

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-term 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

	<u>Major Funds</u>				
	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