

Hinds County, Mississippi
Audited Financial Statements and
Special Reports
For the Year Ended September 30, 2010



HINDS COUNTY, MISSISSIPPI

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HINDS COUNTY, MISSISSIPPI

FINANCIAL SECTION

**Independent Accountants' Report on Financial Statements
and Supplementary Information**

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County, Mississippi (the County) as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units are not presented. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Hinds County, Mississippi as of September 30, 2010, and the respective changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County, Mississippi as of September 30, 2010, 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.

As discussed in Note 13, the County changed its method of accounting for and reporting for derivative instruments by adopting the provisions of Governmental Accounting Standards Board Statement (GASB) No. 53, *Accounting and Financial Reporting for Derivative Instruments*, in the fiscal year ended September 30, 2010.

As discussed in Note 20, the previously issued 2009 financial statements have been restated. Our previously issued report on those financial statements dated June 24, 2010, is no longer to be relied upon because the previously issued 2009 financial statements were materially misstated, and that report is replaced with this report on the restated 2009 financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2011, on our consideration of the County's internal control over financial reporting and our 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 considered in assessing the results of our audit.

The County has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The accompanying required supplementary information as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis 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 our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

June 17, 2011

HINDS COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

HINDS COUNTY, MISSISSIPPI
Statement of Net Assets
September 30, 2010

Exhibit 1

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 39,264,519
Property tax receivable	45,074,890
Fines receivable (net of allowance for uncollectibles of \$10,519,411)	510,895
Loan receivable	2,300,457
Capital leases receivable	1,344,950
Intergovernmental receivables	3,222,726
Other receivables	1,671,726
Prepaid items	249,399
Deferred charge - issuance cost	563,070
Capital assets, net	<u>111,551,703</u>
Total Assets	<u>205,754,335</u>
LIABILITIES	
Claims payable	3,420,842
Amounts held in custody for others	2,097,545
Intergovernmental payables	3,442,360
Matured bonds and interest payable	18,459
Accrued interest payable	263,795
Deferred and unearned revenue	48,113,094
Postemployment benefit obligation	461,694
Long-term liabilities	
Due within one year:	
Capital debt	3,852,895
Noncapital debt	1,684,069
Claims and judgments payable	931,666
Tax anticipation note payable	6,000,000
Due in more than one year:	
Capital debt	36,095,350
Noncapital debt	17,365,152
Claims and judgments payable	644,335
Fair value of derivative instruments	<u>3,476,608</u>
Total Liabilities	<u>127,867,864</u>
NET ASSETS	
Invested in capital assets, net of related debt	89,804,075
Restricted:	
Expendable:	
Public safety	4,709,878
Public works	661,946
Health and welfare	198,821
Culture and recreation	281,480
Economic development	60,224
Other purposes	65,149
Unrestricted	<u>(17,895,102)</u>
Total Net Assets	<u>\$ 77,886,471</u>

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

HINDS COUNTY, MISSISSIPPI
Statement of Activities
For the Year Ended September 30, 2010

Exhibit 2

Functions/Programs	Program Revenues			Expenses	Net (Expenses) Revenues and Changes in Net Assets Primary Government
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:					
General government	\$ 24,292,170	\$ 701,686	\$ 329,160	\$	(19,661,281)
Public safety	33,903,295	2,845,433	1,029,086		(24,076,736)
Public works	12,430,522	1,908,084	5,085,796		(5,119,221)
Health and welfare	4,138,038	1,739,444	-		(2,398,594)
Culture and recreation	1,708,025	-	-		(1,623,507)
Conservation of natural resources	391,603	-	-		(391,603)
Economic development and assistance	953,296	20,000	-		(933,296)
Interest on long-term debt	3,073,417	-	-		(3,073,417)
Total Governmental Activities	80,890,366	7,214,647	6,444,042		(57,277,655)
Total Primary Government	\$ 80,890,366	\$ 7,214,647	\$ 6,444,042		(57,277,655)
General Revenues:					
Property taxes					52,147,513
Road and bridge privilege taxes					2,567,268
Grants and contributions not restricted to specific programs					4,585,614
Unrestricted interest income					886,647
Proceeds and gain related to derivative instrument					5,039,266
Miscellaneous					833,915
Total General Revenues					66,060,223
Change in Net Assets Before Special Item					8,782,568
Special Item - Abandoned Construction in Process (Parking Garage)					(1,179,146)
Change in Net Assets					7,603,422
Net Assets - Beginning, as Previously Reported					81,079,748
Adoption of new accounting principles for derivatives - Note 13					(7,051,284)
Prior period adjustment - Note 20					(3,745,415)
Net Assets - Beginning, as Restated					70,283,049
Net Assets - Ending					\$ 77,886,471

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

HINDS COUNTY, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2010

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds		
ASSETS					
Cash	\$ 8,347,575	\$ 12,549,435	\$ 18,367,509	\$ 39,264,519	
Property tax receivable	33,604,419	-	11,470,471	45,074,890	
Fines receivable (net of allowance for uncollectibles of \$10,519,411)	510,895	-	-	510,895	
Capital lease receivable	-	-	1,344,950	1,344,950	
Intergovernmental receivables	1,320,079	-	1,902,647	3,222,726	
Other receivables	1,671,291	-	436	1,671,727	
Due from other funds	-	-	359,290	359,290	
Advances to other funds	1,370,771	-	-	1,370,771	
Prepaid items	249,399	-	-	249,399	
Total Assets	\$ 47,074,429	\$ 12,549,435	\$ 33,445,303	\$ 93,069,167	
LIABILITIES AND FUND BALANCES					
Liabilities:					
Claims payable	\$ 1,449,140	\$ -	\$ 1,971,702	\$ 3,420,842	
Amounts held in custody for others	2,097,545	-	-	2,097,545	
Intergovernmental payables	3,442,360	-	-	3,442,360	
Due to other funds	359,290	-	-	359,290	
Advances from other funds	-	-	1,370,771	1,370,771	
Matured bonds and interest payable	-	-	18,459	18,459	
Deferred and unearned revenue	33,919,690	-	14,508,675	48,428,365	
Total Liabilities	41,268,025	-	17,869,607	59,137,632	
Fund balances:					
Reserved for:					
Debt service	-	-	90,161	90,161	
Advances	1,370,771	-	-	1,370,771	
Unreserved, reported in:					
General Fund	4,435,633	-	-	4,435,633	
Special Revenue Funds	-	-	6,087,289	6,087,289	
Capital Project Funds	-	12,549,435	9,398,246	21,947,681	
Total Fund Balances	5,806,404	12,549,435	15,575,696	33,931,535	
Total Liabilities and Fund Balances	\$ 47,074,429	\$ 12,549,435	\$ 33,445,303	\$ 93,069,167	

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

HINDS COUNTY, MISSISSIPPI
 Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
 September 30, 2010

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 33,931,535
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$84,318,898	111,551,703
Other long-term assets, such as loan receivable, are not available to pay for current period expenditures and, therefore, are not reported in the funds.	2,300,457
Other long-term assets, such as fines receivable, are not available to pay for current period expenditures and, therefore, are deferred in the funds.	315,270
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds.	(66,573,467)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(263,795)
Postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(461,694)
Liability for derivative instruments that is not due and payable in the current period and, therefore, is not reported in the funds.	(3,476,608)
Deferred issuance cost on refunding bond issue. Bond issuance costs are expensed in funds and amortized in government-wide statements.	<u>563,070</u>
Total Net Assets - Governmental Activities	<u><u>\$ 77,886,471</u></u>

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

HINDS COUNTY, MISSISSIPPI

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2010

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 38,027,010	\$ -	\$ 14,117,775	\$ 52,144,785
Road and bridge privilege taxes	-	-	2,567,268	2,567,268
Licenses, commissions and other	2,458,129	-	130,694	2,588,823
Fines and forfeitures	1,252,082	-	232,212	1,484,294
Intergovernmental	5,015,725	-	10,916,051	15,931,776
Charges for services	3,742,672	-	3,460,963	7,203,635
Interest income	306,177	223,519	356,950	886,646
Miscellaneous	588,333	-	671,788	1,260,121
Total Revenues	51,390,128	223,519	32,453,701	84,067,348
EXPENDITURES				
Current:				
General government	22,380,383	-	2,686,052	25,066,435
Public safety	26,885,728	23,145	6,466,484	33,375,357
Public works	-	-	13,741,839	13,741,839
Health and welfare	1,982,437	-	2,050,782	4,033,219
Culture and recreation	40,911	-	1,831,770	1,872,681
Conservation of natural resources	391,601	-	-	391,601
Economic development and assistance	50,212	-	1,428,436	1,478,648
Debt service:				
Principal	1,634,356	-	4,820,729	6,455,085
Interest	83,819	-	2,678,338	2,762,157
Total Expenditures	53,449,447	23,145	35,704,430	89,177,022
Excess of Revenues over (under) Expenditures	(2,059,319)	200,374	(3,250,729)	(5,109,674)

HINDS COUNTY, MISSISSIPPI

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Continued)
For the Year Ended September 30, 2010

Exhibit 4

	Major Funds			Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 32,883	\$ -	\$ 2,511,785	\$ 2,544,668
Tax anticipation notes issued	6,000,000	-	-	6,000,000
Proceeds from sale of capital assets	25,497	-	-	25,497
Proceeds of derivative investment	-	-	1,464,590	1,464,590
Transfers in	767,783	-	2,198,519	2,966,302
Transfers out	(844,785)	-	(2,121,517)	(2,966,302)
Other sources	113,726	-	-	113,726
Total Other Financing Sources (Uses)	6,095,104	-	4,053,377	10,148,481
Net Change in Fund Balances	4,035,785	200,374	802,648	5,038,807
Fund Balances - Beginning	1,770,619	12,349,061	14,773,048	28,892,728
Fund Balances - Ending	\$ 5,806,404	\$ 12,549,435	\$ 15,575,696	\$ 33,931,535

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

HINDS COUNTY, MISSISSIPPI

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, 2010

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 5,038,807
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 \$8,341,518 exceeded depreciation of \$5,401,984 and adjustments of \$80,500 in the current period.	3,020,034
Governmental Funds report Katrina CDBG loan advances as expenditures. However, the payments are reflected as a loan receivable and not reported in the Statement of Activities.	525,352
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. Thus, the change in net assets differs from the change in fund balances by the amount of the net loss of \$631,353, the abandonment of construction-in-process project of \$1,179,146 and the proceeds from the sale of capital assets of \$25,497 in the current period.	(1,835,996)
Fines 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.	(24,163)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net 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 short and long-term debt proceeds of \$8,532,883 (gross of premium) exceeded repayments of \$6,468,724.	(2,064,159)
Governmental Funds do not report the change in fair value of the derivative instrument. However, in the Statement of Activities, the change in fair value is recorded in the Statement of Activities as an item of general revenues.	3,574,676
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:	
The amount of decrease in compensated absences	8,463
The amount of increase in postemployment benefit obligation	(239,664)
The amount of increase in accrued interest payable	(145,967)
The amount of decrease in claims and judgments payable	(88,668)
The amortization of deferred bond refunding charge	(54,524)
The amortization of issuance cost on bonds	(110,769)
	<u>7,603,422</u>
Change in Net Assets of Governmental Activities	<u>\$ 7,603,422</u>

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

HINDS COUNTY, MISSISSIPPI
Statement of Fiduciary Obligations
September 30, 2010

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,063,407
Other receivables	<u>272,320</u>
Total Assets	<u>\$ 1,335,727</u>
LIABILITIES	
Other liabilities	\$ 1,040,515
Intergovernmental payables	<u>295,212</u>
Total Liabilities	<u>\$ 1,335,727</u>

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

(1) Summary of 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.

The financial statements of two component units have significant operational or financial relationships with the County; however, they are not included in these financial statements because the County has been unable to obtain audited statements on all the entities. 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 of the following:

- Hinds County Economic Development District
- Hinds County Mental Health Commission

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

- Board of Supervisors
- Chancery Clerk
- Circuit Court 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 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.

The Statement of Net Assets presents the financial condition of the governmental activities 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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. Internal service charges have been eliminated against the expenses and program revenue. 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 balances, revenues and expenditures. 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 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. Agency Funds have no measurement focus, but use the accrual basis of accounting.

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 60 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 liabilities are 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, and deferred where applicable, in 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.

Series 2007B Taxable Bonds Fund - This capital projects fund is used to account for proceeds from the \$14,000,000 Mississippi Development Bank Special Obligation Taxable Bonds, Series 2007B (Hinds County, Mississippi General Obligation Public Parking Project).

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

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

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of general obligation bond issues and federal grants.

FIDUCIARY FUND TYPES

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 2005 by the Government Finance Officers Association.

E. Use of Estimates.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

F. Deposits 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. The County did not make any investments during the fiscal year.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

G. Receivables.

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

H. Deferred Bond Issuance Costs.

Bond issuance costs incurred on the revenue bond issues have been deferred and are being amortized over the life of the bonds using the straight-line method. Total amortization for the year ended September 30, 2010, was \$110,769.

I. Interfund Transactions and Balances.

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.

J. 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.

K. 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 government-wide financial statements. 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 capital assets, other than infrastructure, costs 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.

Governmental accounting and financial reporting standards require governments meeting certain criteria to report major general infrastructure assets. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide 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 are used to report capital assets in the government-wide financial statements. Depreciation is calculated on the straight-line basis for all assets, except land. Depreciation expense includes amortization of capital leases. 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 and estimated useful lives:

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

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

* Capitalization thresholds and estimated useful lives of leased property will correspond with the amounts for the asset classification, as listed above.

L. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities within the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

M. 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, construction or improvement 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 and regulations of other governments; or law through constitutional provisions or enabling legislation. The County first applies restricted net assets when an expenditure or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

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.

N. 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 receivable to be recognized at the levy date. Because property taxes are levied in a period other than in the period for which they are to be used in accordance with state law, they are deferred and recognized as revenue in the year after the levy. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

O. 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.

P. 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.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

Q. Deferred Revenue.

Deferred revenue represents real property tax revenues levied or collected for the ensuing fiscal year and advances on grants and contract awards for which the County has not met all of the applicable eligibility requirements.

R. Future Effective Accounting Pronouncements.

The following are future effective accounting pronouncements which management believes will have some impact on future financial reporting of the County.

GASB Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement is effective for the fiscal year ending September 30, 2011. Early implementation is encouraged. The requirements in this statement will change financial reporting by providing fund balance categories and classifications that are expected to be more easily understood. The fund balance disclosures will give users information necessary to understand the processes under which constraints are imposed upon the use of resources and how those constraints may be modified or eliminated. This statement is expected to have a significant effect on how the County reports its fund balances.

S. Operating Leases.

The County is party to a number of immaterial operating leases for real estate.

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2010, the County implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Investments*. The provisions of this standard have been incorporated in Note 13.

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2010, was \$40,308,721 (including Agency Funds and excluding petty cash of \$19,205), and the bank balance was \$50,616,621 of which \$45,841,100 was collateralized. The uncollateralized portion relates to private funds held by the Circuit Court for a legal settlement under a Circuit Court case. These private funds are not required to be collateralized. 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 Deposit Insurance Corporation (FDIC).

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 because 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.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

Investments:

The County had no investments at the fiscal year-end.

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2010:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 359,290

The receivables represent the tax revenue collected but not settled until October 2010. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,370,771

The principal purpose of advances to Other 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>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 767,783
Other Governmental Funds	General Fund	844,785
Other Governmental Funds	Other Governmental Funds	1,353,734
Total		\$ 2,966,302

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 outlays or to provide funds to pay for debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2010, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 702,309
Reimbursement for housing prisoners	350,600
Public Safety grants	994,439
Public Works grants	860,474
Other	<u>314,904</u>
 Total governmental activities	 <u>\$ 3,222,726</u>

(6) Loan Receivable.

The County's loan receivable balance at September 30, 2010, is as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
King Edward Revitalization Company - CDBG Loan	05/05/09	1.00%	11/01/30	<u>\$ 2,300,457</u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2010:

	Balance 10/01/09	Additions	Deletions	Transfers*	Adjustments**	Balance 09/30/10
Nondepreciable capital assets:						
Land	\$ 1,527,178	\$ -	\$ -	\$ -	\$ -	\$ 1,527,178
Construction in progress	11,569,821	4,708,109	(1,179,146)	(909,411)	(3,745,415)	10,443,958
Total nondepreciable capital assets	<u>13,096,999</u>	<u>4,708,109</u>	<u>(1,179,146)</u>	<u>(909,411)</u>	<u>(3,745,415)</u>	<u>11,971,136</u>
Depreciable capital assets:						
Infrastructure	81,256,573	1,084,075	(81,185)	430,596	-	82,690,059
Buildings	55,559,491	215,722	(418,709)	-	-	55,356,504
Improvements other than buildings	11,277,107	143,146	-	478,815	-	11,899,068
Mobile equipment	16,152,745	1,281,133	(465,205)	52,378	33,539	17,054,590
Furniture and equipment	4,762,065	876,450	(362,170)	(52,378)	85,896	5,309,863
Leased property under capital leases	11,766,531	32,883	(210,393)	-	360	11,589,381
Total depreciable capital assets	<u>180,774,512</u>	<u>3,633,409</u>	<u>(1,537,662)</u>	<u>909,411</u>	<u>119,795</u>	<u>183,899,465</u>
Less accumulated depreciation for:						
Infrastructure	(43,226,167)	(1,618,426)	68,610	-	-	(44,775,983)
Buildings	(14,454,506)	(1,059,999)	134,111	-	-	(15,380,394)
Improvements other than buildings	(3,984,469)	(431,492)	-	-	-	(4,415,961)
Mobile equipment	(11,808,128)	(944,133)	409,872	(22,903)	(39,099)	(12,404,391)
Furniture and equipment	(3,935,664)	(470,393)	223,297	22,903	-	(4,159,857)
Leased property under capital leases	(2,349,498)	(877,541)	44,922	-	(195)	(3,182,312)
Total accumulated depreciation	<u>(79,758,432)</u>	<u>(5,401,984)</u>	<u>880,812</u>	<u>-</u>	<u>(39,294)</u>	<u>(84,318,898)</u>
Total depreciable capital assets, net	<u>101,016,080</u>	<u>(1,768,575)</u>	<u>(656,850)</u>	<u>909,411</u>	<u>80,501</u>	<u>99,580,567</u>
Governmental activities capital assets, net	<u>\$ 114,113,079</u>	<u>\$ 2,939,534</u>	<u>\$ (1,835,996)</u>	<u>\$ -</u>	<u>\$ (3,664,914)</u>	<u>\$ 111,551,703</u>

* Transfers represent construction-in-progress costs transferred due to project completion during the year ended September 30, 2010.

** Adjustments for depreciable assets are the effect of cumulative corrections to cost and accumulated depreciation on various capital assets of the County. The adjustment to construction in progress represents the correction of an accounting error as explained in Note 20.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 359,407
Public safety	2,860,031
Public works	2,001,936
Health and welfare	140,035
Culture and recreation	40,575
 Total governmental activities depreciation expense	 \$ 5,401,984

Commitments with respect to unfinished capital projects at September 30, 2010, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Byram-Clinton Corridor	\$ 194,556	12/31/2013
Byram-Clinton Corridor (ROW)	1,458,408	12/31/2013
Byram Swinging Bridge	21,488	12/31/2011
RSIP Project	234,134	08/31/2011
High Risk Rural Roads	18,792	08/31/2011
ARRA Project	410,129	06/30/2011
Dry Grove Road Bridge	524,478	08/31/2011
Gary & Davis Signal	119,067	08/31/2011
John Bell Williams Airport	89,425	06/30/2012
MS 107-025 (1,2,3,4)B	916,331	08/31/2011
Cayuga Road Bridge	275,760	08/31/2011
Hickstown Road Bridge	2,085	03/08/2011
Stubbs Road Bridge	67,601	06/30/2011
Clubhouse Road Bridge	9,068	06/30/2011
Tommy Ford Road Bridge	5,818	08/31/2011
Johnson Line Road Bridge	9,120	08/31/2011
Trotter Road Bridge	181,569	08/31/2011
	 \$ 4,537,829	

(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 Public Entity Workers' Compensation Trust, 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 \$1,000,000 for each accident and completely covers 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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

retention, provided by Safety National Casualty Corporation, effective January 1, 2010 through December 31, 2010. 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 is exposed to risk of loss relating to public official liability, law enforcement liability, automobile liability, personal property damage and employment practices. The County protects itself against loss in these areas with commercial insurance coverage of \$500,000 to \$2,000,000 and retention deductibles ranging from \$0 to \$100,000.

The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization, with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis. 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 approximated the pool's accrued unpaid claims.

Settled claims did not exceed insurance coverage for the fiscal years ended September 30, 2008, September 30, 2009 or September 30, 2010. The Government-wide Statement of Net Assets as of September 30, 2010, presents a liability of \$1,576,001, representing unpaid judgments and estimated future settlements.

(9) Capital Leases.

As Lessor:

The County leases the following property with varying terms and options through 2014 as of September 30, 2010:

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

The future minimum lease receivables as of September 30, 2010, are as follows:

<u>Year Ending September 30</u>	
2011	\$ 337,500
2012	338,500
2013	334,200
2014	334,750
Total	\$ 1,344,950

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2010:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,360,229
Nonmobile equipment	9,229,152
	11,589,381
Less accumulated depreciation	(3,182,312)
Leased property under capital leases	\$ 8,407,069

The following is a schedule by years of the total payments due as of September 30, 2010:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 991,350	\$ 253,909
2012	1,021,329	214,160
2013	1,054,513	173,042
2014	656,859	130,311
2015	687,052	100,118
2016-2017	1,408,642	103,430
Total	\$ 5,819,745	\$ 974,970

(10) Postemployment Benefits Other Than Pensions.

A. Plan Description.

The County administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides lifetime healthcare insurance for eligible retirees and their spouses through the County's group health insurance plan, which covers both active and retired members. Benefits are established by the Board of Supervisors. The Plan does not issue a publicly available financial report.

B. Funding Policy.

Benefits of the Plan are provided through a fully-insured program with CIGNA. Contributions by participating retired employees at rates determined by the Board of Supervisors are required for continued participation. The employer has not contributed any amounts to finance future benefits under the Plan to either current or future retirees.

C. Annual OPEB Cost and Net OPEB Obligation.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a 30-year period. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan and changes in the County's net OPEB obligation to the Plan:

Annual required contribution	\$ 240,189
Interest on net OPEB obligation	9,991
Adjustment to annual requirement contribution	<u>(10,516)</u>
Annual OPEB cost	239,664
Contributions made	<u>-</u>
Increase in net OPEB obligation	239,664
Net OPEB obligation - beginning of year	<u>222,030</u>
Net OPEB obligation - end of year	<u><u>\$ 461,694</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/10	\$ 239,664	0%	\$ 461,694

D. Funded Status and Funding Progress.

As of September 30, 2010, the actuarial accrued liability for benefits was \$1,554,384, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$31,645,086, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.9%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2000 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific, age-based turnover data from GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health care cost trend rate - The expected rate of increase in health care insurance premiums was based on projections from health economists. A rate of 10% initially, reduced to an ultimate rate of 5% over 10 years, was used.

Health insurance premiums - 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption used was 2%.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the County's short-term investment portfolio, a discount rate of 4.5% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2010, was 29 years.

(11) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Balance Sept. 30, 2010
Tax Anticipation Notes Payable	\$ 1,500,000	\$ 6,000,000	\$ (1,500,000)	\$ 6,000,000

In November 2009, the County issued \$6,000,000 of tax anticipation notes with an interest rate of 2.65% and an original maturity date of April 1, 2010, with an option to extend the maturity date to April 1, 2011, in order to alleviate a temporary operating cash flow deficiency. The County exercised the extended option.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

(12) Long-term Debt.

Debt outstanding as of September 30, 2010, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
General Obligation Refunding Bonds, Series 1994	\$ 1,785,000	5.10% to 6.25%	03/01/11
General Obligation Bond, Series 1994 (Double G)	1,250,000	3.00%	05/01/14
Mississippi Development Bank Special Obligation Bonds, Series 2005 (Hinds County, Mississippi General Obligation Public Improvements Bond Project)	1,035,000	3.00% to 5.25%	10/01/35
Taxable General Obligation Refunding Bonds, Series 2001	2,505,000	5.75% to 6.50%	07/15/14
Mississippi Development Bank Special Obligation Bonds, Series 2007A (Hinds County, Mississippi General Obligation Public Improvements and Refunding Bond Project)	24,315,000	4.00% to 5.00%	10/01/36
Mississippi Development Bank Special Obligation Taxable Bonds, Series 2007B (Hinds County, Mississippi General Obligation Public Parking Project)	13,355,000	5.46%	10/01/36
Mississippi Development Special Obligation Bonds, Series 2010	<u>2,500,000</u>	3.00% to 4.25%	06/01/30
Total General Obligation Bonds	<u><u>\$ 46,745,000</u></u>		
B. Limited Obligation Bonds:			
Tax Increment Limited Obligation Bonds, Series 1997 (Wal-Mart)	\$ 265,000	5.68%	09/01/17
Tax Increment Financing Revenue Bond, Series 2005 (Byram Parkway Project)	321,000	5.34%	04/01/18
Tax Increment Financing Revenue Bond, Series 2008 (Byram Parkway Project)	<u>187,000</u>	4.96%	04/01/18
Total Limited Obligation Bonds	<u><u>\$ 773,000</u></u>		
C. Grant Obligations:			
Jackson Redevelopment Authority, City of Jackson, Hinds County, Mississippi Urban Renewal Bonds (Jackson Mall Area Project), Series 1998-A	<u>\$ 220,000</u>	4.1% to 5.70%	11/01/13
Total Grant Obligations	<u><u>\$ 220,000</u></u>		

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
D. Capital Leases:			
E-911 System	\$ 4,174,225	5.09%	03/15/17
Two Nissan Pathfinders	-	5.75%	02/24/09
Road Equipment	1,208,273	3.28%	08/25/13
Self-Contained Breathing Apparatus Equipment	382,017	0.00%	09/01/16
Sheriff's Vehicle	11,583	3.21%	02/15/12
Sheriff's Vehicle	11,581	3.21%	02/15/12
Coroner's Vehicle	32,066	2.85%	08/25/13
	<u>\$ 5,819,745</u>		
E. Other Loans:			
Metro Parkway Project Extension	\$ 71,333	0.00%	11/01/10
Computer Upgrade Note	252,904	3.95%	05/01/11
MDA Energy Loan	221,523	3.50%	10/01/15
Katrina CDBG Loan - King Edward	2,300,457	1.00%	11/01/30
	<u>\$ 2,846,217</u>		

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

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2011	\$ 3,760,000	\$ 2,197,981	\$ 83,000	\$ 40,092
2012	2,015,000	2,050,580	91,000	35,579
2013	2,045,000	1,956,217	93,000	30,655
2014	2,080,000	1,859,943	96,000	25,599
2015	1,210,000	1,761,752	105,000	20,327
2016-2020	7,300,000	6,960,690	305,000	24,901
2021-2025	7,265,000	6,124,696	-	-
2026-2030	8,900,000	4,188,343	-	-
2031-2035	10,290,000	2,124,734	-	-
2036-2040	1,880,000	93,528	-	-
	<u>\$ 46,745,000</u>	<u>\$ 29,318,464</u>	<u>\$ 773,000</u>	<u>\$ 177,153</u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

Year Ending September 30	Grant Obligations		Other Loans	
	Principal	Interest	Principal	Interest
2011	\$ 50,000	\$ 7,995	\$ 365,547	\$ 195,684
2012	55,000	5,843	42,756	29,350
2013	55,000	3,588	44,252	27,854
2014	60,000	1,230	45,801	26,305
2015	-	-	47,404	24,702
2016 - 2020	-	-	307,113	112,536
2021 - 2025	-	-	866,759	78,732
2026 - 2030	-	-	911,179	34,311
2031 - 2035	-	-	215,406	1,373
Total	\$ 220,000	\$ 18,656	\$ 2,846,217	\$ 530,847

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2010, the amount of outstanding debt was equal to 2.49% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased portions of certain bonds by placing the proceeds of refunding issues in an irrevocable trust to provide for future debt service on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included on the County's financial statements. On September 30, 2010, \$5,715,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2010:

	Balance Oct. 1, 2009	Additions	Reductions	Balance Sept. 30, 2010	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,879,127	\$ -	\$ (8,463)	\$ 2,870,664	\$ 287,067
Claims and judgments payable	1,487,333	655,335	(566,667)	1,576,001	931,666
General obligation bonds	47,760,000	2,500,000	(3,515,000)	46,745,000	3,760,000
Deferred bond refunding charge	(331,684)	-	54,524	(277,160)	-
Limited obligation bonds	852,000	-	(79,000)	773,000	83,000
Grant obligations	270,000	-	(50,000)	220,000	50,000
Capital leases	6,757,046	32,883	(970,184)	5,819,745	991,350
Other loans	3,170,300	30,457	(354,540)	2,846,217	365,547
Total	\$ 62,844,122	\$ 3,218,675	\$ (5,489,330)	\$ 60,573,467	\$ 6,468,630

Compensated absences and claims and judgments payable typically are liquidated through the General Fund.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

(13) Derivative Instruments.

Effective October 1, 2009, the County has adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53). This statement applies to the two transactions the County has entered into as described in the following paragraphs. GASB 53 provides recognition, measurement and disclosure requirements of derivative instruments entered into by governments. Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also expose governments to significant risks and liabilities. The changes in fair value of derivative instruments that are used for investment purposes or that are reported as investment derivative instruments because of ineffectiveness are reported within the investment revenue classification. Alternatively, the changes in fair value of derivative instruments that are classified as hedging derivative instruments are reported in the Statement of Net Assets as deferrals.

The County retained the services of an independent company specializing in valuation of derivatives to evaluate and value its derivative instruments as of September 30, 2010 and 2009 as part of its adoption of GASB 53. Because neither of the instruments discussed below qualify as hedging derivative instruments under GASB 53, the derivative instruments have been accounted for as investment derivative instruments. The swap value is determined using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

The adoption of GASB 53 has been recognized by retroactively restating the 2010 beginning balance of net assets for the fair value of the derivatives as of September 30, 2009, which resulted in a charge of \$7,051,284. The change in the fair value of the derivatives for the year ended September 30, 2010, resulted in a gain of \$3,574,676, which is reported as part of general revenues in the Statement of Activities. In addition, the County received \$1,464,590 of payments on derivatives for the year ended September 30, 2010.

2006 Interest Rate Swap:

On May 1, 2006, the County and the Mississippi Development Bank [collectively "the County"] executed a confirmation with RFPC Capital Services, LLC (a subsidiary of Rice Financial Products Company) [the "2006 Swap Counterparty"], in connection with the execution of an Interest Rate Swap Agreement [the "2006 Swap Agreement"] in an attempt to reduce the debt service costs associated with certain outstanding obligations of the County. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds Series 2005 [Hinds County, Mississippi General Obligation Public Improvements Bond Project] issued to fund certain public improvements for the County. The notional amount of the swap was \$7,445,000, subject to a multiplier which made the effective notional amount of the swap \$29,780,000. The County received a payment of \$875,000 from the 2006 Swap Counterparty when the swap was initiated for the purpose of paying certain costs associated with the swap, including legal and financial advisory fees. The County received additional payments totaling \$770,645 during the year ended September 30, 2010. Additionally, the County received a \$145,292 payment in October 2010.

Under the 2006 Swap Agreement, the County received a fixed rate from the 2006 Swap Counterparty and, in return, paid a fixed rate less an Adjustment Factor. The Adjustment Factor exposed the County to changes in the ratio between the tax-exempt BMA Index and LIBOR. Payments on the swap were exchanged semiannually.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

On September 19, 2007, the 2006 Swap Agreement was amended to decrease the notional amount to \$1,600,000 and amend the multiplier to leave the effective notional amount at \$29,780,000. The County received an additional payment of \$300,000. Under the amendment, the County pays a variable rate indexed to the SIFMA Municipal Swap Index (SIFMA) divided by a fixed divisor of 0.604 and received a fixed rate less an adjustment factor based primarily on the relationship between LIBOR and SIFMA through September 18, 2007, and receives a variable rate based primarily on either LIBOR or the ISDA-swap rate based on certain conditions from September 19, 2007 through September 30, 2009, and then will receive a variable rate based primarily on a percentage of the ISDA-swap rate from October 1, 2009 through maturity. All amounts to be received by the County under this agreement are subject to a multiplier. The swap will terminate on October 1, 2035. An early termination of the swap transaction may result in the County making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2010, the fair value of the transaction was a liability of \$1,363,196.

2007 Interest Rate Swap:

On July 23, 2007, the County and the Mississippi Development Bank [collectively “the County”] executed a confirmation with RFPC Capital Services, LLC (a subsidiary of Rice Financial Products Company) [the “2007 Swap Counterparty”], in connection with the execution of an Interest Rate Swap Agreement [the “2007 Swap Agreement”] in an attempt to reduce the debt service costs associated with certain outstanding obligations of the County. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds, Series 2007A [Hinds County, Mississippi General Obligation Public Improvement and Refunding Bond Project] and Mississippi Development Bank Taxable Special Obligation Bonds, Series 2007B [Hinds County, Mississippi General Obligation Public Parking Bond Project] issued to fund certain public improvements for the County. The notional amount of the swap is \$39,500,000. The County received a payment of \$500,000 from the 2007 Swap Counterparty when the swap was initiated for the purpose of paying certain costs associated with the swap, including legal and financial advisory fees. The County received additional payments totaling \$693,945 during the year ended September 30, 2010. Additionally, the County received a \$212,519 payment in October 2010.

Under the 2007 Swap Agreement, the County pays a variable rate indexed to the SIFMA divided by a fixed divisor of 0.604 and receives a variable rate based primarily on either LIBOR or the ISDA-swap rate based on certain conditions through September 30, 2010. Starting October 1, 2010, through maturity, the County will receive a variable rate based on a percentage of the ISDA-swap rate plus a fixed spread. Payments on the swap are exchanged semiannually. The swap will terminate on October 1, 2036. An early termination of the swap transaction may result in the County making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2010, the fair value of the transaction was a liability of \$2,113,412.

Risks Associated with the Swap Agreements:

Credit Risk – The County’s swap relies on the performance of the Swap Counterparty. The County is exposed to the risk that the Swap Counterparty is unable to fulfill its obligations to the County. The obligations of the Swap Counterparty to the County are guaranteed by a third-party guarantor that maintains credit ratings of “AA” or better by Moody’s Investors Service, Standard & Poor’s and Fitch.

Basis Risk – The County pays fixed rates on the Mississippi Development Bank Special Obligation Bonds Series 2005 (Hinds County, Mississippi General Obligation Public Improvements Bond Project) and on the Mississippi Development Bank Special Obligation Bonds, Series 2007A (Hinds County, Mississippi General Obligation Public Improvement and Refunding Bond Project) and the Mississippi Development Bank Taxable Special Obligation Bonds, Series 2007B (Hinds County, Mississippi General Obligation Public Parking Bond Project). The interest rate swaps do not address any basis risk.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

Termination Risk – The swap agreements do not contain any extraordinary termination events or triggers that would expose the County to significant termination risk. If the Swap Counterparty fails to meet its obligations to the County, these obligations will be met by a third-party guarantor that maintains credit ratings of “AA” or better by Moody’s Investors Service, Standard & Poor’s and Fitch. If the third-party guarantor suffers a loss of creditworthiness, the Swap Counterparty shall find an acceptable replacement guarantor. If such replacement guarantor is not available or if the County fails to meet its obligations to the Swap Counterparty, the termination provisions in the Swap Agreements will apply. The County may be liable for a payment equal to the fair value of the swap if a termination occurs prior to the termination date of the swap and that fair value is negative.

Interest Rate Risk – Under the Amended 2006 Swap Agreement, the County was subject to interest rate risk for changes in the six-month LIBOR rate through September 30, 2009, to changes in SIFMA and to changes in the ten-year ISDA-swap rate through the maturity of the contract.

Under the 2007 Swap Agreement, the County is subject to interest rate risk for changes in the LIBOR rate through September 30, 2010, to changes in SIFMA and to changes in the ten-year ISDA-swap rate through the maturity of the contract.

Based on some of the divisors and other adjustments inherent in the contracts, the County’s exposure to changes in these rates is not directly related to changes in the rates themselves. The County is exposed to changes in relationships between tax-exempt and taxable interest rates that may be affected by changes in the marginal tax rate, the elimination of tax preferences or other major changes to current tax law, including, but not limited to, implementation of a flat tax or value-added tax.

Yield Curve Risk – The 2006 Swap Agreement was amended on September 19, 2007. Under the amendment, the maturity of the LIBOR was changed from a short-term maturity (six-month LIBOR) to a longer term maturity (a percentage of ten-year LIBOR). Under the amendment, the County expects that the payments from the 2006 Swap Counterparty will increase as a result of certain changes in the general interest rate environment. The County’s payments under the amended 2006 Swap Agreement are not expected to change from the original 2006 Swap Agreement.

Under the 2007 Swap Agreement, the maturity of the LIBOR index is based on a percentage of ten-year LIBOR. Under the 2007 Swap Agreement, the County expects that the payments from the 2007 Swap Counterparty will increase as a result of certain changes in the general interest rate environment. The County’s payments under the 2007 Swap Agreement are not expected to be affected as a result of these market movements.

Subsequent Changes in Derivative Agreements - On March 10, 2011, the County entered into an amended and restated agreement with both of the above instruments. Under the terms of the new agreements, all payments required to be made under the agreements are terminated for a period of four years. In connection with this termination, the County received a combined payment of \$1,700,000 and incurred related legal and advisory fees of \$190,000.

(14) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

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 exceed the County's estimate of claims and judgments payable as reflected in Note 8.

(15) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist creditors in exercising their rights in the event of default; therefore, no liability is recorded by the County. 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:

Description	Balance at Sept. 30, 2010
Refunding Revenue Bonds (Mississippi Methodist Hospital and Rehab Center Project), Series 1993	\$ 4,565,000

(16) Related Organizations.

The Hinds County Board of Supervisors is responsible for appointing a voting majority of the members of the Board of the Hinds County Livestock Commission, but the County's accountability for this organization does not extend beyond making the appointments. During the year, the County appropriated \$18,109 to this organization.

(17) Joint Ventures.

The County participates in the following joint venture:

The 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 7 members. By contractual agreement, the County's appropriation to the joint venture was \$1,492,874 in fiscal year 2010. Complete financial statements for the Jackson-Hinds Library System can be obtained from the following address: 400 North State Street, Jackson, MS 39201.

(18) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Central Mississippi Planning and Development District, Inc. (CMPDD) operates in a district composed of the counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Hinds County Board of Supervisors appoints 3 of the 33 members of the board of directors. The County contributes a small percentage of CMPDD's total revenue. The County appropriated \$50,212 for support of CMPDD in fiscal year 2010.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2010

Hinds Community College District (the College) operates in a district composed of the counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Hinds County Board of Supervisors appoints 5 of the 15 members of the College's board of trustees. The County levies an annual tax pursuant to Section 37-29-141 Miss. Code Ann. (1972) to support the College. The tax provided \$9,227,531 for maintenance and support of the College in fiscal year 2010.

Hinds County Human Resource Agency, Inc. (the Agency) operates in a district composed of Hinds County, private citizens and local organizations. The Hinds County Board of Supervisors appoints 5 of the 15 members of the Agency. The County appropriated \$110,466 for support of the Agency in fiscal year 2010.

(19) Defined Benefit Pension Plan.

Plan Description. The County 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 9.00% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2010, was 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2010, 2009 and 2008 were \$3,476,110, \$3,632,012, and \$3,064,499, respectively, equal to the required contributions for each year.

(20) Prior Period Adjustments

In 2010, the County determined that certain information used to determine the recorded amounts of capital assets contributed by a major grantor organization had been misinterpreted in recording capital assets contributed for 2007 and 2008. The error was located by reconciliations initiated during the year ended September 30, 2010, and resulted in an overstatement of capital assets construction in progress of \$3,745,415. The error has been corrected by a restatement of beginning balance of net assets of \$3,745,415.

(21) Subsequent Event.

Subsequent to September 30, 2010, the County entered into agreement which suspended its derivative investment agreements for a four-year period as discussed in Note 13.

HINDS COUNTY, MISSISSIPPI

REQUIRED SUPPLEMENTARY INFORMATION

HINDS COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 40,991,650	\$ 38,191,650	\$ 38,061,199	\$ (130,451)
Licenses, commissions and other	2,533,920	2,544,432	2,416,821	(127,611)
Fines and forfeitures	1,455,000	1,315,000	1,201,129	(113,871)
Intergovernmental	5,517,500	4,969,831	4,978,267	8,436
Charges for services	4,021,502	4,058,386	4,199,515	141,129
Interest income	238,400	238,400	304,855	66,455
Miscellaneous	560,000	593,209	552,786	(40,423)
Total Revenues	<u>55,317,972</u>	<u>51,910,908</u>	<u>51,714,572</u>	<u>(196,336)</u>
EXPENDITURES				
Current:				
General government	23,572,698	23,282,498	22,671,689	610,809
Public safety	27,347,224	27,918,574	26,843,542	1,075,032
Public works	466,000	215,878	215,018	860
Health and welfare	2,151,902	2,117,265	2,017,378	99,887
Culture and recreation	55,560	54,314	45,785	8,529
Conservation of natural resources	393,581	392,098	391,816	282
Economic development and assistance	52,352	50,212	50,212	-
Debt service:				
Principal	147,178	1,647,114	1,634,356	12,758
Interest	10,217	162,932	81,241	81,691
Bond issuance costs	450	2,579	2,579	-
Total Expenditures	<u>54,197,162</u>	<u>55,843,464</u>	<u>53,953,616</u>	<u>1,889,848</u>
Excess of Expenditures over Revenues	<u>1,120,810</u>	<u>(3,932,556)</u>	<u>(2,239,044)</u>	<u>1,693,512</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	10,600	25,497	14,897
Compensation for loss of capital assets	35,000	91,360	112,827	21,467
Transfers in	2,825,661	1,148,797	1,294,304	145,507
Transfers out	(2,449,307)	(2,872,740)	(1,373,971)	1,498,769
Other financing sources	-	6,000,000	6,000,000	-
Total Other Financing Sources (Uses)	<u>421,354</u>	<u>4,378,017</u>	<u>6,058,657</u>	<u>1,680,640</u>
Excess of Expenditures and Other Financing Uses over Revenue Other Financing Sources	<u>\$ 1,542,164</u>	<u>\$ 445,461</u>	3,819,613	<u>\$ 3,374,152</u>
FUND BALANCES				
Beginning of year			<u>1,525,837</u>	
End of year			<u>\$ 5,345,450</u>	

The accompanying notes to the required supplementary information are an integral part of this statement.

HINDS COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Series 2007B Taxable Bonds
 For the Year Ended September 30, 2010

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 100,000	\$ 166,685	\$ 223,519	\$ 56,834
Total Revenues	<u>100,000</u>	<u>166,685</u>	<u>223,519</u>	<u>56,834</u>
EXPENDITURES				
Current:				
Public safety	-	23,281	23,145	136
Total Expenditures	<u>-</u>	<u>23,281</u>	<u>23,145</u>	<u>136</u>
Excess of Expenditures over Revenues	<u>100,000</u>	<u>143,404</u>	<u>200,374</u>	<u>56,970</u>
Excess of Expenditures over Revenue and Other Financing Sources	<u>\$ 100,000</u>	<u>\$ 143,404</u>	200,374	<u>\$ 56,970</u>
FUND BALANCES				
Beginning of year			<u>12,349,061</u>	
End of year			<u>\$ 12,549,435</u>	

The accompanying notes to the required supplementary information are an integral part of this statement.

HINDS COUNTY, MISSISSIPPI
Notes to the Budgetary Comparison Schedules
For the Year Ended September 30, 2010

Note 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.

Note 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 fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

Note 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).

HINDS COUNTY, MISSISSIPPI
Notes to the Budgetary Comparison Schedules
For the Year Ended September 30, 2010

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

	Governmental Fund Types	
	General Fund	Series 2007B Taxable Bonds Fund
Budget (Cash Basis)	\$ 3,819,613	\$ 200,374
Increase (Decrease)		
Net adjustments for revenue accruals	(324,444)	-
Net adjustments for expenditure accruals	540,616	-
GAAP Basis	\$ 4,035,785	\$ 200,374

HINDS COUNTY, MISSISSIPPI
 Schedule of Funding Progress for the Retiree Health Plan
 For the Year Ended September 30, 2010

Plan Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009-2010	\$ -	\$ 1,554,384	\$ 1,554,384	0%	\$31,645,086	4.90%

HINDS COUNTY, MISSISSIPPI

SUPPLEMENTARY INFORMATION

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Housing and Urban Development			
Passed through Mississippi Development Authority			
Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii			
	14.228	R-103-025-01-KED	\$ 545,352
Total U.S. Department of Housing and Urban Development			<u>545,352</u>
U.S. Department of Justice			
Passed through the Mississippi Bureau of Narcotics			
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	2007-DJ-BX-0224	357,822
Passed through the City of Jackson, Mississippi			
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	2008-DJ-BX-6027	18,831
Edward Byrne Memorial Justice Assistance Grant Program			
	16.738	2009-DJ-BX-1159	<u>133,856</u>
Total U. S. Department of Justice			<u>510,509</u>
U.S. Department of Transportation			
Passed through Mississippi Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction			
	20.205	MS 024125	649,437
Highway Planning and Construction			
	20.205	N/A	97,200
Highway Planning and Construction			
	20.205	STP-0025-00(32) LPA/105560-701000	12,880
Highway Planning and Construction			
	20.205	RSIP-0025(23)B	5,464
Highway Planning and Construction			
	20.205	MS107-025(1)B	46,452
ARRA - Highway Planning and Construction			
	20.205	STP-0025-00- (068)/105686	964,045
Highway Planning and Construction			
	20.205	STP-7314-00(20)LPA 105277-701000	<u>589,676</u>
Total U.S. Department of Transportation			<u>2,365,154</u>
U. S. Department of Health and Human Services			
Passed through Mississippi Department of Human Services			
Social Services Block Grant			
	93.667	064D91	<u>623,063</u>
Total U.S. Department of Health and Human Services			<u>623,063</u>

HINDS COUNTY, MISSISSIPPI
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS (continued)			
Federal Emergency Management Agency			
Passed through the Mississippi Emergency Management Agency			
Hazard Mitigation Grant	97.039	1764-0002	\$ 72,450
Hazard Mitigation Grant	97.039	1604-194	236,360
Hazard Mitigation Grant	97.039	1604-134	<u>414,918</u>
Total Federal Emergency Management Agency			<u>723,728</u>
Total Expenditures of Major Federal Awards			<u>4,767,806</u>
OTHER FEDERAL AWARDS			
Office of National Drug Control Policy			
Passed through the Gulf Coast HIDTA			
High Intensity Drug Trafficking Area Award	07.UN	G09GC0003A	37,115
High Intensity Drug Trafficking Area Award	07.UN	G10GC0003A	<u>63,292</u>
Total Office of National Drug Control Policy			<u>100,407</u>
U.S. Department of Agriculture			
Passed through the Mississippi Department of Education			
National School Lunch Program	10.555	N/A	<u>64,845</u>
Total U.S. Department of Agriculture			<u>64,845</u>
U.S. Department of Commerce			
National Telecommunication and Information Administration			
Passed through the Mississippi Wireless Communication Commission			
Public Safety Interoperable Communications Grant Program	11.555	07PS313	<u>196,812</u>
Total U.S. Department of Commerce			<u>196,812</u>
U.S. Department of the Interior			
National Park Service, Historic Preservation Grants Division			
Save America's Treasures	15.929	28-06-ML-0428	<u>221,690</u>
Total U.S. Department of the Interior			<u>221,690</u>

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
OTHER FEDERAL AWARDS (continued)			
U.S. Department of Justice			
Direct			
Federal equitable sharing program	16.UN	N/A	\$ 60,711
Subtotal direct programs			<u>60,711</u>
Passed through the Mississippi Department of Public Safety			
Juvenile Accountability Block Grants	16.523	06JB1251	3,387
Juvenile Accountability Block Grants	16.523	07JB1251	41,112
			<u>44,499</u>
Crime Victim Assistance	16.575	08VA1251	43,072
Crime Victim Assistance	16.575	09VA1251	10,204
			<u>53,276</u>
Violence Against Women Formula Grants	16.588	8SL1251	23,384
Violence Against Women Formula Grants	16.588	9SL1251	7,937
ARRA - Violence Against Women Formula Grants	16.588	09WP1251	29,682
			<u>61,003</u>
Passed through the City of Jackson			
ARRA - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government	16.804	2009-SB-B9-3222-	287,525
Subtotal pass-through programs			<u>446,303</u>
Total U. S. Department of Justice			<u>507,014</u>
U.S. Department of Transportation			
Passed through the Mississippi Department of Public Safety			
State and Community Highway Safety	20.600	10TA1251	184,564
Total U.S. Department of Transportation			<u>184,564</u>
U.S. Department of Energy			
Direct			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	09RW000351	54,395
Total U.S. Department of Energy			<u>54,395</u>

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
OTHER FEDERAL AWARDS (continued)			
U.S. Election Commission Assistance			
Passed through the Mississippi Secretary of State Help America Vote Act Requirements Payments	90.401	N/A	\$ 223,073
Total U.S. Election Commission Assistance			<u>223,073</u>
U. S. Department of Health and Human Services			
Passed through the Mississippi Department of Health and Human Services/ Central Mississippi Planning and Development District, Inc. Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	377K21A	26,821
Passed through the Mississippi Department of Health and Human Services/ Administrative office of Court Child Support Enforcement	93.563	20xx-AD-00003SCT	<u>105,420</u>
Total U. S. Department of Health and Human Services			<u>132,241</u>
U. S. Department of Homeland Security			
Passed through the Mississippi Department of Homeland Security Homeland Security Grant Program	97.067	08HS025R	8,084
Homeland Security Grant Program	97.067	09LE025	<u>23,297</u>
Total U. S. Department of Homeland Security			<u>31,381</u>
Total Expenditures of Other Federal Awards			<u>1,716,422</u>
Total Expenditures of Federal Awards			<u>\$ 6,484,228</u>

HINDS COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - There were no subrecipients during the year.

Note C - Outstanding Loans

At September 30, 2010, there were \$2,300,457 of loans outstanding in the Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii, CFDA No. 14.228. There were no continuing compliance requirements related to this loan for the year ended September 30, 2010.

HINDS COUNTY, MISSISSIPPI

SPECIAL REPORTS

**Independent Accountants' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance With *Government Auditing Standards***

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County, Mississippi (the County) as of and for the year ended September 30, 2010, which collectively comprise its basic financial statements and have issued our report thereon dated June 17, 2011, which contained explanatory paragraphs regarding a departure from accounting principles generally accepted in the United States of America, a change in accounting principle, a restatement of previously issued financial statements and the omission of certain required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2010-01, 2010-02 and 2010-03 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to the County's management in a separate letter dated June 17, 2011.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, 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.

BKD, LLP

June 17, 2011

Independent Accountants' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

Compliance

We have audited the compliance of Hinds County, Mississippi (the County) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the compliance of the County based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we have identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2010-04. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Supervisors, management, others within the County, 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.

BKD, LLP

June 17, 2011

**Independent Accountants' Report on Central Purchasing System,
Inventory Control System and Purchase Clerk Schedules
[Required By Section 31-7-115, Miss. Code Ann. (1972)]**

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

We have made a study and evaluation (our examination) of the central purchasing system and inventory control system of Hinds County, Mississippi (the County) as of and for the year ended September 30, 2010. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining the Purchase Clerk and Inventory Control Clerk's records, on a test basis, for evidence about the County's compliance with the requirements set forth in the second paragraph and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements.

The Board of Supervisors of Hinds County, Mississippi is responsible for establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972). In addition, the Board of Supervisors is responsible for purchasing in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972). Our responsibility is to express an opinion on the County's compliance based on our examination. The Board of Supervisors of Hinds County, Mississippi has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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 current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The County's responses to findings identified through audit tests are included in the paragraphs which follow. We did not audit these responses and, accordingly, express no opinion on them.

The results of our audit procedures disclosed certain material instances of noncompliance with the aforementioned code sections during the year ended September 30, 2010. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

Purchase Clerk

1. Finding

In accordance with Section 31-7-115, the Schedule of Sole Source Purchases should include all sole source purchases made under the authority of Section 31-7-13(m)(viii) during the fiscal year. The Schedule of Sole Source Purchases originally provided excluded a sole source purchase approved in the August 2, 2010, meeting minutes of the Board of Supervisors.

Recommendation

Sole source purchases made under the authority of Section 31-7-13(m)(viii) should be properly accumulated and presented in the accompanying schedules in compliance with Section 31-7-115. Further, the Purchasing Clerk should ensure that any items purchased as a sole source purchase meet the sole source requirements.

Purchase Clerk's Response

The Purchase Clerk will assure all sole source purchases made under the authority of Section 31-7-13 (m) (viii) are properly accumulated and presented in the accompanying schedules in compliance with Section 31-7-115.

2. Finding

In accordance with Section 31-7-12, items purchased under state contract are excluded from bidding requirements. Our tests of compliance with the State of Mississippi Purchasing Law compliance identified 1 of 31 tested purchases did not comply with the State of Mississippi Purchasing Law Summary. The County paid above state contracted amounts for the purchased item.

Further, the County completed a purchase order under a term bid using the incorrect term bid price. This was not detected or prevented by the purchasing department. However, the vendor included the appropriate pricing when invoicing the County.

Recommendation

Purchases made under state contract or term bids should be for an amount less than or equal to the state contracted amount.

Purchase Clerk's Response

The Purchase Clerk will assure that purchases made under state contract or term bid are for an amount less than or equal to the state contracted amount.

These conditions were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2010 financial statements, and this report does not affect our report dated June 17, 2011, on those financial statements.

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

The accompanying schedules of (1) Purchases Not Made From the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively From a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned study and evaluation of the purchasing system and, in our opinion, is fairly presented when considered in relation to that study and evaluation.

This report is intended for use in evaluating the central purchasing system and inventory control system of Hinds County, Mississippi and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

BKD, LLP

June 17, 2011

HINDS COUNTY, MISSISSIPPI
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2010

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
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None made during the year ended September 30, 2010

HINDS COUNTY, MISSISSIPPI
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2010

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
01/19/10	Port-A-Johns	\$ 669	McGraw Gotta Go	City water system breakdown
06/21/10	Chiller replacement	48,000	Metro Ball Building Services	For Department of Human Resources Bolton – air conditioner failure during warm season.

HINDS COUNTY, MISSISSIPPI

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source

For the Year Ended September 30, 2010

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
07/06/10	National Night Out T-Shirts & Caps	\$ 8,200	National Night Out
08/02/10	Ballot scanner, tabulation equipment and election management software	217,823	Election Services Online, LLC

Limited Internal Control and Compliance Review Management Report

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

In planning and performing our audit of the financial statements of Hinds County, Mississippi (the County) for the year ended September 30, 2010, we considered Hinds County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions 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 June 17, 2011, on the financial statements of Hinds County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that the County has complied with all state legal requirements. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be deficiencies. 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.

The County's responses to findings identified through compliance tests are included in the paragraphs which follow. We did not audit these responses and, accordingly, express no opinion on them.

The results of our review procedures and compliance tests identified certain immaterial instances of noncompliance with state laws and regulations and other matters that are opportunities for strengthening internal controls and operating efficiency. Our findings and recommendations and your responses are disclosed below:

Board of Supervisors

1. Finding

In accordance with Section 65-7-117, each member of the Board of Supervisors shall inspect every road and bridge in the County under the jurisdiction of the County not less than once each fiscal year. Each member shall file with the Clerk of the Board a report, under oath, of the condition of the roads and bridges inspected by the supervisor with recommendations by the supervisor for a four-year plan for construction and major maintenance of such roads and bridges. Such inspection reports were not prepared or filed with the Clerk of the Board by 1 of the 5 supervisors for the fiscal year ended September 30, 2010.

Recommendation

Each member of the Board of Supervisors should inspect all roads and bridges of their respective districts at least annually. Reports detailing the condition of roads and bridges inspected and recommendations should be filed with the Clerk of the Board each fiscal year.

Board of Supervisors' Response

Each member of the Board of Supervisors will inspect all roads and bridges of their respective districts at least annually. Reports detailing the condition of roads and bridges inspected and recommendations will be filed with the Clerk of the Board each fiscal year.

2. Finding

In accordance with Section 25-11-124, employers are to pay State of Mississippi Public Employee Retirement System (PERS) members contributions for all compensation. The PERS member contributions of 1 of the 5 employees selected for testing, who is an employee with the Extension Services Office, were not paid by the County.

Additionally, PERS requires any retiree who is re-employed to complete a PERS Form 9C, Local County or Municipal Elected Official Reemployment Acknowledgement and Election, and to submit the form to PERS within 5 days of the beginning of PERS fiscal year. The PERS Form 9C was not filed for fiscal year 2010 for 1 of the 5 employees selected for testing.

Recommendation

The County should make the required PERS member contributions for all employee members and should remedy any potential unsettled contributions to PERS for the employee.

Additionally, the County should ensure all retired re-employed employees file the required Form 9C on an annual basis by the 5th day of PERS fiscal year.

Board of Supervisors' Response

The County will assure that the required PERS member contributions for all employee members are made and any unsettled contributions to PERS are settled. Additionally, the County will ensure all retired re-employed employees file the required Form 9C on an annual basis by the 5th day of PERS fiscal year.

3. Finding

In accordance with Section 19-9-27, Tax Anticipation Notes are not allowed to mature after April 1 of the succeeding year in which it was issued. The Tax Anticipation Note entered into by the County in November 2009 had an option to extend the note to April 2011.

Recommendation

The County should not allow Tax Anticipation Notes to be extended past the succeeding year April 1 limitation.

Board of Supervisors' Response

The County will not allow the Tax Anticipation Notes to extend past the succeeding year April 1 limitation. The note has been repaid.

4. Finding

In accordance with the requirements of the Office of the State Auditor, the Board of Supervisors must enter a complete, final amended budget on the minutes. This is to be accomplished no later than October 31, following the close of the fiscal year. The complete, final amended budget for fiscal year ended September 30, 2010, was not spread upon the minutes.

Recommendation

The County should ensure that the complete, final amended budget is spread upon the minutes of the meeting of the Board of Supervisors by October 31, following the close of the fiscal year.

Board of Supervisors' Response

The County will ensure that the complete final amended budget is spread upon the minutes of the meeting of the Board of Supervisors by October 31, following the close of the fiscal year.

Circuit Court Clerk

1. Finding

In accordance with Section 9-1-45, the Circuit Court Clerk is required to file by April 15 of each year a true and accurate annual financial report for the preceding year with the Mississippi Office of the State Auditor.

The Circuit Court Clerk was unable to provide evidence of valid business purposes in support of the operation of her office for up to \$210 of membership dues to Sam's Wholesale Club. Additionally, the Circuit Court Clerk was fined \$5,000 from the Mississippi Supreme Court during 2010 for failure to comply with Rule 77(d) of the Mississippi Rules of Civil Procedure. The fine explicitly stated that it was unlawful to pay this fine from public funds. The \$5,000 fine was paid from public funds on October 28, 2010, recorded initially as office expense and subsequently charged to salaries of the Circuit Court Clerk.

Further, the Annual Financial Report of the Circuit Court Clerk, as filed with the Office of the State Auditor, did not agree to the supporting fee account general ledger maintained by the Circuit Court Clerk. This discrepancy related to amounts paid to the Circuit Court Clerk for salary draws reflected in the fee account general ledger are not reflected on the annual report. The salaries paid to the Circuit Court Clerk exceed the Section 25-11-127(4)(b) limitations of "not in excess of twenty-five percent (25%) of retiree's average compensation" by \$5,050. This was due to the fine of \$5,000 noted above and charitable donations of \$50 being treated as salary.

Recommendation

The Circuit Court Clerk should maintain receipts and supporting documentation in order to provide evidence as to the appropriate business purpose of fee account expenses reported on the annual financial report in accordance with statutory requirements, including the specific business purpose.

The salaries paid to the Circuit Court Clerk should comply statutorily with Sections 9-1-43 and 25-11-127(4)(b), and the determined overpayment of \$5,050 should be repaid by the Circuit Court Clerk.

Circuit Court Clerk's Response

The Circuit Court Clerk will evaluate any and all findings and take corrective actions as considered necessary.

2. Finding

In accordance with Section 19-2-9(2), elected officials, other than members of the Board of Supervisors, who are authorized to employ personnel should adopt and maintain a system of personnel administration for their respective employees or shall adopt the Board of Supervisors' personnel administration system. The personnel system adopted and any amendments thereto shall be filed with the Board of Supervisors. The Circuit Court Clerk's office has a written personnel policy; however, such has not been filed with the Board of Supervisors.

Recommendation

The Circuit Court Clerk should ensure the personnel administration system utilized is filed with the Board of Supervisors in accordance with Section 19-2-9(2).

Circuit Court Clerk's Response

The Circuit Court Clerk will evaluate any and all findings and take corrective action as considered necessary.

Justice Court

1. Finding

In accordance with Section 9-11-3(2), justice court judges are required to file annually in the office of the Chancery Clerk a certificate of completion of a course of continuing education conducted by the Mississippi Judicial College. Although the required certification was obtained by the judge, such certificate was not filed for one of the justice court judges for the fiscal year ended September 30, 2010.

Recommendation

Justice court judges should annually file their continuing education certificates with the Chancery Clerk. The justice court judge who is delinquent should file the report for the year ended September 30, 2010.

Justice Court's Response

The Justice Court will ensure that the required documentation is filed with the Chancery Clerk in future periods and should ensure that the delinquent report is filed.

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.

BKD, LLP

June 17, 2011

HINDS COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2010

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Government-wide Activities | Unqualified |
| | General Fund | Unqualified |
| | Series 2007B Taxable Bonds (Parking Garage) Fund | Unqualified |
| | Aggregate Remaining Fund Information | Unqualified |
| | Aggregate Discretely Presented Component Units | Adverse |
| 2. | Internal control over financial reporting: | |
| | a. Material weaknesses identified? | Yes |
| | b. Significant deficiencies identified that are not considered to be a material weaknesses? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|----|--|-------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | Yes |
| 5. | Type of auditor's report issued on compliance for major federal programs | Unqualified |
| 6. | Any audit finding(s) reported as required by Section __.510(a) of Circular A-133? | Yes |
| 7. | Federal programs identified as major programs: | |
| | a. Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii | 14.228 |
| | b. Department of Justice Cluster
Edward Byrne Memorial Justice Assistance Grant Program | 16.738 |
| | c. Highway Planning and Construction Cluster
Highway Planning and Construction | 20.205 |
| | d. Social Services Block Grant | 93.667 |
| | e. Hazard Mitigation Grant | 97.039 |

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2010

8.	The dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as a low-risk auditee?	No
10.	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133?	Yes

Section 2: Findings Required to be Reported by Government Auditing Standards

Reference Number	Finding
2010-01	<p style="text-align: center;">Design Deficiency – Financial Statement Preparation (Material Weakness)</p> <p><i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> – As reported in the prior year audit report, accounting principles generally accepted in the United States of America require the financial data for the County’s component units to be reported with the financial data of the County’s primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for the County’s legally separate component units.</p> <p><i>Effect</i> – The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.</p> <p><i>Cause</i> – The County has not developed procedures to include the financial data for the County’s legally separate component units.</p> <p><i>Recommendation</i> – The County should evaluate the costs and benefits, including financial data of its legally separate component units to be reported with the financial data of the County’s primary government.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will evaluate the costs and benefits of including financial data on its legally separate component units with the financial data of the County’s primary government and determine appropriate actions to be taken, if any.</p>

HINDS COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Reference Number	Finding
2010-02	<p style="text-align: center;">Design Deficiency – Monitoring (Material Weakness)</p> <p><i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> – As reported in the prior year audit report, the Circuit Court Clerk’s record keeping system does not allow for reconciliation between open bonds and the bond bank account or daily cash receipts with bank deposits. Additionally, there is a lack of segregation of duties associated with cash receipts and the associated record keeping.</p> <p><i>Effect</i> – The financial statements might be materially misstated, and the errors would not be detected by management. An unexplained difference which does not remain constant exists between the bank balance and detail supporting ledgers which could allow misappropriations to go undetected.</p> <p><i>Cause</i> – There are no procedures in place such as a monthly review and reconciliation of outstanding bond amounts with funds maintained in the Circuit Court Clerk’s bond bank account or reconciliation of daily cash receipts with amounts deposited to the bank.</p> <p><i>Recommendation</i> – The Circuit Court Clerk listing of bond funds held, including names and amounts paid, should be regularly reconciled to funds maintained in the Circuit Court Clerk’s bond bank account with any discrepancies identified and investigated. Additionally, the Circuit Court Clerk should segregate the cash receipts and record keeping functions.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The Circuit Court Clerk will evaluate any and all findings and take corrective actions as considered necessary.</p>
2010-03	<p style="text-align: center;">Design Deficiency – Monitoring (Material Weakness)</p> <p><i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p><i>Condition</i> – As reported in the prior year audit report, the County has entered into two complex transactions involving interest rate swap agreements which could subject the County to significant gains and losses due to factors outside the County’s control. The agreements provide for semiannual calculations which compare the relationship of the tax-exempt BMA Index and LIBOR and provide for a settlement, either positive or negative. The County does not have adequate procedures to monitor these agreements and verify the calculations.</p>

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2010

Reference Number	Finding
	<p>It does not appear that anyone in County management understands and is able to quantify the amount of financial risk that these instruments pose to the County. Further, the County has no one independent of the derivative transactions responsible for monitoring required payments and advising the County as to strategies and risks.</p> <p><i>Effect</i> – The financial statements might be materially misstated, and errors would not be detected by management. Additionally, errors in amounts received or paid by the County might go undetected.</p> <p><i>Cause</i> – The County has not established procedures and provided training to its personnel to monitor and evaluate these agreements.</p> <p><i>Recommendation</i> – The County needs to assign the responsibility for monitoring these agreements to a qualified independent party or person who reports the status regularly to management and the Board of Supervisors.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will seek a qualified financial advisor to monitor these agreements and report the status to County management and the Board of Supervisors on a regular basis regarding the swap performance.</p>

Section 3: Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
2010-04	<p><i>Federal Programs</i> – Hazard Mitigation Grant, CFDA No. 97.039, passed through the Mississippi Emergency Management Agency; Community Development Block Grants/State’s Program and Non-entitlement Grants in Hawaii, CFDA No. 14.228, Program Year 2009, passed through the Mississippi Development Authority; Highway Planning and Construction Cluster, CFDA No. 20.205, passed through the Mississippi Department of Transportation; and Social Services Block Grant, CFDA No. 93.667, passed through the Mississippi Department of Human Services</p> <p><i>Criteria or Specific Requirement</i> – Procurement, Suspension and Debarment – Federal regulations require that grant recipients making purchases of goods or services must verify whether the contracting party has been excluded from conducting business under federal programs by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity (2 CFR Part 180).</p> <p><i>Condition</i> – The County’s procedures for procurement do not include a verification check of the EPLS. Also, the County’s bid process does</p>	\$0

HINDS COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2010

Reference Number	Finding	Questioned Costs
	<p>not contain a clause that the entity must not be suspended or debarred. This finding is uncorrected from the prior year's audit.</p> <p>Context – For fiscal year 2010, the client did not verify that lower-tier vendors were not suspended or debarred or otherwise excluded from the conduction of business with federal funds by checking the EPLS maintained by the GSA, collect a certification from such vendors or add a clause or condition to the covered transaction with the vendor.</p> <p>Effect – Although the County did not ensure entities were not suspended or debarred of the sample items tested, no covered transactions were conducted with excluded parties.</p> <p>Cause – The County does not have procedures in place to verify that lower-tier entities engaged in covered transactions are not suspended or debarred from conducting business with federal funds.</p> <p>Recommendation – The County should implement a policy, whereas this verification is accomplished by checking the EPLS maintained by the GSA, collecting a certification from the entity or adding a clause or condition to the covered transaction with the entity.</p> <p>Views of Responsible Officials and Planned Corrective Actions – The County will include language in the bid specifications for all projects using federal funds, whereby we can determine if a business has been debarred or suspended from doing business with federal funds before allowing the business to participate in any project. Further, the County will perform a verification check of the EPLS system for all procurements made under federal grant programs.</p> <p>The Purchasing Clerk will be the person responsible for implementing the corrective action.</p> <p>The corrective action was implemented effective May 1, 2011.</p>	

HINDS COUNTY

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

ROBERT GRAHAM
District 1

DOUGLAS "DOUG" ANDERSON
District 2
Vice President

PEGGY HOBSON CALHOUN
District 3



PHIL FISHER
District 4

GEORGE S. SMITH
District 5
President

CARMEN Y. DAVIS
County Administrator

HINDS COUNTY CORRECTIVE ACTION PLAN

Reference Number 2010-04

The County will include language in the bid specifications for all projects using federal funds, whereby we can determine, if a business has been debarred or suspended from doing business with federal funds before allowing the business to participate in any project.

The Purchasing Clerk will be the person responsible for implementing the corrective action.

The corrective action was implemented effective May 1, 2011.

HINDS COUNTY, MISSISSIPPI
 Summary Schedule of Prior Audit Findings
 For the Year Ended September 30, 2010

Reference Number	Summary of Finding	Status
2009-08	The County's procedures for procurement do not include a verification check of the EPLS. Also, the County's bid process does not contain a clause that the entity must not be suspended or debarred.	Not corrected. See current year finding 2010-04.
2009-09	The County's procedures for completing semiannual financial reports to the grantor under the Homeland Security grants do not include reconciliation or comparison to general ledger or other financial reports, as the financial reports are prepared from an ancillary file of invoices and many may not be complete or correct.	No formal action taken, as all existing grants are closed and no new grants have been awarded.
2009-10	The County's procedures for monitoring allowable costs under the Department of Justice Cluster did not include a verification of the allowance for fringe benefits.	Corrected through grant budget modification in 2010.