

HINDS COUNTY, MISSISSIPPI

**Primary Government Financial Statements
and Special Reports**

SEPTEMBER 30, 2005

HINDS COUNTY
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Ruth N. Wylie Certified Public Accountant

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

September 14, 2006

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, 2005, 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, 2005, 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, 2005, 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 September 14, 2006, 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, 2005

Exhibit 1

	<u>Primary Government</u>
	Governmental
	<u>Activities</u>
ASSETS	
Cash	\$ 29,178,208
Property tax receivable	37,057,913
Fines receivable, net	472,103
Capital leases receivable	3,028,000
Intergovernmental receivables	2,127,526
Other receivables, net	44,387
Prepaid items	270,981
Capital assets, net	82,841,390
Total Assets	<u>155,020,508</u>
LIABILITIES	
Claims payable	1,789,806
Intergovernmental payables	2,954,492
Accrued interest payable	216,981
Deferred revenue	40,108,987
Other payables	1,491,968
Matured bonds and interest payable	18,459
Long-term liabilities	
Due within one year:	
Capital related debt	3,743,220
Non-capital debt	1,330,792
Due in more than one year:	
Capital related debt	25,613,465
Non-capital debt	5,738,379
Total Liabilities	<u>83,006,549</u>
NET ASSETS	
Invested in capital assets, net of related debt	53,484,706
Restricted net assets:	
Expendable:	
Debt service	626,960
Capital projects	10,917,165
Public safety	5,236,612
Public works	2,620,549
Health and welfare	196,483
Economic development	86,067
Other purposes	375,848
Unrestricted	<u>(1,530,429)</u>
Total Net Assets	<u>\$ 72,013,961</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, 2005

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	\$ 22,825,327	4,487,607	531,381		(17,806,339)
Public safety	26,664,341	4,344,087	3,876,627		(18,443,627)
Public works	11,521,471		1,546,718	1,015,217	(8,959,536)
Health and welfare	3,560,542		1,215,834		(2,344,708)
Culture and recreation	1,724,826	58,614	85,000		(1,581,212)
Conservation of natural resources	783,741				(783,741)
Economic development and assistance	1,335,794		(34,871)		(1,370,665)
Interest on long-term debt	1,742,190				(1,742,190)
Total Governmental Activities	<u>70,158,232</u>	<u>8,890,308</u>	<u>7,220,689</u>	<u>1,015,217</u>	<u>(53,032,018)</u>
Total Primary Government	\$ <u>70,158,232</u>	<u>8,890,308</u>	<u>7,220,689</u>	<u>1,015,217</u>	<u>(53,032,018)</u>
General revenues:					
Taxes:					
Property taxes				\$	47,033,223
Road & bridge privilege taxes					2,049,139
Grants and contributions not restricted to specific programs					2,892,649
Unrestricted gifts and donations					1,055,895
Unrestricted investment income					1,222,487
Miscellaneous					670,303
Total General Revenues					<u>54,923,696</u>
SPECIAL ITEM - Gain on sale of parking lot land					<u>731,592</u>
Changes in Net Assets					<u>2,623,270</u>
Net Assets - Beginning					68,297,745
Prior period adjustment					<u>1,092,946</u>
Net Assets - Beginning restated					<u>69,390,691</u>
Net Assets - Ending				\$	<u>72,013,961</u>

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

HINDS COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2005

Exhibit 3

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>MDB Series 2005 Bond Fund</u>	<u>Countywide Road Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 9,059,895	7,553,725	1,044,864	11,519,724	29,178,208
Property tax receivable	27,522,280		1,321,023	8,214,610	37,057,913
Fines receivable	472,103				472,103
Capital lease receivable				3,028,000	3,028,000
Intergovernmental receivables	1,394,047		188,763	544,716	2,127,526
Other receivables	39,387			5,000	44,387
Due from other funds			255,112	145,390	400,502
Advances to other funds	681,000				681,000
Prepaid Items	270,981				270,981
Total Assets	\$ 39,439,693	7,553,725	2,809,762	23,457,440	73,260,620
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 1,223,889	4,321	139,335	422,261	1,789,806
Intergovernmental payables	2,954,492				2,954,492
Due to other funds	400,502				400,502
Advances from other funds				681,000	681,000
Deferred revenue	27,994,383		1,321,023	11,265,683	40,581,089
Other payables	1,491,967				1,491,967
Matured bonds and interest payable				18,459	18,459
Total Liabilities	34,065,233	4,321	1,460,358	12,387,403	47,917,315
Fund balances:					
Reserved for:					
Debt service				779,557	779,557
Advances	681,000				681,000
Unreserved, reported in:					
General fund	4,693,460				4,693,460
Special revenue funds			1,349,404	6,922,719	8,272,123
Capital project funds		7,549,404		3,367,761	10,917,165
Total Fund Balances	5,374,460	7,549,404	1,349,404	11,070,037	25,343,305
Total Liabilities and Fund Balances	\$ 39,439,693	7,553,725	2,809,762	23,457,440	73,260,620

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, 2005

	<u>Amount</u>
Total fund balance - governmental funds (Exhibit 3)	\$ 25,343,305
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 10-1-04	82,450,413
Plus capital outlay expenditures made during the year	3,574,019
Less depreciation expense recorded during the year	(4,053,989)
Less net book value of capital assets sold or disposed of during the year	(221,999)
Prior period adjustment of capital assets	1,092,946
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Fines receivable	472,103
Long-term liabilities are not due and payable in the current-period and therefore are not reported in the funds.	
Long-tem liabilities	(36,425,856)
Accrued interest on bonds	<u>(216,981)</u>
Total net assets - governmental activities (Exhibit 1)	\$ <u><u>72,013,961</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, 2005

Exhibit 4

	Major Funds				
	General Fund	MDB Series 2005 Bond Fund	Countywide Road Maintenance Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 35,010,250		2,109,581	9,913,392	47,033,223
Road and bridge privilege taxes			2,049,139		2,049,139
Licenses, commissions and other revenue	2,387,413			128,738	2,516,151
Fines and forfeitures	1,230,467			143,962	1,374,429
Intergovernmental revenues	5,693,303		1,984,457	3,159,403	10,837,163
Charges for services	3,337,087			3,100,888	6,437,975
Interest income	708,761	80,939	41,168	391,619	1,222,487
Miscellaneous revenues	602,174		64,565	137,623	804,362
Total Revenues	<u>48,969,455</u>	<u>80,939</u>	<u>6,248,910</u>	<u>16,975,625</u>	<u>72,274,929</u>
EXPENDITURES					
Current:					
General government	23,148,712			969,220	24,117,932
Public safety	21,091,418			5,056,997	26,148,415
Public works	329,230		6,522,018	3,014,067	9,865,315
Health and welfare	2,029,233			1,427,300	3,456,533
Culture and recreation	118,436			1,594,294	1,712,730
Conservation of natural resources	783,664			-	783,664
Economic development and assistance	543,442			1,203,489	1,746,931
Debt service:					
Principal	210,000		394,581	3,896,133	4,500,714
Interest	57,447	31,535	44,041	1,648,882	1,781,905
Total Expenditures	<u>48,311,582</u>	<u>31,535</u>	<u>6,960,640</u>	<u>18,810,382</u>	<u>74,114,139</u>
Excess of Revenues over (under) Expenditures	<u>657,873</u>	<u>49,404</u>	<u>(711,730)</u>	<u>(1,834,757)</u>	<u>(1,839,210)</u>
OTHER FINANCING SOURCES (USES)					
Long-term capital debt issued		7,500,000		465,000	7,965,000
Transfers in	14,334		-	1,423,578	1,437,912
Transfers out	(1,390,976)		-	(46,936)	(1,437,912)
Total Other Financing Sources and Uses	<u>(1,376,642)</u>	<u>7,500,000</u>	<u>-</u>	<u>1,841,642</u>	<u>7,965,000</u>
SPECIAL ITEM - Sale of capital item					
	<u>850,000</u>				<u>850,000</u>
Net Changes in Fund Balances	131,231	7,500,000	(711,730)	6,885	6,975,790
Fund Balance - Beginning restated	<u>5,243,229</u>	<u>-</u>	<u>2,061,134</u>	<u>11,063,152</u>	<u>18,367,515</u>
Fund Balances - Ending	\$ <u>5,374,460</u>	<u>7,549,404</u>	<u>1,349,404</u>	<u>11,070,037</u>	<u>25,343,305</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, 2005

	<u>Amount</u>
Net changes in fund balances - total governmental funds (Exhibit 4)	\$ 6,975,790
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 \$3,639,014 exceeded depreciation \$4,053,989 in the current period.	(479,970)
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 net gain of \$731,592, less loss on disposal of other assets of \$103,591 and the proceeds from the sale of a building and lot of \$850,000 in the current period.	(221,999)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the statement of activities using the full-accrual basis of accounting.	(121,427)
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 \$4,500,714 exceeded debt proceeds of \$7,965,000.	(3,464,286)
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:	
Interest on long-term debt	39,713
Compensated absences	<u>(104,551)</u>
Change in net assets of governmental activities (Exhibit 2)	\$ <u><u>2,623,270</u></u>

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

HINDS COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2005

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 851,853
Total Assets	<u>\$ 851,853</u>
LIABILITIES	
Intergovernmental payables	\$ 851,853
Total Liabilities	<u>\$ 851,853</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, 2005

(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 and contributions that are restricted to meeting the operational or capital requirements of a particular

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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.

MDB Bond Series 2005 Fund – Accounts for proceeds from sale of bonds and the expenditure of capital and repair projects.

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, 2005

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.

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.

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.

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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 governmental 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
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 in the Statement of Net Assets. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

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

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

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 "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

Reservations of fund balance represent amounts that are not 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 expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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) Changes in Accounting Standards.

For the fiscal year ended September 30, 2005, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The provisions of this new statement have been incorporated into the financial statements and the accompanying notes.

(3) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

Exhibit 4 - Statement of Revenues, Expenditure and Changes in Fund Balances.

<u>Explanation</u>	<u>Amount</u>
Correction of accumulated depreciation of capital assets and capital assets	\$ 1,092,946
Total prior period adjustment	<u>\$ 1,092,946</u>

(4) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2005, was \$30,030,061, and the bank balance was \$35,531,817. 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.

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

Investments:

The county had no investments at year end.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(5) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2005:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Countywide Road Maintenance Fund	General Fund	\$ 255,112
Nonmajor Governmental Funds	General Fund	<u>145,390</u>
Total		<u>\$ 400,502</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>
General Fund	Nonmajor Governmental Funds	\$ <u>681,000</u>
Total		<u>\$ 681,000</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>
General Fund	Nonmajor Governmental Funds	\$ 14,334
Nonmajor Governmental Funds	General Fund	<u>1,423,578</u>
Total		<u>\$ 1,423,578</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.

(6) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2005 consisted of the following for Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tag credit	\$ 1,118,116
Disaster grants	457,636
Public safety grants	500,392
Other	<u>51,382</u>
Total Governmental Activities	<u>\$ 2,127,526</u>

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2005:

	Balance Oct. 1, 2004	Additions	Deletions	Adjustments	Balance Sept. 30, 2005
<u>Non-depreciable capital assets:</u>					
Land	\$ 1,072,801		(78,719)		994,082
Construction in progress	600,900	1,030,997			1,631,897
Total non-depreciable capital assets	<u>1,673,701</u>	<u>1,030,997</u>	<u>(78,719)</u>	<u>-</u>	<u>2,625,979</u>
<u>Depreciable capital assets:</u>					
Infrastructure	75,129,730	1,040,337	(103,633)		76,066,434
Buildings	42,047,469		(220,169)		41,827,300
Improvements other than buildings	8,647,527		(151,784)		8,495,743
Mobile equipment	10,964,860	1,328,864		(20,090)	12,273,634
Furniture and equipment	2,454,629	173,821		(55,853)	2,572,597
Leased property under capital leases	1,986,068			64,995	2,051,063
Total depreciable capital assets	<u>141,230,283</u>	<u>2,543,022</u>	<u>(475,586)</u>	<u>(10,948)</u>	<u>143,286,771</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	(37,694,392)	(1,801,399)	78,761	1,335,731	(38,081,299)
Buildings	(10,330,073)	(794,328)	176,135		(10,948,266)
Improvements other than buildings	(1,601,604)	(329,359)			(1,930,963)
Mobile equipment	(8,387,658)	(661,895)	77,410	(259,434)	(9,231,577)
Furniture and equipment	(1,845,829)	(199,659)		27,597	(2,017,891)
Leased property under capital leases	(594,015)	(267,349)			(861,364)
Total accumulated depreciation	<u>(60,453,571)</u>	<u>(4,053,989)</u>	<u>332,306</u>	<u>1,103,894</u>	<u>(63,071,360)</u>
Total depreciable capital assets, net	<u>80,776,712</u>	<u>(1,510,967)</u>	<u>(143,280)</u>	<u>1,092,946</u>	<u>80,215,411</u>
Governmental activities capital assets, net	\$ <u>82,450,413</u>	<u>(479,970)</u>	<u>(221,999)</u>	<u>1,092,946</u>	<u>82,841,390</u>

Adjustments to capital assets included correcting the amounts of certain capital assets and adjustments to amounts as determined for the accumulated depreciation of capital assets.

Included in construction in progress is a total of \$623,819 for preliminary engineering for the Byram-Clinton Corridor Project, a highway project designated by the U.S. Congress, and specified for this purpose. A contract for the remainder of this project has not been entered into at this time. The renovation of the Raymond Courthouse is also included in the construction in progress, and is being partially funded through a historical grant.

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

Depreciation expense was charged to the following functions:

	<u>Amount:</u>
Governmental Activities	
General government	\$ 230,467
Public safety	1,516,576
Public works	2,194,121
Health and welfare	100,729
Culture and recreation	<u>12,096</u>
Total governmental activities depreciation expense	<u>\$ 4,053,989</u>

As of September 30, 2005, 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, 2005. 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.

(8) Claims and Judgments.

Risk Financing.

The county finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi 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, provided by Safety National Casualty Corporation, effective from October 1, 2003, to September 30, 2005. 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.

(9) Capital Leases.

As Lessor:

The county leases the following property with varying terms and options as of September 30, 2005:

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

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

The future minimum lease receivables together with the present value of the net minimum lease receivables as of September 30, 2005, are as follows:

<u>Year Ending September 30:</u>	<u>Amounts</u>
2006	\$ 338,600
2007	335,800
2008	337,850
2009	334,600
2010	336,200
2011-2015	<u>1,344,950</u>
Total Minimum Lease Receivables	3,028,000
Less: Amount representing interest	<u>408,000</u>
Present Value of Net Minimum Lease Receivables	\$ <u><u>2,620,000</u></u>

As Lessee:

The county is obligated for the following assets acquired through capital leases as of September 30, 2005:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ <u>2,051,063</u>
Total	<u><u>2,051,063</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, 2005, are as follows:

<u>Year Ending September 30:</u>	<u>Governmental Activities</u>
2006	\$ 1,018,881
2007	<u>1,004,614</u>
Total Minimum Payments Required	2,023,495
Less: Amount representing interest	<u>143,403</u>
Present Value of Net Minimum Lease Payables	\$ <u><u>1,880,092</u></u>

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(10) Long-term Debt.

Debt outstanding as of September 30, 2005 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	\$ 11,190,000	5.40 to 6.25	3/1/11
Double G Coating bonds	2,620,000	3.00	5/1/14
2005 Special obligation bonds	7,445,000	3.00 to 5.25	10/1/35
Youth detention center 1999A	3,475,000	4.80 to 6.00	10/1/19
Youth detention center 1999B	430,000	5.25 to 7.00	10/2/19
2001 refunding bonds	<u>4,370,000</u>	5.75 to 6.50	7/15/14
	\$ <u>29,530,000</u>		
B. Limited obligation bonds:			
Wal-Mart tax increment financing	\$ 395,000	5.68	9/1/17
Byram Parkway tax increment financing	<u>465,000</u>	5.339	10/1/18
Total Limited Obligation Bonds	\$ <u>860,000</u>		
C. Grant Obligations:			
JRA - NCAA tower parking	\$ 340,000	7.70	8/1/09
JRA - Urban renewal	<u>445,000</u>	4.10 to 5.70	11/1/13
Total Grant Obligations	\$ <u>785,000</u>		
D. Capital Leases:			
E-911 system	\$ 1,036,380	6.09	3/15/07
Expedition and pick-up	11,545	6.45	8/5/07
Road equipment	<u>832,167</u>	4.00	8/5/07
Total Capital Leases	\$ <u>1,880,092</u>		
E. Other Loans:			
Metro parkway project	\$ 28,667	0.00	1/1/07
Metro parkway project extension	427,998	0.00	3/1/04
Document imaging/computer equipment upgrade	318,419	4.26	10/1/12
2002 negotiable note	<u>627,618</u>	3.00	1/1/16
Total Other Loans	\$ <u>1,402,702</u>		

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

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

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>
2006	\$ 2,745,000	1,512,599	48,000	50,573
2007	2,860,000	1,367,449	47,000	43,561
2008	2,990,000	1,214,734	58,000	41,052
2009	2,790,000	1,057,125	60,000	37,914
2010	2,950,000	906,096	61,000	34,666
2011-2015	7,390,000	2,803,733	360,000	118,801
2016-2020	2,870,000	1,675,511	226,000	18,921
2026-2030	1,245,000	1,171,275		
2031-2035	1,610,000	808,237		
	<u>2,080,000</u>	<u>338,625</u>		
Total	\$ <u>29,530,000</u>	<u>12,855,384</u>	<u>860,000</u>	<u>345,488</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>
2006	\$ 115,000	44,885	1,046,037	38,481
2007	125,000	36,883	71,333	-
2008	135,000	28,637	71,333	-
2009	140,000	19,593	71,333	-
2010	50,000	10,045	71,333	-
2011-2015	<u>220,000</u>	<u>18,655</u>	<u>71,333</u>	<u>-</u>
Total	\$ <u>785,000</u>	<u>158,698</u>	<u>1,402,702</u>	<u>38,481</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, 2005, the amount of outstanding debt was equal to 1.88% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2005:

	<u>Balance</u>			<u>Balance</u>	<u>Amount due</u>
	<u>Oct. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>		
					<u>year</u>
Governmental Activities:					
Compensated absences	\$ 1,863,510	104,551		1,968,061	196,806
General obligation bonds	24,510,000	7,500,000	2,480,000	29,530,000	2,745,000
Limited obligation bonds	415,000	465,000	20,000	860,000	48,000
Grant obligations	895,000		110,000	785,000	115,000
Capital leases	2,761,745		881,652	1,880,093	923,169
Other loans	<u>2,411,764</u>		<u>1,009,062</u>	<u>1,402,702</u>	<u>1,046,037</u>
Total	\$ <u>32,857,019</u>	<u>8,069,551</u>	<u>4,500,714</u>	<u>36,425,856</u>	<u>5,074,012</u>

HINDS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2005

(11) Contingencies.

Federal Grants - The county has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from 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, 2005</u>
JRA - Urban Renewal - Jackson State	\$ <u>3,985,000.00</u>

The amount stated above is the amount confirmed as payable at September 30, 2005, by Jackson State University for Jackson Redevelopment Authority. The county is not involved in making the payments for this debt.

(12) 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, 2005</u>
Industrial revenue bonds	\$ <u>14,035,000</u>

(13) 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 organizations does not extend beyond making the appointments. During the year, the county appropriated \$18,000 to this organization.

HINDS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2005

(14) 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 \$1,502,102 in fiscal year 2005. Complete financial statements for the Jackson-Hinds Public Library can be obtained from the following address: 400 North State Street, Jackson, MS 39201.

(15) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Central Mississippi Planning and Development District 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 2005.

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 \$9,003,360 for maintenance and support of the college in the fiscal year 2005.

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 \$122,400 for support of the agency in fiscal year 2005.

(16) 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, 2005, 2004 and 2003 were \$2,450,316, \$2,422,035, and \$2,359,106, respectively, equal to the required contributions for each year.

(17) Special Items.

The county sold a building and land on Woodrow Wilson Street that was no longer necessary for operations for the sum of \$850,000.

HINDS COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

HINDS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 35,338,047	35,404,996	34,935,778	(469,218)
Licenses, commissions and other revenue	2,197,050	2,373,941	2,397,032	23,090
Fines and forfeitures	730,000	699,931	1,262,727	562,796
Intergovernmental revenues	4,919,213	4,801,082	4,428,283	(372,799)
Charges for services	3,109,932	3,310,702	3,299,535	(11,167)
Interest income	417,500	676,693	706,368	29,675
Miscellaneous revenues	1,099,000	922,647	630,330	(292,317)
Total Revenues	<u>47,810,742</u>	<u>48,189,992</u>	<u>47,660,053</u>	<u>(529,939)</u>
EXPENDITURES				
Current:				
General government	20,768,933	22,297,022	21,801,063	495,960
Public safety	20,555,970	21,278,430	20,839,618	438,812
Public works	400,000	310,830	310,830	0
Health and welfare	1,898,650	2,102,748	1,997,867	104,881
Culture and recreation	70,360	121,241	119,133	2,109
Conservation of natural resources	760,739	784,310	777,328	6,981
Economic development and assistance	592,352	543,352	543,352	0
Debt service:				
Principal	110,000	210,000	210,000	0
Interest	52,705	52,705	57,447	(4,742)
Bond issue costs	2,750	4,742		4,742
Total Expenditures	<u>45,212,459</u>	<u>47,705,380</u>	<u>46,656,637</u>	<u>1,048,743</u>
Excess of Revenues over (under) Expenditures	<u>2,598,283</u>	<u>484,612</u>	<u>1,003,415</u>	<u>518,803</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	14,940	850,000	835,060
Compensation for loss of capital assets	33,000	45,638		(45,638)
Transfers in	2,004,517	2,010,517	3,567,484	1,556,967
Transfers out	(2,990,448)	(4,952,217)	(4,944,127)	8,090
Total Other Financing Sources and Uses	<u>(942,931)</u>	<u>(2,881,122)</u>	<u>(526,643)</u>	<u>2,354,479</u>
Net Change in Fund Balance	1,655,352	(2,396,510)	476,772	2,873,282
Fund Balances - Beginning	2,572,733	4,512,771	4,677,723	164,952
Fund Balances - Ending	<u>\$ 4,228,086</u>	<u>2,116,261</u>	<u>5,154,495</u>	<u>3,038,234</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)
 MDB Series 2005 Bond Fund
 For the Year Ended September 30, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	0	37,218	80,939	43,721
Total Revenues	<u>0</u>	<u>37,218</u>	<u>80,939</u>	<u>43,721</u>
EXPENDITURES				
Current:				
General government	0	177,775	177,775	0
Total Expenditures	<u>0</u>	<u>177,775</u>	<u>177,775</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>(140,557)</u>	<u>(96,836)</u>	<u>43,721</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	0	7,650,561	7,650,561	0
Total Other Financing Sources and Uses	<u>0</u>	<u>7,650,561</u>	<u>7,650,561</u>	<u>0</u>
Net Change in Fund Balance	0	7,510,004	7,553,725	43,721
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>7,510,004</u>	<u>7,553,725</u>	<u>43,721</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, 2005

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,569,045	1,768,250	2,106,986	338,736
Road and bridge privilege taxes	2,300,000	2,100,000	2,016,083	(83,917)
Intergovernmental revenues	2,079,450	2,089,450	1,795,693	(293,757)
Interest income	8,700	28,683	41,168	12,485
Miscellaneous revenues	35,000	5,812	64,565	58,753
Total Revenues	<u>5,992,195</u>	<u>5,992,195</u>	<u>6,024,495</u>	<u>32,300</u>
EXPENDITURES				
Current:				
Public works	6,032,195	7,541,368	6,534,470	1,006,898
Debt service:				
Principal	0	394,581	394,581	0
Interest	0	44,040	44,040	0
Total Expenditures	<u>6,032,195</u>	<u>7,979,990</u>	<u>6,973,092</u>	<u>1,006,898</u>
Excess of Revenues over (under) Expenditures	<u>(40,000)</u>	<u>(1,987,795)</u>	<u>(948,596)</u>	<u>1,039,198</u>
Net Change in Fund Balance	(40,000)	(1,987,795)	(948,596)	1,039,198
Fund Balances - Beginning	<u>1,395,350</u>	<u>1,993,460</u>	<u>1,993,460</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,355,350</u>	<u>5,665</u>	<u>1,044,864</u>	<u>1,039,198</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, 2005

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, 2005

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>MDB Series 2005 Bond Fund</u>	<u>Countywide Road Maintenance Fund</u>
Budget (Cash Basis)	\$ 476,772	7,553,725	(948,596)
Increase (Decrease):			
Net adjustment for revenue accruals	1,309,403	(150,561)	224,414
Net adjustment for expenditure accruals	<u>(1,654,945)</u>	<u>146,240</u>	<u>12,452</u>
GAAP Basis	<u>\$ 131,230</u>	<u>7,549,404</u>	<u>(711,730)</u>

HINDS COUNTY

SUPPLEMENTAL INFORMATION

HINDS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2005

SCHEDULE 1

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U. S. Department of Homeland Security			
Passed through the Mississippi Department of Public Safety			
State domestic preparedness equipment support program	97.004	04HS025	\$ 21,661
State domestic preparedness equipment support program	97.004	04HS025R	208,938
State domestic preparedness equipment support program	97.004	04CC025	3,935
State domestic preparedness equipment support program	97.004	04CS025	5,700
State domestic preparedness equipment support program	97.004	04LE025	75,023
Passed through the Mississippi Emergency Management Agency			
State domestic preparedness equipment support program	97.004	1DPG-001	60,057
State domestic preparedness equipment support program	97.004	3SSG-3019	67,000
State domestic preparedness equipment support program	97.004	3SSG-09B	12,600
State domestic preparedness equipment support program	97.004	3SSGE-8005	90,780
State domestic preparedness equipment support program	97.004	3SSG-5003	70,000
State domestic preparedness equipment support program	97.004	2DPG-80	21,115
State domestic preparedness equipment support program	97.004	2DPG-23	21,115
Total State domestic preparedness equipment support program			<u>657,924</u>
Disaster grants - public assistance (Presidentially declared disasters)	97.036	FEMA-1604-DR-MS	<u>447,250</u>
Total Disaster grants - public assistance Presidentialy declared disasters)			<u>447,250</u>
Total Major Federal Awards			<u>1,105,174</u>
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy			
Passed through the Gulf Coast HIDTA			
High intensity drug trafficking area award	07.UN	14PGCP352	55,794
High intensity drug trafficking area award	07.UN	15PGCP353	39,687
Total Office of National Drug Control Policy			<u>95,481</u>
U.S. Department of Agriculture			
Passed through the Mississippi Department of Education			
National school lunch program	10.555	N/A	<u>41,198</u>
U.S. Department of Housing and Urban Development			
Direct:			
Shelter plus care	14.238	N/A	110,355
Passed through the Mississippi Development Authority			
Community and development block grants	14.228	02-025-PF-01	1,500
Home investments partnership program	14.239	M03-SG-28-01-0951	274,615
Total U. S. Department of Housing and Urban Development			<u>386,470</u>

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

SCHEDULE 1
 (continued)

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Justice			
Direct:			
Local law enforcement block grants program	16.592	N/A	248,732
Gun violence prosecution grant	16.609	N/A	68,880
Gang resistance education and training	16.737	N/A	165
Federal equitable sharing program	16.UN	N/A	14,562
Passed through the Mississippi Department of Public Safety			
Juvenile accountability incentive block grants	16.523	1JB1251/	58,011
Juvenile accountability incentive block grants	16.523	2JB1251	29,425
Title V_delinquency program	16.548	2J51251	63,166
Victim witness assistance grant	16.575	2VA1251/	33,764
Victim witness assistance grant	16.575	3VA1251	12,662
Stop violence against women formula grants	16.588	2SL1251/	20,646
Stop violence against women formula grants	16.588	32SL1251	6,663
Enforcing underage drinking laws program	16.727	2UA1251	6,531
Total U. S. Department of Justice			563,207
U.S. Department of Transportation			
Direct:			
Highway planning and construction	20.205	N/A	14,458
Passed through Mississippi Department of Transportation			
Highway planning and construction	20.205	BR NBIS/	9,130
Highway planning and construction	20.205	MS 024125	18,335
Federal transit_metropolitan planning grants	20.505	STP-0256-00(009)	40,985
Passed through the Mississippi Department of Public Safety			
State and community highway safety	20.600	5TA1251	99,703
Total U. S. Department of Transportation			182,611
U. S. Department of Education			
Passed through the Mississippi Department of Education			
Title I program for neglected and delinquent children	84.013	N/A	284,699
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	377F21	24,476
U. S. Department of Homeland Security			
Passed through the Mississippi Department of Public Safety			
Homeland security grant program	97.067	05LE025	11,268
Total Other Federal Awards			1,589,410
Total for All Federal Awards			\$ 2,694,584

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.

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*

September 14, 2006

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, 2005, and have issued my report thereon dated September 14, 2006. 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

September 14, 2006

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 programs for the year ended September 30, 2005. Hinds County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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, 2005

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))

September 14, 2006

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, 2005. 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, 2005

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, 2005

Schedule 2

My test results did not identify any emergency purchases.

HINDS COUNTY
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2005

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
2/22/2005	NAPA Tracs Net Management	\$ 9,749	Genuine Parts Company
8/1/2005	Weatherpak 400	12,823	Coastal Environmental Systems
6/20/2005	Tactical Entry/Intervention Equipment	62,542	SCG International Risk
8/15/2005	T shirts for National Night Out	8,757	National Night Out
5/4/2005	Historical Reports System	94,395	Motorola
6/28/2005	Drug Testing Equipment	5,297	Dade Behring Inc.



Ruth N. Wylie Certified Public Accountant

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

September 14, 2006

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, 2005, 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 September 14, 2006, 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, 2005

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. State domestic preparedness equipment support program | 97.004 |
| | b. Disaster grants – public assistance (Presidentially declared disasters) | 97.036 |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | 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.

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.