855
Compensation for loss of capital assets	35,000	50,456	29,361	(21,095)
Transfers in	1,992,000	1,992,000	2,009,453	17,453
Transfers out	(2,881,295)	(4,795,339)	(3,519,729)	1,275,610
Total Other Financing Sources and Uses	<u>(805,295)</u>	<u>(2,703,883)</u>	<u>(540,060)</u>	<u>2,163,823</u>
Net Change in Fund Balance	(10,406)	(4,376,613)	(17,429)	4,359,183
Fund Balances - Beginning	2,572,733	4,218,420	4,905,120	686,700
Fund Balances - Ending	<u>\$ 2,562,328</u>	<u>(158,192)</u>	<u>4,887,691</u>	<u>5,045,883</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

HINDS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2004

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,529,344	1,529,344	1,748,730	219,386
Road and bridge privilege taxes	2,300,000	2,300,000	2,272,671	(27,329)
Intergovernmental revenues	2,079,450	2,334,230	2,568,879	234,649
Interest income	8,700	8,700	34,235	25,535
Miscellaneous revenues	35,000	118,939	119,107	168
Total Revenues	<u>5,952,494</u>	<u>6,291,213</u>	<u>6,743,622</u>	<u>452,409</u>
EXPENDITURES				
Current:				
Public works	5,492,494	7,384,351	5,953,091	1,431,260
Debt service:				
Principal	384,750	381,250	380,907	343
Interest	115,250	58,250	57,715	535
Total Expenditures	<u>5,992,494</u>	<u>7,823,851</u>	<u>6,391,713</u>	<u>1,432,138</u>
Excess of Revenues over (under) Expenditures	<u>(40,000)</u>	<u>(1,532,638)</u>	<u>351,909</u>	<u>1,884,548</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	40,000	40,000	21,020	(18,980)
Total Other Financing Sources and Uses	<u>40,000</u>	<u>40,000</u>	<u>21,020</u>	<u>(18,980)</u>
Net Change in Fund Balance	0	(1,492,638)	372,929	1,865,568
Fund Balances - Beginning	<u>468,175</u>	<u>1,620,531</u>	<u>1,620,531</u>	<u>(0)</u>
Fund Balances - Ending	<u>\$ 468,175</u>	<u>127,893</u>	<u>1,993,460</u>	<u>1,865,567</u>

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

HINDS COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2004

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

HINDS COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2004

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

	<u>Governmental Fund Types</u>	
	General Fund	Countywide Road Maintenance Fund
Budget (Cash Basis)	\$ <u>(17,429)</u>	<u>372,929</u>
Increase (Decrease):		
Net adjustment for revenue accruals	(1,764,021)	(271,667)
Net adjustment for expenditure accruals	<u>2,346,956</u>	<u>(117,380)</u>
GAAP Basis	\$ <u><u>565,506</u></u>	<u><u>(16,118)</u></u>

HINDS COUNTY

SUPPLEMENTAL INFORMATION

HINDS COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2004

SCHEDULE 1

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	\$ 894,960
WIA youth activities	17.259	400	592,334
WIA dislocated workers	17.260	400	1,336,648
Total workforce investment act cluster:			2,823,942
Total Major Federal Awards			2,823,942
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy			
Passed through the Gulf Coast HIDTA			
High intensity drug trafficking area award	07.UN	12PGCP352	124,217
U.S. Department of Agriculture			
Passed through the Mississippi Department of Education			
National school lunch program	10.555	N/A	29,690
U.S. Department of Housing and Urban Development			
Direct:			
Shelter plus care	14.238	N/A	73,627
Passed through the Mississippi Development Authority			
Community and development block grants	14.228	02-025-PF-01	208,162
Home investments partnership program	14.239	M03-SG-28-01-0951	12,000
Total U. S. Department of Housing and Urban Development			293,789
U.S. Department of Justice			
Direct:			
Local law enforcement block grants program	16.592	N/A	223,644
Gun violence prosecution grant	16.609	N/A	70,546
Public safety partnership and community policing grants	16.710	N/A	245,149
Gang resistance education and training	16.737	N/A	7,921
Passed through the Mississippi Department of Public Safety			
Juvenile accountability incentive block grants	16.523	1JB1251	22,212
Title V_delinquency program	16.548	1J51251	65,110
Victim witness assistance grant	16.575	2VA1251	42,326
Byrne formula grant program	16.579	1NS1251	79,194
Stop violence against women formula grants	16.588	1SL1251/	20,646
Stop violence against women formula grants	16.588	2SL1252	8,512
Enforcing underage drinking laws program	16.727	2UA1251	1,445
Total U. S. Department of Justice			786,705

HINDS COUNTY
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2004

SCHEDULE 1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Labor			
Direct:			
Employment and training administration pilots, demonstrations, and research projects	17.261	N/A	<u>322,564</u>
U.S. Department of Transportation			
Passed through Mississippi Department of Transportation			
Highway planning and construction	20.205	N/A	278,964
Federal transit_metropolitan planning grants	20.505	N/A	189,885
Passed through the Mississippi Department of Public Safety			
State and community highway safety	20.600	3TA1251/	1,598
State and community highway safety	20.600	4TA1251	<u>45,516</u>
Total U. S. Department of Transportation			<u>515,963</u>
U. S. Department of Education			
Direct			
Women's educational equity act program	84.083	N/A	<u>25,603</u>
U. S. Department of Health and Human Services			
Passed through the Mississippi Department of Health and Human Services/ Central Mississippi Planning and Development District			
Special programs for the aging - Title III, Part B grants for supportive services and senior centers	93.044	377E21	<u>24,350</u>
U. S. Department of Homeland Security			
Passed through the Mississippi Emergency Management Agency			
State domestic preparedness equipment support program	97.004	3SUP-09/	25,250
State domestic preparedness equipment support program	97.004	0DPG-001/	58,619
State domestic preparedness equipment support program	97.004	1DPG-001/	82,698
State domestic preparedness equipment support program	97.004	3SSG-3019	<u>56,425</u>
			<u>222,992</u>
Total Other Federal Awards			<u>2,345,873</u>
Total for All Federal Awards			<u>\$ 5,169,815</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

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*

November 10, 2005

Members of the Board of Supervisors
Hinds County, Mississippi

I have audited the primary government financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County, Mississippi, as of and for the year ended September 30, 2004, and have issued my report thereon dated November 10, 2005. 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. 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.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

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

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

November 10, 2005

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, 2004. 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 each of its major federal programs for the year ended September 30, 2004

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. However, this report is a matter of public record and its distribution is not limited.

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))

November 10, 2005

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, 2004. 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.

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.

In my opinion, 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. However, this report is a matter of public record and its distribution is not limited.

Ruth N. Wylie, CPA
Madison, Mississippi

HINDS COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2004

Schedule 1

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

HINDS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2004

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reasons for Emergency Purchase</u>
2/24/2004	Wound vac foam battery station rental	\$ 4,222	KCI Inc	Medical care for inmate
2/23/2004	Removal and installation of walk-in freezer compressor	5,586	Hermetic Rush	Rood freezer at detention center malfunctioned; rush to save food in freezer valued at \$20,000

HINDS COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2004

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
5/13/2004	Collapsible ballot bags	\$ 10,940	A. Rifkin Company
5/4/2004	T shirts for National Night Out	8,755	National association of Town Watch
6/28/2004	Cyclops camera	20251	Laser Shot



Ruth N. Wylie Certified Public Accountant

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

November 10, 2005

Members of the Board of Supervisors
Hinds County, Mississippi

In planning and performing our audit of the financial statements of Hinds County, Mississippi for the year ended September 30, 2004, we considered Hinds County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Hinds County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated November 10, 2005, on the financial statements of Hinds County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Ruth N. Wylie, CPA
Madison, Mississippi

HINDS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2004

Section 1: Summary of Auditor's Results

Financial Statements:

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

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 programs identified as major programs: | |
| | a. 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? | Yes |
| 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? | No |

Section 2: Financial Statement Findings

The result of my tests did not disclose any findings related to the financial statements that are required to be reported by Government Auditing Standards.

Section 3: Findings and Questioned Costs for Federal Awards

The result of my tests did not disclose any findings or questioned costs related to the federal awards.