

Hinds County, Mississippi
Audited Financial Statements and
Special Reports
For the Year Ended September 30, 2012



HINDS COUNTY, MISSISSIPPI

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HINDS COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2012

The Management's Discussion and Analysis by Hinds County, Mississippi (the County) is designed to do the following (a) give a summary of the County's financial activities for the year ended September 30, 2012, (b) indicate any major financial issues, (c) show changes in the County's financial position, and (d) identify any significant variations from the County's financial plan (the original budget). This discussion and analysis by management is structured to highlight the fiscal year being audited. The financial statements and the notes to these statements give a more precise understanding of the County's financial picture.

The Management's Discussion and Analysis is a requirement from the Governmental Accounting Standards Board (GASB), which issues the standards for accounting for state and local governments. As a part of the many changes brought about by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, management is required to write a discussion and analysis for the purposes of making county government financial statements more like business statements which outline economic gain and loss.

Using the Annual Report

The major focus of local government's financial statements in the prior years has been fund-type information. This is no longer the case. The new focal point is the County as a whole (government-wide) and the major individual funds. The following discussion is intended to describe the County's basic financial statements, which are comprised of 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

- **Government-wide Financial Statements.** The government-wide financial statements are designed to give you a business like overview of the County's financial activities.

The focus of the Statement of Net Assets is intended to be similar to the bottom line for the County and its governmental activities. It presents financial information on all the County assets and liabilities with the difference being reported as net assets. From year to year, you can use the increases and decreases in net assets as a possible indicator of the financial health of the County. You will be able to tell if it is improving, staying the same or weakening.

Component units, which are other governmental units over which the County (the Board of Supervisors as a group) can exercise influence and/or be obligated to provide financial assistance. These units are presented as a separate column in the government-wide statements.

The Statement of Activities is based on the gross and net cost of various activities. These are comprised of activities of government and component units, which are provided by the government's general tax and other revenues. The intent of this statement is to provide a summary of the cost analysis of the various government services.

Governmental activities of the County are comprised of general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance, and interest on long-term debt. General government includes the basic services for operating the government, collecting taxes, appraising property, building inspections, supervisors, chancery and circuit clerks, and operation of the courts. Public safety includes the Sheriff, emergency management, and fire services, while Public Works include the maintenance and construction of roads and bridges.

- **Fund Financial Statements.** The focus is on major funds rather than fund types. A fund is used to group related accounts for financial purposes or legal compliance. The funds of the County are divided into governmental and fiduciary funds.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Government funds account for basically the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide statements, governmental funds financial statements focus on current sources and uses. This is the manner in which the County's financial plan or budget is typically developed. Governmental funds include general, special revenue, debt service, and capital project funds.

- **Fiduciary Funds.** These funds are used to account for trust responsibilities of the government.
- **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.

Hinds County follows the *Mississippi County Financial Accounting Manual* to set up and maintain funds. The County adopts an annual operating budget for all governmental funds. As required supplementary information, this Management's Discussion and Analysis includes a budgetary comparison statement for each major special revenue fund.

Government-Wide Financial Analysis

Statements of Net Assets

The following statement reflects the condensed Statement of Net Assets at September 30, 2011 and 2012:

	<u>2011</u>	<u>2012</u>
Current assets	\$ 90,389,182	\$ 94,298,768
Capital assets, net	115,482,154	112,635,092
Total assets	<u>\$ 205,871,336</u>	<u>\$206,933,860</u>
Current liabilities	\$ 63,038,774	\$ 59,282,229
Long-term liabilities	52,709,348	50,210,406
Total liabilities	<u>\$ 115,748,122</u>	<u>\$109,492,635</u>
Net assets:		
Invested in capital assets, net of related debt	\$ 94,212,663	\$ 92,172,415
Restricted	6,497,403	6,593,556
Unrestricted	(10,586,852)	(1,324,746)
Total net assets	<u>\$ 90,123,214</u>	<u>\$ 97,441,225</u>

There are normal financial transactions that affect the Statement of Net Assets.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2012

- Net Results of Activities - This will either increase/decrease current assets and unrestricted assets. During FY 2012, net assets increased by \$7.3 million from FY 2011.
- Borrowing for Capital - This will increase financial assets and long term debt. During FY 2012, the County borrowed \$1.5 million for capital projects. Long-term debt decreased overall by \$2.3 million.
- Spending Borrowed Proceeds on New Capital - This will reduce financial assets and increase capital assets. This will also increase the amount invested in capital assets, net of related debt, which will not change the invested in capital assets, net of debt. In 2012, the County spent approximately \$1.5 million of debt proceeds on capital projects.
- Spending of Nonborrowed Current Assets on New Capital – This will reduce current assets, increase capital assets, reduce unrestricted assets, and increase invested in capital assets, net of debt. The County spent \$5.2 million of nonborrowed cash on new capital assets during 2012.
- Principal Payment on Debt – This will reduce current assets, reduce long-term debt, reduce unrestricted net assets, and increase invested in capital assets, net of debt. The County reduced principal on long-term debt by \$3.9 million and short-term debt by \$2.5 million.
- Reduction of Capital Assets through Depreciation – This will reduce capital assets and net assets invested in capital assets, net of debt. This is a noncash expense. The County recorded depreciation of \$5.5 million in FY 2012.

Changes in Net Assets

Hinds County's total revenue for the fiscal year ended September 30, 2012 was \$85.9 million, as compared to \$86.0 million for the fiscal year ended September 30, 2011. The total cost of services provided by the County was \$75.1 million for the fiscal year ended September 30, 2012, as compared to \$73.3 million for the fiscal year ended September 30, 2011. The County had an increase in net assets of \$7.3 million due to maintaining the prior period level of tax collections in the current year, with only a minor increase in expenditures.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2012

The following table presents a summary of the changes in net assets for the fiscal years ended September 30, 2011 and 2012.

	<u>2011</u>	<u>2012</u>
Statement of Activities		
Revenues:		
Program revenues		
Charges for services	\$ 9,117,693	\$ 9,220,891
Operating grants and contributions	6,431,637	6,379,947
Capital grants and contributions	7,107,880	4,766,456
General revenues		
Property taxes	52,032,283	54,183,817
Road and bridge privilege tax	2,595,447	2,603,261
Grants and contributions not restricted	3,131,172	2,968,634
Unrestricted interest income	881,204	913,639
Loss on disposal of assets	-	(91,085)
Proceeds and gain related to derivative instrument	2,430,640	1,615,291
Miscellaneous	2,312,693	3,365,545
Total revenues	<u>86,040,649</u>	<u>85,926,396</u>
Expenses:		
General government	21,870,768	23,396,596
Public safety	32,054,840	32,370,919
Public works	10,594,640	10,663,405
Health and welfare	3,338,492	3,283,966
Culture and recreation	1,658,444	1,988,102
Conservation of natural resources	335,280	293,731
Economic development and assistance	756,208	730,801
Interest on long-term debt	2,717,036	2,397,920
Total expenses	<u>73,325,708</u>	<u>75,125,440</u>
Special item - transfer of roads to municipalities	<u>(478,198)</u>	<u>(3,482,945)</u>
Change in net assets	12,236,743	7,318,011
Net assets, beginning	<u>77,886,471</u>	<u>90,123,214</u>
Net assets, ending	<u>\$ 90,123,214</u>	<u>\$ 97,441,225</u>

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Governmental Activities

The following table presents the cost of six major services provided by the County. These are general government, public safety, public works, health and welfare, culture and recreation, conservation of natural resources, economic development and assistance, and interest on long-term debt.

Cost of Major Services for the Taxpayers

<u>Program</u>	2012		
	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General government	\$ 23,396,596	\$ 4,423,418	\$ 18,973,178
Public safety	32,370,919	8,113,285	24,257,634
Public works	10,663,405	6,687,810	3,975,595
Health and welfare	3,283,966	1,078,560	2,205,406
Culture and recreation	1,988,102	61,721	1,926,381
Conservation of natural resources	293,731	-	293,731
Economic development and assistance	730,801	2,500	728,301
Interest on long-term debt	2,397,920	-	2,397,920

<u>Program</u>	2011		
	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General government	\$ 21,870,768	\$ 4,138,660	\$ 17,732,108
Public safety	32,054,840	8,913,232	23,141,608
Public works	10,594,640	8,478,866	2,115,774
Health and welfare	3,338,492	1,054,420	2,284,072
Culture and recreation	1,658,444	64,532	1,593,912
Conservation of natural resources	335,280	-	335,280
Economic development and assistance	756,208	7,500	748,708
Interest on long-term debt	2,717,036	-	2,717,036

Financial Analysis of the County's Funds

As of year-end, the governmental funds reported, as audited, a fund balance of \$35.8 million. This is an increase of \$5.9 million from the prior year's fund balance of \$29.9 million, which is due to the increase in property taxes collected and decreases in principle debt repayments.

The General Fund, the County's primary operating fund, had an ending fund balance of \$9.4 million, an increase of \$6.5 million from the prior year. The Series 2007B Taxable Bonds Fund increased \$174,000 to a fund balance of \$12,046,056 due to interest income.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2012, the County had a total of \$192.1 million invested in a variety of capital assets. The largest investments in depreciable capital assets are in roads and bridges (infrastructure) with a total of \$86.5 million (45%). Roads and bridges and other infrastructure are included, as required by GASB 34, in the County's financial records. GASB also requires depreciation, a noncash expense, to now be recorded. Accumulated depreciation was \$94.3 million at September 30, 2012. The County's total capital assets, net of depreciation, total \$112.6 million, compared to a prior year net balance of \$115.5 million

Debt

At the end of September 30, 2012, the County had \$46.7 million in outstanding long-term debt. This includes general obligation bonds, limited obligation bonds, grant obligations, capital leases and other loans. This is \$2.5 million less than the prior year of \$49.2 million.

The State of Mississippi limits the amount of debt counties can issue to 20% of total assessed value. During FY 2012, Hinds County was at 2.15%, well below its current limit.

**Long-term Debt
As of September 30, 2012**

	<u>Balance</u> <u>Oct. 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>Sept. 30, 2012</u>
Governmental Activities:				
General obligation bonds	\$ 43,085,000	\$ -	\$ (2,715,000)	\$ 40,370,000
Limited obligation bonds	690,000	-	(91,000)	599,000
Grant obligations	170,000	-	(55,000)	115,000
Capital leases	5,029,029	345,787	(1,027,753)	4,347,063
Other loans	180,214	1,155,577	(42,756)	1,293,035
Total	<u>\$ 49,154,243</u>	<u>\$ 1,501,364</u>	<u>\$ (3,931,509)</u>	<u>\$ 46,724,098</u>

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Budget – Original vs. Final

The following is a review of the significant changes from the original budget to the final for the major governmental funds. The County's budget is a financial plan for the various departments and their management to follow during the year. This plan is made in the summer before the fiscal year start in October. These estimates and projections change as the year progresses. Some changes to the budget are made by budget amendment, and the remainder is amended at the end of the year to reflect actual revenue received and expenditures made.

Budget Analysis Summary

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Between Original and Final Budgets</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Between Final Budget and Actual</u>
<u>General Fund</u>					
Revenues	\$ 52,906,927	\$ 53,158,595	\$ 251,668	\$ 55,780,605	\$ 2,622,010
Expenditures	54,989,042	55,361,591	372,549	53,014,680	(2,346,911)
<u>Fund 377</u>					
Revenues	200,000	200,000	-	174,173	(25,827)
Expenditures	2,000,000	2,000,000	-	-	(2,000,000)

The general fund revenue was running about 4.9% ahead of budget. This was primarily due to increased collections in taxes, our major source of revenue, and an increase in fines and forfeitures. On the expenditure side, the County was able to hold expenditures below budget by approximately 4.2%. Restructuring in various departments resulted in the savings.

Financial Contact

The County's financial statements are designed to present users with a general overview of the County's finances and to demonstrate the County's accountability and fiduciary responsibilities for the funds it receives and the services it provides. If you have any questions or need any additional information, please contact County Administrator Carmen Y. Davis, 316 South President Street, Jackson, MS 39201, (601) 968-6501.

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, 2012, 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 did not audit the financial statements of Hinds County Economic Development Authority (the Authority), a discretely presented component unit, which represents 43%, 85% and 37%, respectively, of the assets, net assets and revenues of the governmental component units column. We also did not audit the financial statements of Hinds County Mental Health Commission (the Commission), a discretely presented component unit, which represents 57%, 15% and 63%, respectively, of the assets, net assets and revenues of the governmental component units column. The financial statements of these entities were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors.

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 of the Commission do not include Hinds Behavioral Health Services (Health Services), a division of the Commission. Accounting principles generally accepted in the United States of America require Health Services to be presented as a major enterprise fund and financial information about Health Services to be reported as business-type activities of the Commission, thus increasing that activity's assets, liabilities, revenues, and expenses and changing its net position. The amount by which this departure would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely component units is not reasonably determinable. Because of this departure from accounting principles generally accepted in the United States of America, other auditors issued an adverse opinion on the Commission's audited financial statements.

In our opinion, because of the adverse opinion of other auditors of the discretely presented component unit and the effects of the matter mentioned in the preceding paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of Hinds County, Mississippi as of September 30, 2012, 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.

Additionally, 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, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLC

Jackson, Mississippi
June 27, 2013

HINDS COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

HINDS COUNTY, MISSISSIPPI
Statement of Net Assets
September 30, 2012

Exhibit 1

	Primary Government	Component Units		
	Governmental Activities	Economic Development Authority	Mental Health Commission	Total
ASSETS				
Cash	\$ 40,054,956	\$ 634,082	\$ 478,919	\$ 1,113,001
Property tax receivable	46,872,467	-	-	-
Fines receivable (net of allowance for uncollectibles of \$11,820,915)	506,791	-	-	-
Intergovernmental receivables	2,474,848	1,088	200,221	201,309
Other receivables	3,823,951	-	-	-
Prepaid items	224,220	1,608	-	1,608
Deferred charge - issuance cost	341,535	-	476,000	476,000
Industrial park development cost	-	4,842,479	-	4,842,479
Capital assets, net	112,635,092	187,822	6,362,259	6,550,081
Total Assets	206,933,860	5,667,079	7,517,399	13,184,478
LIABILITIES				
Claims payable	2,120,349	21,920	3,925	25,845
Amounts held in custody for others	2,506,642	-	-	-
Intergovernmental payables	4,504,878	4,328,774	-	4,328,774
Matured bonds and interest payable	18,459	-	-	-
Accrued interest payable	134,962	-	72,938	72,938
Deferred and unearned revenue	48,508,451	38,000	-	38,000
Long-term liabilities				
Due within one year:				
Capital debt	2,392,611	-	194,950	194,950
Noncapital debt	1,244,441	-	-	-
Claims and judgments payable	342,000	-	-	-
Postemployment benefit obligation	816,333	-	-	-
Due in more than one year:				
Capital debt	32,266,048	-	6,268,466	6,268,466
Noncapital debt	13,148,973	-	753,030	753,030
Fair value of derivative instruments	1,488,488	-	-	-
Total Liabilities	109,492,635	4,388,694	7,293,309	11,682,003
NET ASSETS				
Invested in capital assets, net of related debt	92,172,415	698,327	(101,157)	597,170
Restricted:				
Expendable:				
General government	112,945	-	-	-
Public safety	2,752,171	-	-	-
Public works	2,029,953	-	-	-
Health and welfare	268,040	-	-	-
Culture and recreation	517,540	-	-	-
Economic development	158,152	-	-	-
Debt service	754,755	-	277,030	277,030
Unrestricted	(1,324,746)	580,058	48,217	628,275
Total Net Assets	\$ 97,441,225	\$ 1,278,385	\$ 224,090	\$ 1,502,475

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, 2012

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	Economic Development Authority	Mental Health Commission	Total
Governmental activities:								
General government	\$ 23,396,596	\$ 3,639,731	\$ 705,715	\$ 77,972	\$ (18,973,178)			
Public safety	32,370,919	5,369,439	2,674,891	68,955	(24,257,634)			
Public works	10,663,405	150,000	1,918,281	4,619,529	(3,975,595)			
Health and welfare	3,283,966	-	1,078,560	-	(2,205,406)			
Culture and recreation	1,988,102	61,721	-	-	(1,926,381)			
Conservation of natural resources	293,731	-	-	-	(293,731)			
Economic development and assistance	730,801	-	2,500	-	(728,301)			
Interest on long-term debt	2,397,920	-	-	-	(2,397,920)			
Total Governmental Activities	<u>75,125,440</u>	<u>9,220,891</u>	<u>6,379,947</u>	<u>4,766,456</u>	<u>(54,758,146)</u>			
Total Primary Government	<u>\$ 75,125,440</u>	<u>\$ 9,220,891</u>	<u>\$ 6,379,947</u>	<u>\$ 4,766,456</u>	<u>(54,758,146)</u>			
Component unit:								
Hinds County Economic Development Authority	\$ 603,026	\$ -	\$ 730,818	\$ -		\$ 127,792	\$ -	\$ 127,792
Hinds County Mental Health Commission	1,354,417	-	8,592	-		-	(1,345,825)	(1,345,825)
Total Component Units	<u>\$ 1,957,443</u>	<u>\$ -</u>	<u>\$ 739,410</u>	<u>\$ -</u>		<u>127,792</u>	<u>(1,345,825)</u>	<u>(1,218,033)</u>
General Revenues:								
Property taxes					54,183,817	-	1,241,052	1,241,052
Road and bridge privilege taxes					2,603,261	-	-	-
Grants and contributions not restricted to specific programs					2,968,634	-	-	-
Unrestricted interest income					913,639	1,010	6,755	7,765
Loss on disposal of assets					(91,085)	(262)	-	(262)
Gain related to derivative instrument					1,615,291	-	-	-
Miscellaneous					3,365,545	-	-	-
Total General Revenues					<u>65,559,102</u>	<u>748</u>	<u>1,247,807</u>	<u>1,248,555</u>
Change in Net Assets Before Special Item					10,800,956	128,540	(98,018)	30,522
Special Item - Transfer of Roads to Municipalities					<u>(3,482,945)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Net Assets after Special Items					7,318,011	128,540	(98,018)	30,522
Net Assets - Beginning					90,123,214	-	322,108	322,108
Net Assets - Beginning (as restated, see Note 1A)					-	1,149,845	-	1,149,845
Net Assets - Ending					<u>\$ 97,441,225</u>	<u>\$ 1,278,385</u>	<u>\$ 224,090</u>	<u>\$ 1,502,475</u>

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

HINDS COUNTY, MISSISSIPPI
 Balance Sheet - Governmental Funds
 September 30, 2012

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 12,035,543	\$ 9,906,056	\$ 18,113,357	\$ 40,054,956
Property tax receivable	36,411,993	-	10,460,474	46,872,467
Fines receivable (net of allowance for uncollectibles of \$11,820,915)	506,791	-	-	506,791
Intergovernmental receivables	1,298,556	-	1,176,292	2,474,848
Other receivables	1,518,363	-	3,461,168	4,979,531
Due from other funds	-	-	314,245	314,245
Advances to other funds	474,000	2,140,000	-	2,614,000
Prepaid items	224,220	-	-	224,220
Total Assets	<u>\$ 52,469,466</u>	<u>\$ 12,046,056</u>	<u>\$ 33,525,536</u>	<u>\$ 98,041,058</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 1,155,920	\$ -	\$ 2,120,006	\$ 3,275,926
Amounts held in custody for others	2,506,642	-	-	2,506,642
Intergovernmental payables	2,200,586	-	2,304,292	4,504,878
Due to other funds	314,245	-	-	314,245
Advances from other funds	-	-	2,614,000	2,614,000
Matured bonds and interest payable	-	-	18,459	18,459
Deferred and unearned revenue	36,864,263	-	12,096,436	48,960,699
Total Liabilities	<u>43,041,656</u>	<u>-</u>	<u>19,153,193</u>	<u>62,194,849</u>
Fund balances:				
Nonspendable:				
Advances to other funds	474,000	2,140,000	-	2,614,000
Prepaid items	224,220	-	-	224,220
Restricted for:				
General government	68,165	-	44,780	112,945
Public safety	-	-	2,752,171	2,752,171
Public works	-	-	2,029,953	2,029,953
Health and welfare	-	-	268,040	268,040
Culture and recreation	-	-	517,540	517,540
Economic development	-	-	158,152	158,152
Capital projects	-	8,777,632	3,278,349	12,055,981
Debt service	-	-	889,717	889,717
Committed to:				
General government	-	-	710,183	710,183
Public safety	-	-	41,692	41,692
Economic development	-	-	77,091	77,091
Capital projects	-	1,128,424	3,609,163	4,737,587
Unassigned	8,661,425	-	(4,488)	8,656,937
Total Fund Balances	<u>9,427,810</u>	<u>12,046,056</u>	<u>14,372,343</u>	<u>35,846,209</u>
Total Liabilities and Fund Balances	<u>\$ 52,469,466</u>	<u>\$ 12,046,056</u>	<u>\$ 33,525,536</u>	<u>\$ 98,041,058</u>

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, 2012

Exhibit 3-1

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 35,846,209
Amounts reported for governmental activities 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 \$94,316,149.	112,635,092
Other long-term assets, such as fines receivable, are not available to pay for current period expenditures and, therefore, are deferred in the funds.	452,245
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds.	(49,394,073)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(134,962)
Postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(816,333)
Liability for derivative instruments is not due and payable in the current period and, therefore, is not reported in the funds.	(1,488,488)
Deferred issuance cost on refunding bond issue. Bond issuance costs are expensed in funds and amortized in government-wide statements.	<u>341,535</u>
Total Net Assets - Governmental Activities	<u><u>\$ 97,441,225</u></u>

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

HINDS COUNTY, MISSISSIPPI

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2012

	Major Funds			Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 41,194,136	\$ -	\$ 12,989,681	\$ 54,183,817
Road and bridge privilege taxes	-	-	2,603,261	2,603,261
Licenses, commissions and other	2,413,075	-	79,009	2,492,084
Fines and forfeitures	1,061,903	-	30,354	1,092,257
Intergovernmental	4,560,025	-	8,258,166	12,818,191
Charges for services	3,628,536	-	3,086,534	6,715,070
Interest income	406,454	174,173	333,012	913,639
Miscellaneous	439,912	-	1,289,038	1,728,950
Total Revenues	<u>53,704,041</u>	<u>174,173</u>	<u>28,669,055</u>	<u>82,547,269</u>
EXPENDITURES				
Current:				
General government	21,943,960	-	2,357,898	24,301,858
Public safety	24,330,152	-	5,139,716	29,469,868
Public works	-	-	13,714,557	13,714,557
Health and welfare	1,928,014	-	1,244,838	3,172,852
Culture and recreation	49,252	-	1,895,926	1,945,178
Conservation of natural resources	293,731	-	-	293,731
Economic development and assistance	47,785	-	683,016	730,801
Debt service:				
Principal	66,004	-	3,865,505	3,931,509
Interest	29,635	-	2,244,226	2,273,861
Total Expenditures	<u>48,688,533</u>	<u>-</u>	<u>31,145,682</u>	<u>79,834,215</u>
Excess of Revenues over (under) Expenditures	<u>5,015,508</u>	<u>174,173</u>	<u>(2,476,627)</u>	<u>2,713,054</u>

HINDS COUNTY, MISSISSIPPI

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Continued)

For the Year Ended September 30, 2012

Exhibit 4

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Series 2007B Taxable Bonds Fund</u>	<u>Other Governmental Funds</u>	
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 260,000	\$ -	\$ 1,241,364	\$ 1,501,364
Proceeds from sale of capital assets	41,233	-	9,804	51,037
Proceeds of insurance recoveries	1,456,045	-	178,831	1,634,876
Transfers in	21,214	-	549,815	571,029
Transfers out	<u>(282,159)</u>	<u>-</u>	<u>(288,870)</u>	<u>(571,029)</u>
Total Other Financing Sources (Uses)	<u>1,496,333</u>	<u>-</u>	<u>1,690,944</u>	<u>3,187,277</u>
Net Change in Fund Balances	6,511,841	174,173	(785,683)	5,900,331
Fund Balances - Beginning	<u>2,915,969</u>	<u>11,871,883</u>	<u>15,158,026</u>	<u>29,945,878</u>
Fund Balances - Ending	<u>\$ 9,427,810</u>	<u>\$ 12,046,056</u>	<u>\$ 14,372,343</u>	<u>\$ 35,846,209</u>

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, 2012

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 5,900,331
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 \$6,734,007 exceeded depreciation of \$5,489,565 and adjustments of \$466,437 in the current period.	778,005
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 \$91,085, the transfer of roads to municipalities of \$3,482,945 and the proceeds from the sale of capital assets in the amount of \$51,037 in the current period.	(3,625,067)
Fines revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition was required on the Statement of Activities using the full accrual basis of accounting.	220,043
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 \$1,501,364 (gross of premium) exceeded repayments of \$3,931,509.	2,430,145
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.	1,615,291
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	260,143
The amount of increase in postemployment benefit obligation	(183,822)
The amount of increase in accrued interest payable	41,234
The amount of decrease in claims and judgments payable	47,000
The amortization of deferred bond refunding charge	(54,524)
The amortization of issuance cost on bonds	<u>(110,768)</u>
Change in Net Assets of Governmental Activities	<u>\$ 7,318,011</u>

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

HINDS COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2012

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,195,996
Other receivables	120,579
Total Assets	<u>\$ 1,316,575</u>
LIABILITIES	
Other liabilities	\$ 1,167,188
Intergovernmental payables	149,387
Total Liabilities	<u>\$ 1,316,575</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, 2012

(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.

Discretely Presented Component Units

The financial statements of two component units have significant operational or financial relationships with the County.

The component unit columns in the financial statements include the financial data of the following component units of the County. They are reported in separate columns to emphasize that they are legally separate from the County.

Hinds County Economic Development Authority – In accordance with House Bill No. 1687 of the laws of the State of Mississippi, the Hinds County Board of Supervisors established the Hinds County Economic Development Authority (the Authority). The Board of Supervisors appoints board members to the Authority and provides the Authority with operating funds. During 2010, the Hinds County Board of Supervisors voted to dissolve the Hinds County Economic Development District and form the Authority by transferring all net assets to the Authority effective January 1, 2011. The County provided \$577,323 of funds to the Authority for operations during the fiscal year ended September 30, 2012. Net Assets of the Authority were restated for prior year recognition of the County's release of restricted funds in the amount of \$102,130, previously recorded by the Authority as due to the County. Complete financial statements for the Authority can be obtained from 909 North President Street, Jackson, Mississippi 39202.

Hinds County Mental Health Commission – Pursuant to Miss. Code Sections 41-19-31 and 41-19-33 and a resolution adopted by the Hinds County Board of Supervisors, the Hinds County Mental Health Commission (the Commission) was formed. The Commission is governed by a seven-member Board appointed by the Hinds County Board of Supervisors. The County provided \$1,238,701 of funds to the Commission for operations during the fiscal year ended September 30, 2012. Although the component unit is included in the County's financial statements, a material fund of the Commission was omitted from the Commission's audited financial statements and, therefore, is omitted from the County's financial statements. Financial statements for the Commission can be obtained from 3450 Highway 80 West, Jackson, Mississippi 39209.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

- 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 and a component unit. 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 primary government is reported separately from its legally separate component units for which the primary government is financially accountable.

The Statement of Net Assets presents the financial condition of the governmental activities of the County and its component unit at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and its component unit. 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 revenues. 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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

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).

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. Its revenues are primarily derived from property and other local taxes, charges for services and interest income. Its expenditures primarily relate to the operation and maintenance of the County.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

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 2012 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, 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.

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, 2012, was \$110,768.

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 reported as nonspendable fund balance. 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 using the consumption method.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

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 asset, 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 for governmental activities.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Hinds County meets these criteria and has so elected. 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:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Land	\$ -	N/A
Infrastructure	-	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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest 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 incurred 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 for the primary government and its discretely presented component unit and is displayed in the following 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.

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 one of the five components below:

Nonspendable - Amounts that are not in a spendable form or are required to be maintained intact.

Restricted - Amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed - Amounts that can be used only for the specific purposes determined by resolution of the Board of Supervisors. Commitments may be changed or lifted only by issuance of a resolution by the Board of Supervisors.

Assigned - Amounts intended to be used by the County for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

Unassigned - The residual classification for the General Fund and includes all amounts not contained in the other classifications.

The County considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The County applies committed amounts first, followed by assigned amounts and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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, 2012

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 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement is effective for the fiscal year ending September 30, 2013. Early implementation is encouraged. The requirements in this statement will change financial reporting by introducing deferred outflows and deferred inflows of resources as a consumption of net assets applicable to a future reporting period and an acquisition of net assets applicable to a future reporting period, respectively. Further, net position is the residual of all other elements presented in a Statement of Financial Position. This statement is expected to have a significant effect on the County's financial statements.

S. Operating Leases.

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

(2) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2012, was \$41,231,746 (including Agency Funds and excluding petty cash of \$19,205), and the bank balance was \$46,644,229, of which all was 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).

The carrying amount of the discretely presented component unit's, Hinds County Economic Development Authority, total deposits with financial institutions at September 30, 2012, was \$634,082, and the bank balance was \$648,790, of which all was collateralized. These funds are collateralized under the same program as the County's funds above.

The carrying amount of the other discretely presented component unit's, Hinds County Mental Health Commission, total deposits with financial institutions at December 31, 2011, was \$478,819, and the bank balance was \$484,122, of which all was collateralized. These funds are collateralized under the same program as the County's funds above.

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 the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Investments:

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2012:

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 314,245

The receivables represent the tax revenue collected but not settled until October 2012. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Series 2007B Taxable Bonds Fund	Other Governmental Funds	\$ 2,140,000
General Fund	Other Governmental Funds	474,000
Total		\$ 2,614,000

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:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 21,214
Other Governmental Funds	General Fund	282,159
Other Governmental Funds	Other Governmental Funds	267,656
Total		\$ 571,029

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, 2012

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2012, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 918,509
Reimbursement for housing prisoners	204,033
Public safety grants	271,414
Public works grants	810,189
Other	<u>270,703</u>
 Total governmental activities	 <u>\$ 2,474,848</u>

(5) Loan Receivable.

The County's loan receivable balance at September 30, 2012, 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>\$ 2,304,292</u>

This loan originated as a grant from the Mississippi Development Authority (MDA). The County loaned the grant funds to the King Edward Revitalization Company (KERC). The County is responsible for monitoring the loan, collecting principal and interest payments from KERC and remitting all principal and interest received to MDA. The related payable to MDA is recorded as an intergovernmental payable.

(6) Development of Industrial Parks.

Component Unit

J. C. 'Sonny' McDonald Industrial Center

In 1994, the County issued general obligation bonds in the amount of \$6,100,000 to provide funds principally for the purchase of land and the payment of development costs associated with two industrial parks (\$5,539,000), with the remaining funds to be used for improvements to existing parks located in the County.

The Hinds County Board of Supervisors granted ownership of the new industrial park properties to the Hinds County Economic Development Authority (the Authority) with the right and responsibility of developing and marketing such properties. All proceeds received by the Authority from the sale of the properties are to be immediately disbursed to the County for use in retiring the bond indebtedness.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

The Authority has been in the process of developing the J. C. ‘Sonny’ McDonald Industrial Center and the following expenditures, net of cost of sales, impairments and nonsalable portion, have been incurred for the purchase of land and development costs as of September 30, 2012:

Land	\$ 897,402
Land development costs	<u>3,434,545</u>
	<u><u>\$ 4,331,947</u></u>

During the year ended September 30, 2012, the Authority sold a total of 38.299 acres of land for net proceeds of \$189,326, which the County instructed the Authority to retain for upkeep.

Hinds County AeroTech Park (formerly West Hinds County Industrial Park)

In June 2007, the Hinds County Board of Supervisors donated 343.81 acres of the John Bell Williams Airport land to the Authority so that it could be developed into an Industrial Park. The land was recorded at the book value recorded by the County. The Authority has begun to develop this property as Hinds County AeroTech Park. The land and development costs to date on this park are as follows:

Land, transferred from Hinds County	\$ 223,532
Land development costs	<u>286,973</u>
	<u><u>\$ 510,505</u></u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

(7) Capital Assets.

Primary Government

The following is a summary of capital assets activity for the year ended September 30, 2012:

	Balance 10/01/11	Additions	Deletions	Transfers*	Adjustments**	Balance 09/30/12
<u>Nondepreciable capital assets:</u>						
Land	\$ 1,527,841	\$ -	\$ -	\$ -	\$ -	\$ 1,527,841
Construction in progress	13,679,994	5,639,676	-	(6,017,647)	-	13,302,023
Total nondepreciable capital assets	<u>15,207,835</u>	<u>5,639,676</u>	<u>-</u>	<u>(6,017,647)</u>	<u>-</u>	<u>14,829,864</u>
<u>Depreciable capital assets:</u>						
Infrastructure	84,052,325	482,800	(302,308)	2,309,898	-	86,542,715
Buildings	57,207,930	-	-	-	-	57,207,930
Improvements other than buildings	12,350,322	-	-	224,804	-	12,575,126
Mobile equipment	17,406,515	149,417	(478,855)	64,770	-	17,141,847
Furniture and equipment	6,664,339	116,327	(179,031)	(64,770)	720	6,537,585
Leased property under capital leases	11,770,387	345,787	-	-	-	12,116,174
Total depreciable capital assets	<u>189,451,818</u>	<u>1,094,331</u>	<u>(960,194)</u>	<u>2,534,702</u>	<u>720</u>	<u>192,121,377</u>
<u>Less accumulated depreciation for:</u>						
Infrastructure	(46,308,868)	(1,567,945)	251,876	-	-	(47,624,937)
Buildings	(16,427,813)	(1,097,028)	-	-	(466,919)	(17,991,760)
Improvements other than buildings	(4,863,239)	(454,586)	-	-	-	(5,317,825)
Mobile equipment	(12,666,309)	(823,910)	409,829	(47,764)	-	(13,128,154)
Furniture and equipment	(4,846,612)	(748,828)	156,367	47,764	(238)	(5,391,547)
Leased property under capital leases	(4,064,658)	(797,268)	-	-	-	(4,861,926)
Total accumulated depreciation	<u>(89,177,499)</u>	<u>(5,489,565)</u>	<u>818,072</u>	<u>-</u>	<u>(467,157)</u>	<u>(94,316,149)</u>
Total depreciable capital assets, net	<u>100,274,319</u>	<u>(4,395,234)</u>	<u>(142,122)</u>	<u>2,534,702</u>	<u>(466,437)</u>	<u>97,805,228</u>
Governmental activities capital assets, net	<u>\$ 115,482,154</u>	<u>\$ 1,244,442</u>	<u>\$ (142,122)</u>	<u>\$ (3,482,945)</u>	<u>\$ (466,437)</u>	<u>\$ 112,635,092</u>

* Transfers represent construction-in-progress costs transferred to municipalities or placed in service due to project completion during the year ended September 30, 2012.

**Adjustments represent an impairment loss recorded as a result of damage to Pod C of the Hinds County Detention Center in the amount of \$466,919. The net book value of the building at September 30, 2012 after impairment is \$11,712,884.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 288,653
Public safety	3,104,844
Public works	1,947,924
Health and welfare	105,220
Culture and recreation	42,924
	\$ 5,489,565
 Total governmental activities depreciation expense	 \$ 5,489,565

Commitments with respect to unfinished capital projects at September 30, 2012, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Byram-Clinton Corridor	\$ 413,041	12/31/2013
Byram-Clinton Corridor (ROW)	795,390	12/31/2013
Byram Swinging Bridge	58,815	12/31/2013
John Bell Williams Airport	89,425	12/31/2014
Clinton Boulevard/Tank Road/Northside Drive	233,639	03/31/2013
Water Tank Painting	162,200	01/07/2013
Econ/Financial Sustain/Impact Study	200,000	07/31/2013
White Construction - RDC Reconstruction	25,000	01/31/2013
Frank Hall Road Bridge 2	43,213	09/30/2013
Chapman Road Bridge 2	77,468	09/30/2013
Lake Circle Road Bridge	3,600	09/30/2013
	\$ 2,101,791	

Component Units

The component units' capital asset balances are as follows:

	12/31/2011 Mental Health Commission	9/30/2012 Economic Development Authority	Total
Property and Equipment:			
Building	\$ 6,978,500	\$ 164,480	\$ 7,142,980
Land	-	65,000	65,000
Automobiles	-	38,576	38,576
Furniture and equipment	490,254	102,826	593,080
	7,468,754	370,882	7,839,636
Less accumulated depreciation and amortization	(1,106,495)	(183,060)	(1,289,555)
Component unit capital assets, net	\$ 6,362,259	\$ 187,822	\$ 6,550,081

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

(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 with an annual aggregate deductible of \$750,000 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 retention, provided by Safety National Casualty Corporation, effective January 1, 2012 through December 31, 2013. 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.

Settled claims did not exceed insurance coverage for the fiscal years ended September 30, 2010, September 30, 2011 or September 30, 2012. The Government-wide Statement of Net Assets as of September 30, 2012, presents a liability of \$500,000, representing unpaid judgments and estimated future settlements. Several legal suits are outstanding against the County at any given time during a fiscal year. While the County believes it has meritorious defenses against each suit, the ultimate resolution of each matter, each of which is expected to occur within one year, could result in losses of up to \$1,450,000 in excess of the amount accrued.

(9) Capital Leases.

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2012:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,887,022
Nonmobile equipment	9,229,152
	12,116,174
Less accumulated depreciation	(4,861,926)
Leased property under capital leases	\$ 7,254,248

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

The following is a schedule by years of the total payments due as of September 30, 2012:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,200,194	\$ 185,208
2014	805,951	139,066
2015	832,706	105,409
2016	767,837	71,264
2017 - 2022	<u>740,375</u>	<u>36,501</u>
Total	<u>\$ 4,347,063</u>	<u>\$ 537,448</u>

(10) Postemployment Benefits Other Than Pensions.

A. Plan Description.

The County administers a single-employer defined benefit health care plan (the Plan). The Plan provides lifetime health care 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 public available financial report.

B. Funding Policy.

Benefits of the Plan are provided through a fully-insured program with United Healthcare. 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 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	\$ 209,385
Interest on net OPEB obligation	28,463
Adjustment to annual requirement contribution	<u>(30,732)</u>
Annual OPEB cost	207,116
Contributions made	<u>23,294</u>
Increase in net OPEB obligation	183,822
Net OPEB obligation - beginning of year	<u>632,511</u>
Net OPEB obligation - end of year	<u>\$ 816,333</u>

HINDS COUNTY, MISSISSIPPI
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For the Year Ended September 30, 2012

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for fiscal years 2010, 2011 and 2012 are 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
09/30/11	191,993	11.0%	632,511
09/30/12	207,116	11.2%	816,333

D. Funded Status and Funding Progress.

As of September 30, 2012, the actuarial accrued liability for benefits was \$1,450,938, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$28,371,582, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.1%.

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 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 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 Females were used.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

Turnover - Nongroup-specific, age-based turnover data from GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*, was 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 - 2011 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, 2012, was 27 years.

(11) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Balance Sept. 30, 2012
Tax Anticipation Notes Payable	\$ 2,500,000	\$ -	\$ (2,500,000)	\$ -

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

(12) Long-term Debt.

Debt outstanding as of September 30, 2012, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Mississippi Development Bank Special Obligation Bonds, Series 2005 (Hinds County, Mississippi General Obligation Public Improvements Bond Project)	\$ 725,000	3.00% to 5.25%	10/01/35
Mississippi Development Bank Special Obligation Bonds, Series 2007A (Hinds County, Mississippi General Obligation Public Improvements and Refunding Bond Project)	23,200,000	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)	12,860,000	5.46%	10/01/36
Mississippi Development Special Obligation Bonds, Series 2010	2,315,000	3.00% to 4.25%	06/01/30
General Obligation Refunding Bond, Series 2011	<u>1,270,000</u>	1.70% to 2.45%	07/15/14
Total General Obligation Bonds	<u>\$ 40,370,000</u>		
B. Limited Obligation Bonds:			
Tax Increment Limited Obligation Bonds, Series 1997 (Wal-Mart)	\$ 200,000	5.68%	09/01/17
Tax Increment Financing Revenue Bond, Series 2005 (Byram Parkway Project)	253,000	5.34%	04/01/18
Tax Increment Financing Revenue Bond, Series 2008 (Byram Parkway Project)	<u>146,000</u>	4.96%	04/01/18
Total Limited Obligation Bonds	<u>\$ 599,000</u>		
C. Grant Obligations:			
Jackson Redevelopment Authority, City of Jackson, Hinds County, Mississippi Urban Renewal Bonds (Jackson Mall Area Project), Series 1998-A	<u>\$ 115,000</u>	4.1% to 5.70%	11/01/13
Total Grant Obligations	<u>\$ 115,000</u>		

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
D. Capital Leases:			
E-911 System	\$ 3,126,043	5.09%	03/15/17
Road Equipment	416,020	3.28%	08/25/13
Road Equipment	238,581	2.89%	11/01/16
Self-Contained Breathing Apparatus Equipment	254,678	0.00%	09/15/16
Coroner's Vehicle	10,365	2.85%	08/25/13
Sheriff's Vehicle	260,000	1.99%	09/15/15
Sheriff's Vehicle	20,688	2.54%	04/15/15
Sheriff's Vehicle	<u>20,688</u>	2.54%	04/15/15
Total Capital Leases	<u>\$ 4,347,063</u>		
E. Other Loans:			
MDA Energy Loan	\$ 137,458	3.50%	10/01/15
Unisys Computer Loan	<u>1,155,577</u>	1.63%	05/01/17
Total Other Loans	<u>\$ 1,293,035</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
2013	\$ 1,765,000	\$ 1,886,510	\$ 93,000	\$ 30,655
2014	1,760,000	1,825,610	96,000	25,599
2015	1,210,000	1,761,752	105,000	20,327
2016	1,485,000	1,703,622	113,000	14,589
2017	1,540,000	1,630,023	117,000	8,362
2018 - 2022	7,120,000	7,079,582	75,000	1,951
2023 - 2027	7,730,000	5,444,526	-	-
2028 - 2032	9,415,000	3,428,923	-	-
2033 - 2037	<u>8,345,000</u>	<u>1,014,339</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 40,370,000</u>	<u>\$ 25,774,887</u>	<u>\$ 599,000</u>	<u>\$ 101,483</u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

Year Ending September 30	Grant Obligations		Other Loans	
	Principal	Interest	Principal	Interest
2013	\$ 55,000	\$ 3,588	\$ 275,368	\$ 11,718
2014	60,000	1,230	276,917	18,540
2015	-	-	278,520	13,118
2016	-	-	231,115	7,660
2017	-	-	231,115	3,820
Total	\$ 115,000	\$ 4,818	\$ 1,293,035	\$ 54,856

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, 2012, the amount of outstanding debt was equal to 2.15% 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, 2012, \$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, 2012:

	Balance Oct. 1, 2011	Additions	Reductions	Balance Sept. 30, 2012	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,756,230	\$ -	\$ (260,143)	\$ 2,496,087	\$ 248,490
Claims and judgments payable	389,000	-	(47,000)	342,000	342,000
General obligation bonds	43,085,000	-	(2,715,000)	40,370,000	1,765,000
Deferred bond refunding charge	(222,636)	-	54,524	(168,112)	-
Limited obligation bonds	690,000	-	(91,000)	599,000	93,000
Grant obligations	170,000	-	(55,000)	115,000	55,000
Capital leases	5,029,029	345,787	(1,027,753)	4,347,063	1,200,194
Other loans	180,214	1,155,577	(42,756)	1,293,035	275,368
Total	\$ 52,076,837	\$ 1,501,364	\$ (4,184,128)	\$ 49,394,073	\$ 3,979,052

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, 2012

Component Unit

The debt outstanding at December 31, 2011 for the Hinds County Mental Health Commission, is as follows:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Revenue Bonds:			
Mississippi Hospital Equipment and Facilities Authority, Series 2006	<u>\$ 6,320,000</u>	5.30 to 6.10%	05/01/31
B. Other Loans:			
Loan Payable	<u>\$ 896,446</u>	7.00%	08/01/32

The Commission has pledged future county tax revenues, less any applicable permitted encumbrances, and project revenues for the clinical division, if necessary, to repay \$7,000,000 in Mississippi Hospital Equipment and Facilities Authority Revenue Bonds issued in 2006. Proceeds from the bonds provided financing for the capital improvements of the building that houses the clinical division. The bonds are payable through 2031. Annual principal and interest payments on the bonds are expected to require less than 50% of tax revenues.

Annual debt service requirements to maturity at December 31, 2011 for the following debt reported in the Hinds County Mental Health Commission's Statement of Net Assets are as follows:

<u>Year Ending</u>	<u>Revenue Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 175,000	\$ 375,042	\$ 19,950	\$ 62,070
2013	185,000	365,768	21,384	60,636
2014	195,000	355,962	22,920	59,100
2015	205,000	345,628	24,567	57,453
2016	220,000	333,840	26,333	55,687
2017-2021	1,300,000	1,175,075	162,917	247,183
2022-2026	1,725,000	1,033,950	230,493	179,607
2027-2031	2,315,000	440,420	326,271	83,829
2032	-	-	61,611	-
Total	<u>\$ 6,320,000</u>	<u>\$ 4,425,685</u>	<u>\$ 896,446</u>	<u>\$ 805,565</u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

The following is a summary of changes in long-term liabilities and obligations for the year ended December 31, 2011 for the Hinds County Mental Health Commission:

	Balance Jan. 1, 2011	Additions	Reductions	Balance Dec. 31, 2011	Amount Due Within One Year
Governmental Activities:					
Revenue bonds	\$ 6,490,000	\$ -	\$ (170,000)	\$ 6,320,000	\$ 175,000
Other loans	914,963	-	(18,517)	896,446	19,950
 Total	 <u>\$ 7,404,963</u>	 <u>\$ -</u>	 <u>\$ (188,517)</u>	 <u>\$ 7,216,446</u>	 <u>\$ 194,950</u>

(13) Derivative Instruments.

The County applies GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* (GASB 53) to the reporting of 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, 2012, 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.

Changes in Derivative Agreements - On March 10, 2011, the County entered into an amended and restated agreement with both of the below 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.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

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.

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.

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, 2012, the fair value of the transaction was a liability of \$744,310.

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.

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, 2012, the fair value of the transaction was a liability of \$744,178.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

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.

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 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.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

(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.

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) Related Organization.

The Hinds County Board of Supervisors is responsible for appointing a voting majority of the members of the Board of the Hinds County Livestock Commission, but the County's accountability for this organization does not extend beyond making the appointments. During the year, the County appropriated \$16,200 to this organization.

(16) 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 \$1,534,300 in fiscal year 2012. Complete financial statements for the Jackson-Hinds Library System can be obtained from the following address: 400 North State Street, Jackson, MS 39201.

(17) 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 revenues. The County appropriated \$47,785 for support of CMPDD in fiscal year 2012.

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 \$9,845,889 for maintenance and support of the College in fiscal year 2012.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2012

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 \$90,000 for support of the Agency in fiscal year 2012.

(18) 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, 2012, was 14.26% 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 ended September 30, 2012, 2011 and 2010 were \$3,563,981, \$3,338,353, and \$3,476,110, respectively, equal to the required contributions for each year.

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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 40,517,598	\$ 40,605,821	\$ 42,747,607	\$ 2,141,786
Licenses, commissions and other	2,169,520	2,206,870	2,379,084	172,214
Fines and forfeitures	1,135,500	1,108,150	1,315,246	207,096
Intergovernmental	4,332,400	4,456,154	4,607,311	151,157
Charges for services	4,084,509	4,109,315	3,915,931	(193,384)
Interest income	288,400	288,993	419,553	130,560
Miscellaneous	379,000	383,292	395,873	12,581
Total Revenues	<u>52,906,927</u>	<u>53,158,595</u>	<u>55,780,605</u>	<u>2,622,010</u>
EXPENDITURES				
Current:				
General government	23,984,389	24,164,600	23,768,115	396,485
Public safety	25,603,897	25,995,544	24,125,565	1,869,979
Public works	355,000	238,252	238,252	-
Health and welfare	2,012,006	1,974,843	1,895,736	79,107
Culture and recreation	50,460	60,460	49,252	11,208
Conservation of natural resources	325,316	327,345	294,336	33,009
Economic development and assistance	50,212	47,785	47,785	-
Debt service:				
Principal	2,566,004	2,511,004	2,566,004	(55,000)
Interest	41,308	41,308	29,185	12,123
Bond issuance costs	450	450	450	-
Total Expenditures	<u>54,989,042</u>	<u>55,361,591</u>	<u>53,014,680</u>	<u>2,346,911</u>
Excess of Expenditures over Revenues	<u>(2,082,115)</u>	<u>(2,202,996)</u>	<u>2,765,925</u>	<u>4,968,921</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	20,000	25,804	41,233	15,429
Compensation for loss of capital assets	50,000	87,354	56,045	(31,309)
Transfers in	2,122,758	2,003,924	2,004,475	551
Transfers out	(2,372,247)	(2,286,182)	(2,265,420)	20,762
Total Other Financing Sources (Uses)	<u>(179,489)</u>	<u>(169,100)</u>	<u>(163,667)</u>	<u>5,433</u>
Excess of Expenditures and Other Financing Sources (Uses) over Revenue and Other Financing Sources	<u>\$ (2,261,604)</u>	<u>\$ (2,372,096)</u>	2,602,258	<u>\$ 4,974,354</u>
FUND BALANCES				
Beginning of year			5,485,129	
End of year			<u>\$ 8,087,387</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, 2012

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 200,000	\$ 200,000	\$ 174,173	\$ (25,827)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>174,173</u>	<u>(25,827)</u>
EXPENDITURES				
Current:				
Public safety	2,000,000	2,000,000	-	2,000,000
Total Expenditures	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Excess of Expenditures over Revenues	<u>(1,800,000)</u>	<u>(1,800,000)</u>	<u>174,173</u>	<u>1,974,173</u>
OTHER FINANCING SOURCES				
Transfers out	3,000,000	3,000,000	-	(3,000,000)
Total Other Financing Sources	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>	<u>(3,000,000)</u>
Excess of Expenditures over Revenue and Other Financing Sources	<u>\$ 1,200,000</u>	<u>\$ 1,200,000</u>	174,173	<u>\$ (1,025,827)</u>
FUND BALANCES				
Beginning of year			11,871,883	
End of year			<u>\$ 12,046,056</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, 2012

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 and Tax 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 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 (Continued)
For the Year Ended September 30, 2012

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)	\$ 2,602,258	\$ 174,173
Increase (Decrease)		
Net adjustments for revenue accruals	(2,076,564)	-
Net adjustments for expenditure accruals	5,986,147	-
GAAP Basis	\$ 6,511,841	\$ 174,173

HINDS COUNTY, MISSISSIPPI
 Schedule of Funding Progress for the Retiree Health Plan
 For the Year Ended September 30, 2012

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%
2010-2011	-	1,283,238	1,283,238	0%	27,815,276	4.60%
2011-2012	-	1,450,938	1,450,938	0%	28,371,582	5.10%

HINDS COUNTY, MISSISSIPPI

SUPPLEMENTARY INFORMATION

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

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 Justice			
Justice Assistance Grant Program Cluster			
Passed through the Mississippi Bureau of Narcotics			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	091Y4052	\$ 198,904
Passed through the Mississippi Department of Safety			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to States and Territories	16.803	09ZD1251	70,573
Passed through the City of Jackson, Mississippi			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program/ Grants to Units of Local Government	16.804	2009-SB-B9-3222-H	111,814
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-DJ-BX-3320	<u>36,464</u>
Total U. S. Department of Justice			<u>417,755</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	130,196
Highway Planning and Construction	20.205	MS 024125	2,677,250
Highway Planning and Construction	20.205	N/A	78,200
Highway Planning and Construction	20.205	RSIP-0025(23)B	7,303
Highway Planning and Construction	20.205	MS107-025(1)B	16,313
Highway Planning and Construction	20.205	SRSP-0025-00(70)	2,410
Highway Planning and Construction	20.205	STP-7314-00(20)LPA 105277-701000	<u>34,299</u>
Total U.S. Department of Transportation			<u>2,945,971</u>
Total Expenditures of Major Federal Awards			<u>3,363,726</u>
OTHER FEDERAL AWARDS			
U. S. Department of Health and Human Services			
Passed through the Mississippi Department of 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	377L21	26,821
Passed through the Mississippi Emergency Management Agency			
Child Support Enforcement	93.563	93.UN	<u>27,390</u>
Total U.S. Department of Health and Human Services			<u>54,211</u>
U.S. Department of Housing and Urban Development			
Passed through Mississippi Development Authority			
Community Development Block Grants	14.228	R-103-025-01-KED	<u>2,500</u>
Total U.S. Department of Housing and Urban Development			<u>2,500</u>

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
OTHER FEDERAL AWARDS (Continued)			
Office of National Drug Control Policy			
Passed through the Gulf Coast HIDTA			
High Intensity Drug Trafficking Area Award	07.UN	G11GC0003A	\$ 34,469
High Intensity Drug Trafficking Area Award	07.UN	G10GC0003A	<u>61,585</u>
Total Office of National Drug Control Policy			<u>96,054</u>
U.S. Department of Agriculture			
Passed through the Mississippi Department of Education			
National School Lunch Program	10.555	N/A	<u>65,112</u>
Total U.S. Department of Agriculture			<u>65,112</u>
U.S. Department of Justice			
Direct			
Federal equitable sharing program	16.UN	N/A	84,067
Passed through the Mississippi Department of Public Safety			
Juvenile Accountability Block Grants	16.523	08JB1251	99,434
Crime Victim Assistance	16.575	11XA1251	10,321
Crime Victim Assistance	16.575	10VA1251	23,884
Stop Violence Against Women Formula Grants	16.588	11SL1251	7,781
Stop Violence Against Women Formula Grants	16.588	10SL1251	21,288
Passed through the Mississippi Bureau of Narcotics (MBN)			
Public Safety Partnership and Community Policing Grants	16.710	2010CKWX0060	21,225
Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>5,313</u>
Total U. S. Department of Justice			<u>273,313</u>
U.S. Department of Transportation			
Passed through the City of Jackson, Mississippi			
State and Community Highway Safety	20.600	12OP1251	10,294
Passed through the Mississippi Department of Public Safety			
Alcohol Open Container Requirements	20.607	12TA1251	<u>177,416</u>
Total U.S. Department of Transportation			<u>187,710</u>
U.S. Department of Energy			
Direct			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	09RW000351	<u>77,973</u>
Total U.S. Department of Energy			<u>77,973</u>

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2012

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	\$ 41,795
Total U.S. Election Commission Assistance			<u>41,795</u>
U. S. Department of Homeland Security			
Passed through the Mississippi Department of Homeland Security			
Homeland Security Grant Program	97.067	09LE025	180
Homeland Security Grant Program	97.067	09HS025	600
Homeland Security Grant Program	97.067	10LE025	24,672
Homeland Security Grant Program	97.067	10CC025	10,934
Homeland Security Grant Program	97.067	11LE025	48,668
Pass through the Mississippi Emergency Management Agency			
Emergency Management Performance Grants	97.042	97.UN	12,916
Disaster Grant - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4081-DR-MS	109,439
Total U. S. Department of Homeland Security			<u>207,409</u>
U.S. Environmental Protection Agency			
Direct			
Congressionally Mandated Projects	66.202	XP95471011-0	42,910
Total U.S. Environmental Protection Agency			<u>42,910</u>
Total Expenditures of Other Federal Awards			<u>1,048,987</u>
Total Expenditures of Federal Awards			<u>\$ 4,412,713</u>

HINDS COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

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, 2012, there were \$2,304,292 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, 2012.

HINDS COUNTY, MISSISSIPPI

OTHER INFORMATION

HINDS COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2012

Name	Position	Company	Bond
Robert Graham	Supervisor District 1	Western Surety Co.	\$ 100,000
Doug Anderson	Supervisor District 2	Old Republic Surety Co.	100,000
Peggy Calhoun	Supervisor District 3	Western Surety Co.	100,000
Phil Fisher	Supervisor District 4	Travelers Casualty and Surety Co. of America	100,000
Kenneth Stokes	Supervisor District 5	Western Surety Co.	100,000
Carmen Davis	County Administrator	Travelers Casualty and Surety Co. of America	100,000
Eddie Jean Carr	Chancery Clerk	Western Surety Co.	100,000
Timothy Lewis	Purchase Clerk	Travelers Casualty and Surety Co. of America	75,000
Shelia King	Assistant Purchase Clerk	Travelers Casualty and Surety Co. of America	50,000
Chantey Broome	Assistant Purchase Clerk	Travelers Casualty and Surety Co. of America	50,000
Latasha Jackson	Assistant Purchase Clerk	Travelers Casualty and Surety Co. of America	50,000
Lillie Woods	Receiving Clerk	Travelers Casualty and Surety Co. of America	75,000
Kimblar McLaurin	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Lina Bennett	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Lavonne Berryhill	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Kenisha Calvin	Deputy Tax Collector	Western Surety Co.	50,000
Connie Cockran	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Angela Cook	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Nikia Felton	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Toni Flanagan	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Ann Giles	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Larry Grant	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Joann Gray	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Fay Harrington	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Regina Hill	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Ruth Kelly	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Sharon Kyle	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Genolia Lindsey	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Stephanie Meachum	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Joseph Perkins	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Deborah Pierce	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Cheryl Reece	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Linda Robinson	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Earline Samuel	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
LaTonya Sturgis	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Shelia Taylor	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Angela Thomason	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Audrey Thrasher	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Mary Tory	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Tabetha Ward	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Gloria Wilson	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Michelle Wright	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Denise Peyton	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
James Ingram	Inventory Control Clerk	Travelers Casualty and Surety Co. of America	75,000
Michael Johnson	Assistant Inventory Control Clerk	Travelers Casualty and Surety Co. of America	50,000
Carl Frelix	Road Manager	Travelers Casualty and Surety Co. of America	50,000
John Brown	Constable	Western Surety Co.	50,000
Bennie Buckner	Constable	Western Surety Co.	50,000
Lawrence Funchess	Constable	Travelers Casualty and Surety Co. of America	50,000
Jon Lewis	Constable	Western Surety Co.	50,000
Jerry Moore	Constable	Travelers Casualty and Surety Co. of America	50,000
Barbara Dunn	Circuit Clerk	Brierfield Insurance Co.	100,000

HINDS COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials (Continued)
For the Year Ended September 30, 2012

Name	Position	Company	Bond
Tyrone Lewis	Sheriff	Western Surety Co.	\$ 100,000
Frank Sutton	Justice Court Judge	Western Surety Co.	50,000
Ivory Britton	Justice Court Judge	EMC Insurance Companies	50,000
James Morton	Justice Court Judge	Old Republic Surety Co.	50,000
Pearlie Owens	Justice Court Judge	Western Surety Co.	50,000
Donald Palmer	Justice Court Judge	Travelers Casualty and Surety Co. of America	50,000
Patricia Woods	Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Jephthah Amos	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Robert Amos	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Lakisha Armon	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Dolise Brown	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Shirley Harper	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Cheryl Keeler	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Natasha Thompson	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Harold Mayberry	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Alexandria McDaniels	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Sharon Young	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Courtney Smith	Deputy Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Eddie Fair	Tax Collector	Western Surety Co.	100,000
Charles Stokes	Tax Assessor	Old Republic Surety Co.	50,000

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, 2012, which collectively comprise its basic financial statements and have issued our report thereon dated June 27, 2013, which contained explanatory paragraphs regarding a departure from accounting principles generally accepted in the United States of America, an adverse opinion on discretely presented component units and a reference to the reports of other accountants. 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. Other accountants audited the financial statements of the Hinds County Economic Development Authority and the Hinds County Mental Health Commission, as described in our report on the County's financial statements. This report does not include the results of the other accountants' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those accountants.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective 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 was not designed to 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 12-01, 12-02, and 12-03 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 separate letters dated June 27, 2013.

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 and 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, LLC

Jackson, Mississippi
June 27, 2013

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, 2012. 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, 2012.

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.

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, LLC

Jackson, Mississippi
June 27, 2013

**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 examined Hinds County, Mississippi's (the County) compliance with 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) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2012. The Board of Supervisors of Hinds County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements 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 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 results of our audit procedures disclosed certain material instances of noncompliance with the aforementioned code sections. 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 Purchases Not Made from the Lowest Bidder should include all purchases made from the other than lowest bidder under the authority of Section 31-7-13(d)(i) during the fiscal year. Per Section 31-7-13(d)(i), "if any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid." No agency or governing authority shall accept a bid based on items not included in the specifications. The schedule originally provided excluded two such purchases noted as a result of other test work. The purchases were also not approved in the minutes of the Board of Supervisors.

Recommendation

Purchases made from the other than lowest bidder under the authority of Section 31-7-13(d) should be properly accumulated and presented in the accompanying schedule in compliance with Section 31-7-115.

Purchase Clerk's Response

The Purchase Clerk will assure all purchases not made from the lowest bidder under the authority of Section 31-7-13 (d)(i) are properly accumulated and presented in the accompanying schedule in compliance with Section 31-7-115.

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 for the year ended September 30, 2012.

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.

Hinds County's response to the finding included in this report was not audited, and, accordingly, we express no opinion on it.

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, LLC

Jackson, Mississippi
June 27, 2013

HINDS COUNTY, MISSISSIPPI
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2012

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>
06/04/12	HVAC unit	\$37,136.00	Star Service, Inc.	\$33,844.50	Winning bid wanted to use new refrigerant lines that were compatible with new HVAC unit. Lowest bidder wanted to use old lines which might not have been compatible.
09/04/12	Materials and supplies	\$30,784.55	Westower Communications	\$7,200.00	Winning bid was able to provide all services requested in the quotation. Lowest bidder was not.

HINDS COUNTY, MISSISSIPPI
Schedule of Emergency Purchases
For the Year Ended September 30, 2012

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
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None noted.

HINDS COUNTY, MISSISSIPPI
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2012

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
08/06/12	AED Lifepak 1000	\$97,611.70	Physio Control, Inc.
08/06/12	Emergency Management Network Satellite Package	\$3,094.00	Communication Laboratories
08/06/12	Promotional items from National	\$8,443.50	National Association of Town Watch

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, 2012, we considered the County'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 the County'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 27, 2013, 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 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 three of the five supervisors for the fiscal year ended September 30, 2012.

Recommendation

Each member of the Board of Supervisors should inspect all roads and bridges under the jurisdiction of the County 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 under the jurisdiction of the County 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.

Chancery Court Clerk

1. Finding

In accordance with Section 9-1-43, expenses deducted on the annual report filed by April 15 of each year must be expenses allowed as deduction by Schedule C of the Internal Revenue Code. This code states that reimbursed expenses for mileage must have a proper business purpose. We noted during review of fifteen expense items from the annual report, one item for mileage expense reimbursement included several items where a proper business purpose was not documented on the expense report.

Recommendation

The Chancery Court Clerk should ensure the proper business purpose is documented for all expenses in accordance with Schedule C of the Internal Revenue Code and with Section 9-1-43.

Chancery Court Clerk's Response

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

Circuit Court Clerk

1. 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.

2. Finding

In accordance with Section 9-1-43, expenses deducted on the annual report filed by April 15 of each year must be expenses allowed as deduction by Schedule C of the Internal Revenue Code. We noted during review of fifteen expense items from the annual report, one item was not properly supported by underlying documentation, i.e. receipt/invoice, and a second item was a donation, which is unallowable as a Schedule C expense.

Recommendation

The Circuit Court Clerk should ensure the proper documentation is maintained for expenses and only allowable expenses are incurred in accordance with Section 9-1-43.

Circuit Court Clerk's Response

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

The County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

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, LLC

Jackson, Mississippi
June 27, 2013

HINDS COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2012

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. | The independent accountant's report on internal control over financial reporting disclosed: | |
| | a. Significant deficiencies? | None Reported |
| | b. Material weaknesses? | Yes |
| 3. | Noncompliance considered material to the financial statements was disclosed by the audit? | No |

Federal Awards:

- | | | |
|----|---|---------------|
| 4. | The independent accountant's report on internal control over compliance with requirements that could have a direct and material effect on major federal award programs disclosed: | |
| | a. Significant deficiencies? | None Reported |
| | b. Material weaknesses? | No |
| 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? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Department of Justice Cluster | |
| | Edward Byrne Memorial Justice Assistance Grant Program | 16.738 |
| | ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories | 16.803 |
| | ARRA - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government | 16.804 |
| | b. Highway Planning and Construction Cluster | |
| | Highway Planning and Construction | 20.205 |

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended September 30, 2012

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?	No

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

Reference Number	Finding
12-01	<p style="text-align: center;">Design Deficiency – Monitoring (Material Weakness)</p> <p>Criteria or Specific Requirement - The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition - As reported in the prior year audit report, the Circuit Court Clerk’s record keeping system and accounting processes/procedures do not allow for reconciliation between the daily deposits as posted in the system and the deposit slip or bank statement or between the bank statement to the distribution of cash in order to properly maintain records for amounts held in custody of others. Additionally, there is a lack of segregation of duties associated with cash receipts and the associated record keeping. Finally, many of the accounting functions are handled by a third-party CPA firm whose work is not reviewed by anyone in the Circuit Clerk’s office for proper recording, which has resulted in an unreconciled balance between the general ledger (fee journal) and the bank statement.</p> <p>Effect - 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>Cause - There are no procedures in place such as a monthly review and reconciliation of the bank statement to the distribution of cash, the daily cash receipts with amounts deposited to the bank, and the third-party CPA’s processing of items and reconciliation of bank statements.</p> <p>Recommendation - The Circuit Court Clerk should regularly reconcile the bank statement to the distribution of cash, the daily cash receipts with amounts deposited to the bank, and review the third-party CPA’s processing of items and reconciliation of bank statements. Additionally, the Circuit Court Clerk should segregate the cash receipts and record keeping functions.</p>

HINDS COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2012

Reference Number	Finding
	<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>
12-02	<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 component units to be reported with the financial data of the primary entity unless the entity also issues financial statements for the financial reporting entity that includes the financial data for the legally separate component units. However, during 2012, the County did not report a material portion of the financial data of one of its component units due to the fact that a major fund was omitted from the audited financial statements of the Hinds County Mental Health Commission, resulting in an adverse opinion on the audited financial statements of the component unit.</p> <p><i>Effect</i> - The failure to properly follow accounting principles generally accepted in the United States of America resulted in an adverse opinion on the discretely presented component units.</p> <p><i>Cause</i> - The Hinds County Mental Health Commission’s audited financial statements for the year ended December 31, 2011 contained an adverse opinion for the omission of a major enterprise fund. Further, the County has not developed procedures to require its legally separate component units to be audited in their entirety in compliance with accounting principles generally accepted in the United States of America.</p> <p><i>Recommendation</i> - The County should evaluate the costs and benefits of requiring its legally separate component units to be audited in compliance with accounting principles generally accepted in the United States of America.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> - The County will evaluate the cost and benefits of requiring its legally separate component units to be audited in compliance with accounting principles generally accepted in the United States of America and, if not audited in accordance with accounting principles generally accepted in the United States of America, determine appropriate actions to be taken, if any.</p>

HINDS COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2012

Reference Number	Finding
12-03	<p style="text-align: center;">Design Deficiency – Monitoring (Material Weakness)</p> <p>Criteria or Specific Requirement - The County is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p>Condition - 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> <p>It does not appear that anyone in County management understands and is able to quantify the amount of financial risk these instruments pose to the County.</p> <p>Effect - 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>Cause - The County has not established procedures and provided training to its personnel to monitor and evaluate these agreements.</p> <p>Recommendation - The County should implement procedures to monitor the agreements, verify the calculations submitted by the independent third party, and report the status regularly to management and the Board of Supervisors.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The County will consider the costs and benefits of obtaining the proper training for personnel to monitor these agreements, verify calculations, 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

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

HINDS COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

HINDS COUNTY, MISSISSIPPI
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2012

Reference Number	Summary of Finding	Status
None		