

**Hinds County, Mississippi**  
**Audited Financial Statements and**  
**Special Reports**  
**For the Year Ended September 30, 2009**



HINDS COUNTY, MISSISSIPPI

TABLE OF CONTENTS

<b>Independent Accountants' Report on Financial Statements and Supplementary Information</b>	<b>3</b>
<b>Financial Statements:</b>	
Statement of Net Assets	5
Statement of Activities	6
Balance Sheet – Governmental Funds	7
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	8
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	9
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statement of Fiduciary Obligations	12
Notes to Financial Statements	13
<b>Required Supplementary Information:</b>	
Budget Comparison Schedule – Budget and Actual (Non-GAAP Basis)	
General Fund	36
Series 2007B Taxable Bonds (Parking Garage)	37
Notes to the Budgetary Comparison Schedules	38
Schedule of Funding Progress for the Retiree Health Plan	40
<b>Supplementary Information:</b>	
Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards	44
<b>Special Reports:</b>	
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 <i>Government Auditing Standards</i>	45
Independent Accountants' Report on Compliance and Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs	47
Independent Accountants' Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules [Required by Section 31-7-115, Miss. Code Ann. (1972)]	49
Schedule 1 - Schedule of Purchases Not Made From the Lowest Bidder	52
Schedule 2 - Schedule of Emergency Purchases	53
Schedule 3 - Schedule of Purchases Made Noncompetitively From a Sole Source	54
Limited Internal Control and Compliance Review Management Report	55
Schedule of Findings and Questioned Costs	59
Auditee's Corrective Action Plan	68
Summary Schedule of Prior Audit Findings	69

**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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the omission of the discretely presented component units, as discussed previously, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Hinds County, Mississippi as of September 30, 2009, and the respective changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Hinds County, Mississippi as of September 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 10, the County changed its method of accounting for other postemployment benefit obligations and adopted the provisions of GASB Statement No. 45 in the fiscal year ended September 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2010, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report

is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

June 24, 2010

**HINDS COUNTY, MISSISSIPPI**

**FINANCIAL STATEMENTS**

HINDS COUNTY, MISSISSIPPI  
Statement of Net Assets  
September 30, 2009

Exhibit 1

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 36,357,167
Property tax receivable	45,979,330
Fines receivable (net of allowance for uncollectibles of \$11,102,541)	533,515
Loan receivable	1,744,648
Capital leases receivable	1,681,150
Intergovernmental receivables	2,028,250
Other receivables	1,567,981
Prepaid items	190,274
Deferred charge - issuance cost	673,839
Capital assets, net	<u>114,113,079</u>
Total Assets	<u>204,869,233</u>
<b>LIABILITIES</b>	
Claims payable	4,041,528
Amounts held in custody for others	2,019,942
Intergovernmental payables	3,600,987
Matured bonds and interest payable	18,459
Accrued interest payable	117,828
Deferred and unearned revenue	49,424,589
Postemployment benefit obligation	222,030
Long-term liabilities	
Due within one year:	
Capital debt	3,919,808
Noncapital debt	1,334,662
Claims and judgments payable	566,667
Tax anticipation note payable	1,500,000
Due in more than one year:	
Capital debt	46,824,104
Noncapital debt	9,278,215
Claims and judgments payable	<u>920,666</u>
Total Liabilities	<u>123,789,485</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	80,482,629
Restricted:	
Expendable:	
General government	79,328
Public safety	4,452,499
Public works	768,766
Health and welfare	427,830
Culture and recreation	158,437
Economic development	44,724
Other purposes	120,449
Unrestricted	<u>(5,454,914)</u>
Total Net Assets	<u>\$ 81,079,748</u>

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

HINDS COUNTY, MISSISSIPPI  
Statement of Activities  
For the Year Ended September 30, 2009

Exhibit 2

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Primary Government
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:			Capital Grants and Contributions <td>Governmental Activities</td>	Governmental Activities
General government	\$ 26,314,538	\$ 3,704,884	\$ -	\$ (22,019,628)
Public safety	31,725,894	5,579,250	2,565,738	(23,580,906)
Public works	12,413,123	2,540	2,601,162	(7,111,293)
Health and welfare	3,331,682	-	1,185,606	(2,146,076)
Culture and recreation	1,632,523	68,767	-	(1,514,855)
Conservation of natural resources	819,488	-	48,901	(819,488)
Economic development and assistance	965,353	-	-	(962,969)
Interest on long-term debt	2,845,379	-	-	(2,845,379)
Total Governmental Activities	80,047,980	9,355,441	6,944,916	(61,000,594)
Total Primary Government	\$ 80,047,980	\$ 9,355,441	\$ 2,747,029	(61,000,594)
General revenues:				
Property taxes				51,816,110
Road and bridge privilege taxes				2,572,970
Grants and contributions not restricted to specific programs				4,491,201
Unrestricted interest income				523,978
Proceeds of interest rate swap				843,300
Miscellaneous				940,650
Total General Revenues				61,188,209
Change in Net Assets prior to transfer				187,615
Transfer of roads and bridges to incorporated cities				(2,350,724)
Changes in Net Assets				(2,163,109)
Net Assets - Beginning				83,242,857
Net Assets - Ending				\$ 81,079,748

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

HINDS COUNTY, MISSISSIPPI  
Balance Sheet - Governmental Funds  
September 30, 2009

Exhibit 3

	Major Funds				Total Governmental Funds
	General Fund	Taxable Bonds (Parking Garage) Fund	Other Governmental Funds		
<b>ASSETS</b>					
Cash	\$ 5,426,668	\$ 12,349,061	\$ 18,581,438	\$ 36,357,167	
Property tax receivable	34,223,000	-	11,756,330	45,979,330	
Fines receivable (net of allowance for uncollectibles of \$11,102,541)	533,515	-	-	533,515	
Capital lease receivable	-	-	1,681,150	1,681,150	
Intergovernmental receivables	1,347,625	-	680,625	2,028,250	
Other receivables	1,567,811	-	170	1,567,981	
Due from other funds	-	-	364,210	364,210	
Advances to other funds	564,200	-	-	564,200	
Prepaid items	190,274	-	-	190,274	
<b>Total Assets</b>	<b>\$ 43,853,093</b>	<b>\$ 12,349,061</b>	<b>\$ 33,063,923</b>	<b>\$ 89,266,077</b>	

**LIABILITIES AND FUND BALANCES**

<b>Liabilities:</b>				
Claims payable	\$ 1,534,901	\$ -	\$ 2,506,627	\$ 4,041,528
Amounts held in custody for others	2,019,942	-	-	2,019,942
Intergovernmental payables	3,600,987	-	-	3,600,987
Due to other funds	364,210	-	-	364,210
Advances from other funds	-	-	564,200	564,200
Matured bonds and interest payable	-	-	18,459	18,459
Deferred and unearned revenue	34,562,434	-	15,201,589	49,764,023
<b>Total Liabilities</b>	<b>42,082,474</b>	<b>-</b>	<b>18,290,875</b>	<b>60,373,349</b>
<b>Fund balances:</b>				
Reserved for:				
Debt service	-	-	100,821	100,821
Advances	564,200	-	-	564,200
Unreserved, reported in:				
General Fund	1,206,419	-	-	1,206,419
Special Revenue Funds	-	-	6,220,923	6,220,923
Capital Project Funds	-	12,349,061	8,451,304	20,800,365
<b>Total Fund Balances</b>	<b>1,770,619</b>	<b>12,349,061</b>	<b>14,773,048</b>	<b>28,892,728</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 43,853,093</b>	<b>\$ 12,349,061</b>	<b>\$ 33,063,923</b>	<b>\$ 89,266,077</b>

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, 2009

Exhibit 3-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 28,892,728
Amounts reported for governmental services in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$79,758,432.	114,113,079
Other long-term assets, such as loan receivable, are not available to pay for current period expenditures and, therefore, are not reported in the funds.	1,744,648
Other long-term assets, such as fines receivable, are not available to pay for current period expenditures and, therefore, are deferred in the funds.	339,434
Long-term liabilities are not due and payable in the current period and, therefore, not reported in the funds.	(64,344,122)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(117,828)
Postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(222,030)
Deferred issuance cost on refunding bond issue. Bond issuance costs are expensed in funds and amortized in government-wide statements.	<u>673,839</u>
Total Net Assets - Governmental Activities	<u>\$ 81,079,748</u>

HINDS COUNTY, MISSISSIPPI

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2009

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	Taxable Bonds (Parking Garage) Fund	Other Governmental Funds		
<b>REVENUES</b>					
Property taxes	\$ 38,125,128	\$ -	\$ 13,687,330	\$	51,812,458
Road and bridge privilege taxes	-	-	2,572,970		2,572,970
Licenses, commissions and other	2,514,191	-	90,787		2,604,978
Fines and forfeitures	1,111,830	-	189,559		1,301,389
Intergovernmental	6,015,204	-	6,909,112		12,924,316
Charges for services	3,378,525	-	3,371,509		6,750,034
Interest income	188,178	94,547	241,253		523,978
Miscellaneous	536,797	-	395,729		932,526
<b>Total Revenues</b>	<b>51,869,853</b>	<b>94,547</b>	<b>27,458,249</b>		<b>79,422,649</b>
<b>EXPENDITURES</b>					
Current:					
General government	25,679,314	-	852,595		26,531,909
Public safety	27,835,839	427,508	7,400,644		35,663,991
Public works	46	-	14,662,131		14,662,177
Health and welfare	2,243,981	-	1,206,845		3,450,826
Culture and recreation	72,052	-	2,102,578		2,174,630
Conservation of natural resources	819,486	-	-		819,486
Economic development and assistance	52,352	-	2,657,649		2,710,001
Debt service:					
Principal	312,183	-	4,619,814		4,931,997
Interest	24,100	-	2,892,672		2,916,772
<b>Total Expenditures</b>	<b>57,039,353</b>	<b>427,508</b>	<b>36,394,928</b>		<b>93,861,789</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(5,169,500)</b>	<b>(332,961)</b>	<b>(8,936,679)</b>		<b>(14,439,140)</b>

HINDS COUNTY, MISSISSIPPI

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Continued)  
For the Year Ended September 30, 2009

Exhibit 4

	Major Funds				Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds (Parking Garage) Fund	Other Governmental Funds		
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued	\$ 300,000	\$ -	\$ 3,748,944	\$	4,048,944
Tax anticipation notes issued	1,500,000	-	-	-	1,500,000
Proceeds from sale of capital assets	13,336	-	-	-	13,336
Proceeds of interest rate swap	-	-	843,354	-	843,354
Transfers in	1,275,024	-	1,086,964	-	2,361,988
Transfers out	(870,781)	-	(1,491,207)	-	(2,361,988)
Other sources	82,223	-	-	-	82,223
<b>Total Other Financing Sources and Uses</b>	<b>2,299,802</b>	<b>-</b>	<b>4,188,055</b>	<b>-</b>	<b>6,487,857</b>
<b>Net Change in Fund Balances</b>	<b>(2,869,698)</b>	<b>(332,961)</b>	<b>(4,748,624)</b>	<b>(7,951,283)</b>	
<b>Fund Balances - Beginning</b>	<b>4,640,317</b>	<b>12,682,022</b>	<b>19,521,672</b>	<b>36,844,011</b>	
<b>Fund Balances - Ending</b>	<b>\$ 1,770,619</b>	<b>\$ 12,349,061</b>	<b>\$ 14,773,048</b>	<b>\$ 28,892,728</b>	

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, 2009

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (7,951,283)
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 \$13,116,176 exceeded depreciation of \$5,270,701 and adjustments of \$582,747 in the current period.	7,262,728
Governmental Funds report Katrina CDBG Loan payments as expenditures. However, the payments are reflected as a loan receivable and not reported in the Statement of Activities.	1,744,648
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 \$110,237, the transfer of roads to incorporated cities of \$2,350,724 and the proceeds from the sale of capital assets of \$13,336 in the current period.	(2,474,297)
Fines revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full accrual basis of accounting.	(2,394)
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 \$5,548,944 exceeded repayments of \$4,931,997.	(616,947)
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 increase in compensated absences	(541,594)
The amount of increase in postemployment benefit obligation	(222,030)
The amount of decrease in accrued interest payable	236,686
The amount of decrease in claims and judgments payable	566,667
The amortization of deferred bond refunding loss	(54,524)
The amortization of issuance cost on bonds	<u>(110,769)</u>
Change in Net Assets of Governmental Activities	<u>\$ (2,163,109)</u>

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

HINDS COUNTY, MISSISSIPPI  
Statement of Fiduciary Obligations  
September 30, 2009

Exhibit 5

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 1,166,006
Other receivables	279,699
Total Assets	<u>\$ 1,445,705</u>
<b>LIABILITIES</b>	
Other liabilities	\$ 1,138,118
Intergovernmental payables	307,587
Total Liabilities	<u>\$ 1,445,705</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, 2009

(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.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationship with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in conformity with accounting principles generally accepted in the United States of America.

- Hinds County Economic Development District
- Rankin/Hinds Pearl River Flood and Drainage Control District
- Hinds County Mental Health Commission

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

- Board of Supervisors
- Chancery Clerk
- Circuit Court Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

**B. Basis of Presentation.**

The County's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities and fund financial statements, which provide a detailed level of financial information.

**Government-wide Financial Statements:**

The Statement of Net Assets and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2009

activities. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

The Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency Funds have no measurement focus, but use the accrual basis of accounting.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues, and deferred where applicable, in the current fiscal period.

The County reports the following major Governmental Funds:

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

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

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2009

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

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

FIDUCIARY FUND TYPES

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2005 by the Government Finance Officers Association.

E. Use of Estimates.

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

F. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements. However, the County did not make any investments during the fiscal year.

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

**HINDS COUNTY, MISSISSIPPI**  
Notes to Financial Statements  
For the Year Ended September 30, 2009

**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, 2009, was \$110,769.

**I. Interfund Transactions and Balances.**

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable Governmental Funds to indicate that they are not available for appropriation and are not expendable available financial resources. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

**J. Prepaid Items.**

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

**K. Capital Assets.**

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

Governmental accounting and financial reporting standards require governments meeting certain criteria to report major general infrastructure assets. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

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

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

**L. Long-term Liabilities.**

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

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

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

**M. Equity Classifications.**

**Government-wide Financial Statements:**

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

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

Restricted net assets - Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation. The County first applies restricted net assets when an expenditure or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2009

Unrestricted net assets - All other net assets not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

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

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

N. Property Tax Revenues.

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

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

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

O. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

P. Compensated Absences.

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

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2009

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 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement is effective for the fiscal year ending September 30, 2010. Earlier application is encouraged. The guidance in this statement will require governments to measure derivative instruments at fair value in their economic resources measurement focus financial statements. The changes in fair value of hedging derivative instruments do not affect investment revenue but are reported as deferrals. On the other hand, the changes in fair value of investment derivative instruments (which include ineffective hedging derivative instruments) are reported as part of investment revenue in the current reporting period. Although management has not evaluated the impact of this statement on the County's financial statements, given the nature of the County's involvement in interest rate swaps, the potential impact could be substantial.

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

S. Operating Leases.

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

(2) Changes in Accounting Standards.

For the fiscal year ended September 30, 2009, the County implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The provisions of these standards have been incorporated in Note 10.

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2009, was \$37,503,968 (including Agency Funds and excluding petty cash of \$19,205), and the bank balance was \$42,212,088. 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

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

Investments:

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

(4) **Interfund Transactions and Balances.**

The following is a summary of interfund balances at September 30, 2009:

A. **Due From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	<u>\$ 364,210</u>

The receivables represent the tax revenue collected but not settled until October 2009. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. **Advances From/To Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental Funds	<u>\$ 564,200</u>

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.

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,275,024
Other Governmental Funds	General Fund	870,781
Other Governmental Funds	Other Governmental Funds	<u>216,183</u>
Total		<u>\$ 2,361,988</u>

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

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2009, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 753,212
Reimbursement for housing prisoners	356,320
Public Safety grants	210,153
Public Works grants	455,474
Other	<u>253,091</u>
Total governmental activities	<u>\$ 2,028,250</u>

(6) Loan Receivable.

The County's loan receivable balance at September 30, 2009, 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	\$ 1,744,648

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

(7) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2009:

	Balance 10/01/08	Additions	Deletions	Transfers*	Adjustments**	Balance 09/30/09
<b>Nondepreciable capital assets:</b>						
Land	\$ 1,378,804	\$ 148,374	\$ -	\$ -	\$ -	\$ 1,527,178
Construction in progress	15,711,275	8,453,018	-	(12,398,177)	(196,295)	11,569,821
Total nondepreciable capital assets	<u>17,090,079</u>	<u>8,601,392</u>	<u>-</u>	<u>(12,398,177)</u>	<u>(196,295)</u>	<u>13,096,999</u>
<b>Depreciable capital assets:</b>						
Infrastructure	85,471,613	857,688	-	(4,680,370)	(392,358)	81,256,573
Buildings	43,785,051	300,000	-	11,474,440	-	55,559,491
Improvements other than buildings	10,322,523	38,624	-	923,737	(7,777)	11,277,107
Mobile equipment	15,159,865	1,387,381	(394,501)	-	-	16,152,745
Furniture and equipment	4,485,356	305,366	(28,657)	-	-	4,762,065
Leased property under capital leases	10,160,394	1,625,725	(19,588)	-	-	11,766,531
Total depreciable capital assets	<u>169,384,802</u>	<u>4,514,784</u>	<u>(442,746)</u>	<u>7,717,807</u>	<u>(400,135)</u>	<u>180,774,512</u>
<b>Less accumulated depreciation for:</b>						
Infrastructure	(43,786,535)	(1,776,182)	-	2,329,646	6,904	(43,226,167)
Buildings	(13,392,379)	(1,062,127)	-	-	-	(14,454,506)
Improvements other than buildings	(3,578,789)	(406,613)	-	-	933	(3,984,469)
Mobile equipment	(11,228,005)	(865,900)	285,777	-	-	(11,808,128)
Furniture and equipment	(3,700,230)	(267,624)	26,344	-	5,846	(3,935,664)
Leased property under capital leases	(1,464,295)	(892,255)	7,052	-	-	(2,349,498)
Total accumulated depreciation	<u>(77,150,233)</u>	<u>(5,270,701)</u>	<u>319,173</u>	<u>2,329,646</u>	<u>13,683</u>	<u>(79,758,432)</u>
Total depreciable capital assets, net	<u>92,234,569</u>	<u>(755,917)</u>	<u>(123,573)</u>	<u>10,047,453</u>	<u>(386,452)</u>	<u>101,016,080</u>
Governmental activities capital assets, net	<u>\$ 109,324,648</u>	<u>\$ 7,845,475</u>	<u>\$ (123,573)</u>	<u>\$ (2,350,724)</u>	<u>\$ (582,747)</u>	<u>\$ 114,113,079</u>

\* Transfers represent construction-in-progress costs transferred due to project completion during the year ended September 30, 2009. Additionally, these amounts represent the transfer of roads and bridges to incorporated cities recognized in the Statement of Activities during the year ended September 30, 2009.

\*\* Adjustments are the effect of cumulative corrections to cost and accumulated depreciation on various capital assets of the County.

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 277,421
Public safety	2,615,077
Public works	2,208,253
Health and welfare	138,610
Culture and recreation	31,340
Total governmental activities depreciation expense	\$ 5,270,701

Commitments with respect to unfinished capital projects at September 30, 2009, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Byram-Clinton Corridor	\$ 925,363	12/31/13
Byram Swinging Bridge	25,850	12/31/10
John Bell Williams Airport	89,425	06/30/10
Mid Point Park	134,912	06/30/10
Buck Williams Road Bridge	24,714	03/31/10
Davis Lane Bridge	9,077	12/31/09
Military Road Bridge	91,410	09/30/10
Small town road upgrades	81,752	12/31/10
Tommy Ford Road Bridge	119,187	09/30/10
Raymond Courthouse	66,900	12/31/10
	\$ 1,568,590	

(8) **Claims and Judgments.**

**Risk Financing:**

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2009 to December 31, 2009. 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

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

against loss in these areas with commercial insurance coverages of \$1,000,000 to \$2,000,000 and retention deductibles ranging from \$10,000 to \$75,000.

The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization, with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The County had no year-end liability because cash on deposit in the risk pool approximated the pool's accrued unpaid claims.

Settled claims did not exceed insurance coverage for the fiscal years ended September 30, 2008 or September 30, 2009. For the year ended September 30, 2007, settled claims exceeded commercial coverage by \$2,000,000. The Government-wide Statement of Net Assets as of September 30, 2009 presents a liability of \$1,487,333 representing unpaid judgments and estimated future settlements.

(9) **Capital Leases.**

As Lessor:

The County leases the following property with varying terms and options through 2014 as of September 30, 2009:

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

The future minimum lease receivables as of September 30, 2009, are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 290,000	\$ 46,200	\$ 336,200
2011	300,000	37,500	337,500
2012	310,000	28,500	338,500
2013	315,000	19,200	334,200
2014	325,000	9,750	334,750
<b>Total</b>	<b>\$ 1,540,000</b>	<b>\$ 141,150</b>	<b>\$ 1,681,150</b>

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2009:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 2,537,739
Nonmobile equipment	9,228,792
	11,766,531
Less accumulated depreciation	(2,349,498)
	\$ 9,417,033

The following is a schedule by years of the total payments due as of September 30, 2009:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 969,368	\$ 291,141
2011	980,654	253,135
2012	1,010,325	213,695
2013	1,044,147	172,894
2014	656,859	130,311
2015 - 2017	2,095,693	203,548
Total	\$ 6,757,046	\$ 1,264,724

(10) **Postemployment Benefits Other Than Pensions.**

**A. Plan Description.**

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

**B. Funding Policy.**

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

**C. Annual OPEB Cost and Net OPEB Obligation.**

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

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

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	\$ 222,030
Interest on net OPEB obligation	-
Adjustment to annual requirement contribution	-
Annual OPEB cost	222,030
Contributions made	-
Increase in net OPEB obligation	222,030
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 222,030

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/09	\$ 222,030	0%	\$ 222,030

**D. Funded Status and Funding Progress.**

As of September 30, 2009, the actuarial accrued liability for benefits was \$1,368,963, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$31,024,594, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4.4%.

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

**E. Methods and Assumptions.**

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

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2009

The following simplifying assumptions were made:

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

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

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

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

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

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

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

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

Based on the historical and expected returns of the County’s short-term investment portfolio, a discount rate of 4.5% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2009 was 30 years.

(11) Short-term Debt and Liquidity.

The following is a summary of short-term debt activity for the year ended September 30, 2009:

	Balance Oct. 1, 2008	Additions	Reductions	Balance Sept. 30, 2009
Tax Anticipation Notes Payable	\$ -	\$ 1,500,000	\$ -	\$ 1,500,000

During the month of September 2009, the County issued \$1,500,000 of tax anticipation notes with an interest rate of 1.95% and maturity date of April 1, 2010, in order to alleviate a temporary operating cash flow deficiency.

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

(12) Long-term Debt.

Debt outstanding as of September 30, 2009, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
<b>A. General Obligation Bonds:</b>			
General Obligation Refunding Bonds, Series 1994	\$ 3,445,000	5.50% to 6.25%	03/01/11
General Obligation Bond, Series 1994 (Double G)	1,540,000	3.00%	05/06/14
Mississippi Development Bank Special Obligation Bonds, Series 2005 (Hinds County, Mississippi General Obligation Public Improvements Bond Project)	1,180,000	3.10% to 5.25%	10/01/35
Taxable General Obligation Refunding Bonds, Series 2001 Mississippi Development Bank Special Obligation Bonds, Series 2007A (Hinds County, Mississippi General Obligation Public Improvements and Refunding Bond Project)	3,160,000	5.80% to 6.50%	07/15/14
Mississippi Development Bank Special Obligation Taxable Bonds, Series 2007B (Hinds County, Mississippi General Obligation Public Parking Project)	24,855,000	4.00% to 5.00%	10/01/36
	<u>13,580,000</u>	5.46%	10/01/36
<b>Total General Obligation Bonds</b>	<b><u>\$ 47,760,000</u></b>		
<b>B. Limited Obligation Bonds:</b>			
Tax Increment Limited Obligation Bonds, Series 1997 (Wal-Mart)	\$ 295,000	5.20% to 5.75%	09/01/17
Tax Increment Financing Revenue Bond, Series 2005 (Byram Parkway Project)	205,000	5.34%	04/01/18
Tax Increment Financing Revenue Bond, Series 2008 (Byram Parkway Project)	352,000	4.96%	04/01/18
<b>Total Limited Obligation Bonds</b>	<b><u>\$ 852,000</u></b>		
<b>C. Grant Obligations</b>			
Jackson Redevelopment Authority, City of Jackson, Hinds County, Mississippi Urban Renewal Bonds (Jackson Mall Area Project), Series 1998-A	\$ 270,000	4.10%	11/01/13
<b>Total Grant Obligations</b>	<b><u>\$ 270,000</u></b>		

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>D. Capital Leases:</b>			
E-911 System	\$ 4,660,573	5.09%	03/15/17
Sheriff's Vehicles	25,845	3.98%	12/29/09
Ford F-150 Truck	692	5.80%	11/12/09
Road Equipment	1,585,357	3.28%	08/25/13
Self-Contained Breathing Apparatus Equipment	445,687	0.00%	09/01/16
Sheriff's Vehicle	19,448	3.21%	02/15/12
Sheriff's Vehicle	19,444	3.21%	02/15/12
	<u>\$ 6,757,046</u>		
<b>E. Other Loans:</b>			
Metro Parkway Project Extension	\$ 142,666	0.00%	11/01/10
Computer Upgrade Note	496,197	3.95%	05/01/11
MDA Energy Loan	261,437	3.50%	10/01/15
Katrina CDBG Loan - King Edward	2,270,000	1.00%	11/01/30
	<u>\$ 3,170,300</u>		

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

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Limited Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 3,515,000	\$ 2,302,303	\$ 79,000	\$ 44,393
2011	3,670,000	2,107,504	83,000	40,092
2012	1,920,000	1,962,552	91,000	35,579
2013	1,950,000	1,871,039	93,000	30,655
2014	1,980,000	1,777,614	96,000	25,599
2015-2019	6,960,000	7,760,340	410,000	45,228
2020-2024	6,095,000	6,166,983	-	-
2025-2029	7,725,000	4,560,039	-	-
2030-2034	9,805,000	2,496,915	-	-
2035-2039	4,140,000	297,252	-	-
<b>Total</b>	<u>\$ 47,760,000</u>	<u>\$ 31,302,541</u>	<u>\$ 852,000</u>	<u>\$ 221,546</u>

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

<u>Year Ending September 30</u>	<u>Grant Obligations</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 50,000	\$ 10,045	\$ 353,190	\$ 30,100
2011	50,000	7,995	365,547	35,025
2012	55,000	5,843	42,756	29,350
2013	55,000	3,588	44,252	27,854
2014	60,000	1,230	45,801	26,305
2015-2019	-	-	354,517	114,195
2020-2024	-	-	866,758	78,732
2025-2029	-	-	911,179	34,311
2030-2031	-	-	186,300	1,373
<b>Total</b>	<b>\$ 270,000</b>	<b>\$ 28,701</b>	<b>\$ 3,170,300</b>	<b>\$ 377,245</b>

**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, 2009, the amount of outstanding debt was equal to 2.52% 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, 2009, \$8,820,000 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, 2009:

	<u>Balance</u>			<u>Balance</u>	<u>Amount Due</u>
	<u>Oct. 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Sept. 30, 2009</u>	<u>Within One</u>
					<u>Year</u>
<b>Governmental Activities:</b>					
Compensated absences	\$ 2,337,533	\$ 541,594	\$ -	\$ 2,879,127	\$ 287,912
Claims and judgments payable	2,054,000	-	(566,667)	1,487,333	566,667
General obligation bonds	51,095,000	-	(3,335,000)	47,760,000	3,515,000
Deferred bond refunding charge	(386,208)	-	54,524	(331,684)	-
Limited obligation bonds	932,000	-	(80,000)	852,000	79,000
Grant obligations	410,000	-	(140,000)	270,000	50,000
Capital leases	6,311,154	1,478,944	(1,033,052)	6,757,046	969,368
Other loans	944,245	2,570,000	(343,945)	3,170,300	353,190
<b>Total</b>	<b>\$ 63,697,724</b>	<b>\$ 4,590,538</b>	<b>\$ (5,444,140)</b>	<b>\$ 62,844,122</b>	<b>\$ 5,821,137</b>

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, 2009

(13) 2006 Interest Rate Swap.

On May 1, 2006, the County and the Mississippi Development Bank [collectively “the County”] executed a confirmation with RFPC Capital Services, LLC (a subsidiary of Rice Financial Products Company) [the “2006 Swap Counterparty”], in connection with the execution of an Interest Rate Swap Agreement [the “2006 Swap Agreement”] in an attempt to reduce the debt service costs associated with certain outstanding obligations of the County. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds Series 2005 [Hinds County, Mississippi General Obligation Public Improvements Bond Project] issued to fund certain public improvements for the County. The notional amount of the swap was \$7,445,000, subject to a multiplier which made the effective notional amount of the swap \$29,780,000. The County received a payment of \$875,000 from the 2006 Swap Counterparty when the swap was initiated for the purpose of paying certain costs associated with the swap, including legal and financial advisory fees. The County received additional payments totaling \$532,421 during the year ended September 30, 2009. Additionally, the County received a \$430,071 payment in October 2009.

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, 2009, the fair market value of the transaction was a liability of \$2,646,377, which is not recorded on the County’s financial statements. The swap value is determined by the counterparty using a market value approach, which determines the estimated value at which the counterparty would have entered into under a similar transaction. Due to the variable rates employed in the interest rate swap, the value of the instrument is subject to a high degree of volatility and, as a result, the fair market value could change materially in the near term.

Risks Associated with the Amended 2006 Swap Agreement:

Credit Risk – The County’s swap relies on the performance of the 2006 Swap Counterparty. The County is exposed to the risk that the 2006 Swap Counterparty is unable to fulfill its obligations to the County. The obligations of the 2006 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, respectively.

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, therefore, the 2006 swap does not address any basis risk.

Termination Risk – The amended 2006 Swap Agreement does not contain any extraordinary termination events or triggers that would expose the County to significant termination risk. If the 2006 Swap

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2009

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, respectively. If the third-party guarantor suffers a loss of creditworthiness, the 2006 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 2006 Swap Counterparty, the termination provisions in the 2006 Swap Agreement will apply. The County may be liable for a payment equal to the fair market value of the swap if a termination occurs prior to October 1, 2035, and that fair market value is negative.

Interest Rate Risk – Under the Amended 2006 Swap Agreement, the County is subject to interest rate risk for changes in the 6-month LIBOR rate through September 30, 2009, and to changes in SIFMA and to changes in the 10-year ISDA-swap rate through the maturity of the contract. Based on the multipliers and divisor inherent in the contract, 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 (6-month LIBOR) to a longer term maturity (a percentage of 10-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.

(14) 2007 Interest Rate Swap.

On July 23, 2007, the County and the Mississippi Development Bank [collectively “the County”] executed a confirmation with RFPC Capital Services, LLC (a subsidiary of Rice Financial Products Company) [the “2007 Swap Counterparty”], in connection with the execution of an Interest Rate Swap Agreement [the “2007 Swap Agreement”] in an attempt to reduce the debt service costs associated with certain outstanding obligations of the County. The swap was done in conjunction with the Mississippi Development Bank Special Obligation Bonds, Series 2007A [Hinds County, Mississippi General Obligation Public Improvement and Refunding Bond Project] and Mississippi Development Bank Taxable Special Obligation Bonds, Series 2007B [Hinds County, Mississippi General Obligation Public Parking Bond Project] issued to fund certain public improvements for the County. The notional amount of the swap is \$39,500,000. The County received a payment of \$500,000 from the 2007 Swap Counterparty when the swap was initiated for the purpose of paying certain costs associated with the swap, including legal and financial advisory fees. The County received additional payments totaling \$310,879 during the year ended September 30, 2009. Additionally, the County received a \$242,868 payment in October 2009.

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, 2009, the fair market value of the transaction was a liability of \$3,574,826, which is not recorded on the County’s financial statements. The swap value is determined by the counterparty using a market value approach, which determines the estimated value at which the counterparty would have entered into a similar transaction.

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2009

Due to the variable rates employed in the interest rate swap, the value of the instrument is subject to a high degree of volatility and, as a result, the fair market value could change materially in the near term.

Risks Associated with the Amended 2007 Swap Agreement:

Credit Risk – The County’s swap relies on the performance of the 2007 Swap Counterparty. The County is exposed to the risk that the 2007 Swap Counterparty is unable to fulfill its obligations to the County. The obligations of the 2007 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, respectively.

Basis Risk – The County pays fixed rates 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), and, therefore, the swap does not address any basis risk.

Termination Risk – The amended 2007 Swap Agreement does not contain any extraordinary termination events or triggers that would expose the County to significant termination risk. If the 2007 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, respectively. If the third-party guarantor suffers a loss of creditworthiness, the 2007 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 2007 Swap Counterparty, the termination provisions in the 2007 Swap Agreement will apply. The County may be liable for a payment equal to the fair market value of the swap if a termination occurs prior to October 1, 2036, and that fair market value is negative.

Interest Rate Risk – Under the 2007 Swap Agreement, the County is subject to interest rate risk for changes in the LIBOR rate through September 30, 2010, and to changes in SIFMA and to changes in the 10-year ISDA-swap rate through the maturity of the contract. Based on some of the divisors and other adjustments inherent in the contract, 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 – Under the 2007 Swap Agreement, the maturity of the LIBOR index is based on a percentage of 10-year LIBOR. Under the 2007 Swap Agreement, the County expects that the payments from the 2007 Swap Counterparty will increase as a result of certain changes in the general interest rate environment. The County’s payments under the 2007 Swap Agreement are not expected to be affected as a result of these market movements.

(15) Contingencies.

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

HINDS COUNTY, MISSISSIPPI  
Notes to Financial Statements  
For the Year Ended September 30, 2009

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.

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

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

<u>Description</u>	<u>Balance at Sept. 30, 2009</u>
Refunding Revenue Bonds (Mississippi Methodist Hospital and Rehab Center Project), Series 1993	<u>\$ 6,670,000</u>

(17) Related Organizations.

The Hinds County Board of Supervisors is responsible for appointing a voting majority of the members of the Board of the Hinds County Livestock Commission, but the County's accountability for this organization does not extend beyond making the appointments. During the year, the County appropriated \$19,062 to this organization.

(18) 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 \$1,558,159 in fiscal year 2009. Complete financial statements for the Jackson-Hinds Library System can be obtained from the following address: 400 North State Street, Jackson, MS 39201.

(19) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Central Mississippi Planning and Development District, Inc. (CMPDD) operates in a district composed of the counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The Hinds County Board of Supervisors appoints 3 of the 33 members of the board of directors. The County contributes a small percentage of CMPDD's total revenue. The County appropriated \$52,352 for support of CMPDD in fiscal year 2009.

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Financial Statements**  
**For the Year Ended September 30, 2009**

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 \$9,910,095 for maintenance and support of the College in fiscal year 2009.

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 \$116,280 for support of the Agency in fiscal year 2009.

(20) **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 7.25% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2009, was 12.00% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2009, 2008 and 2007 were \$3,632,012, \$3,064,499, and \$2,909,228, respectively, equal to the required contributions for each year.

(21) **Subsequent Events.**

During April 2010, the County's \$1,500,000 tax anticipation notes payable were paid off in accordance with the debt agreement.

Subsequent to September 30, 2009, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
11/16/09	2.65%	\$ 6,000,000	Tax anticipation notes payable	Ad valorem taxes
06/02/10	3.00 - 4.25%	2,500,000	General obligation bonds	Ad valorem taxes

**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, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 42,874,673	\$ 42,852,673	\$ 38,164,794	\$ (4,687,879)
Licenses, commissions and other	2,512,520	2,516,398	2,523,290	6,892
Fines and forfeitures	1,480,000	1,482,819	1,098,203	(384,616)
Intergovernmental	5,390,708	6,286,508	6,234,567	(51,941)
Charges for services	3,587,502	3,927,256	3,639,085	(288,171)
Interest income	875,400	641,452	202,308	(439,144)
Miscellaneous	329,000	488,881	536,766	47,885
Total Revenues	<u>57,049,803</u>	<u>58,195,987</u>	<u>52,399,013</u>	<u>(5,796,974)</u>
<b>EXPENDITURES</b>				
Current:				
General government	25,764,682	27,403,194	25,405,116	1,998,078
Public safety	28,192,331	28,792,756	27,545,222	1,247,534
Public works	487,000	416,028	416,028	-
Health and welfare	2,209,348	2,253,849	2,155,302	98,547
Culture and recreation	70,221	69,460	67,178	2,282
Conservation of natural resources	813,683	813,721	813,353	368
Economic development and assistance	52,352	52,352	52,352	-
Debt service:				
Principal	312,183	312,183	312,183	-
Interest	22,808	22,808	21,537	1,271
Bond issuance costs	2,650	2,650	2,563	87
Total Expenditures	<u>57,927,258</u>	<u>60,139,001</u>	<u>56,790,834</u>	<u>3,348,167</u>
Excess of Expenditures over Revenues	<u>(877,455)</u>	<u>(1,943,014)</u>	<u>(4,391,821)</u>	<u>(2,448,807)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	25,000	25,000	13,336	(11,664)
Compensation for loss of capital assets	25,000	25,000	45,567	20,567
Transfers in	2,409,432	3,366,150	3,482,963	116,813
Transfers out	(2,360,015)	(2,969,701)	(3,070,366)	(100,665)
Other financing sources	-	-	1,500,000	1,500,000
Total Other Financing Sources (Uses)	<u>99,417</u>	<u>446,449</u>	<u>1,971,500</u>	<u>1,525,051</u>
Excess of Expenditures and Other Financing Uses over Revenue Other Financing Sources	<u>\$ (778,038)</u>	<u>\$ (1,496,565)</u>	<u>(2,420,321)</u>	<u>\$ (923,756)</u>
<b>FUND BALANCES</b>				
Beginning of year			3,946,158	
End of year			<u>\$ 1,525,837</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 (Parking Garage)  
 For the Year Ended September 30, 2009

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Interest income	\$ 350,000	\$ 350,000	\$ 94,547	\$ (255,453)
Total Revenues	<u>350,000</u>	<u>350,000</u>	<u>94,547</u>	<u>(255,453)</u>
<b>EXPENDITURES</b>				
Current:				
Public safety	13,817,752	13,032,022	427,508	12,604,514
Total Expenditures	<u>13,817,752</u>	<u>13,032,022</u>	<u>427,508</u>	<u>12,604,514</u>
Excess of Expenditures over Revenues	<u>(13,467,752)</u>	<u>(12,682,022)</u>	<u>(332,961)</u>	<u>12,349,061</u>
Excess of Expenditures over Revenue and Other Financing Sources	<u>\$ (13,467,752)</u>	<u>\$ (12,682,022)</u>	(332,961)	<u>\$ 12,349,061</u>
<b>FUND BALANCES</b>				
Beginning of year			<u>12,682,022</u>	
End of year			<u>\$ 12,349,061</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, 2009**

**Note A - Budgetary Information.**

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

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

**Note B - Basis of Presentation.**

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

**Note C - Budget/GAAP Reconciliation.**

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

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

**HINDS COUNTY, MISSISSIPPI**  
**Notes to the Budgetary Comparison Schedules**  
**For the Year Ended September 30, 2009**

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Series 2007B Taxable Bonds (Parking Garage) Fund</u>
Budget (Cash Basis)	\$ (2,420,321)	\$ (332,961)
Increase (Decrease)		
Net adjustments for revenue accruals	(529,160)	-
Net adjustments for expenditure accruals	<u>(79,783)</u>	<u>-</u>
GAAP Basis	<u>\$ (2,869,698)</u>	<u>\$ (332,961)</u>

**HINDS COUNTY, MISSISSIPPI**  
**Schedule of Funding Progress for the Retiree Health Plan**  
**For the Year Ended September 30, 2009**

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]
2008-2009	\$ -	\$ 1,368,963	\$ 1,368,963	0%	\$31,024,594	4.40%

**HINDS COUNTY, MISSISSIPPI**

**SUPPLEMENTARY INFORMATION**

HINDS COUNTY, MISSISSIPPI  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>MAJOR FEDERAL AWARDS</b>			
<b>U.S. Department of Housing and Urban Development</b>			
Passed through Mississippi Development Authority			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	05-025-ED-01	\$ 2,384
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	R-103-025-01-KED	<u>1,744,648</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>1,747,032</u>
<b>U.S. Department of Justice</b>			
Passed through the Mississippi Bureau of Narcotics			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0224	310,419
Passed through the City of Jackson, Mississippi:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-0570	65,372
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-6027	29,222
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1159	<u>2,159</u>
<b>Total U. S. Department of Justice</b>			<u>407,172</u>
<b>U.S. Department of Transportation</b>			
Passed through Mississippi Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	MS 024125	1,223,601
Highway Planning and Construction	20.205	N/A	
		STP-0025-00(32)	27,200
Highway Planning and Construction	20.205	LPA 105560-701000	
		STP-7314-00(20)	19,341
Highway Planning and Construction	20.205	LPA 105277-701000	<u>10,602</u>
<b>Total U.S. Department of Transportation</b>			<u>1,280,744</u>
<b>U. S. Department of Homeland Security</b>			
Passed through the Mississippi Department of Homeland Security			
Homeland Security Cluster			
Homeland Security Grant Program	97.067	07HS025T	<u>111,115</u>
<b>Total U.S. Department of Homeland Security</b>			<u>111,115</u>
<b>Total Expenditures of Major Federal Awards</b>			<u>3,546,063</u>

HINDS COUNTY, MISSISSIPPI  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>OTHER FEDERAL AWARDS</b>			
<b>Office of National Drug Control Policy</b>			
Passed through the Gulf Coast HIDTA			
High Intensity Drug Trafficking Area Award	07.UN	I8PGCP532	\$ 49,677
High Intensity Drug Trafficking Area Award	07.UN	G09GC0003A	<u>69,460</u>
<b>Total Office of National Drug Control Policy</b>			<u>119,137</u>
<b>U.S. Department of Agriculture</b>			
Passed through the Mississippi Department of Education			
National School Lunch Program	10.555	N/A	75,868
Passed through the Natural Resources Conservation Service			
Soil and Water Conservation	10.902	69-4423-8-1779	40,000
Emergency Watershed Protection Program	10.923	68-4423-8-1803	<u>68,853</u>
<b>Total U.S. Department of Agriculture</b>			<u>184,721</u>
<b>U.S. Department of the Interior, National Park Service</b>			
Passed through the Mississippi Department of Wildlife, Fisheries & Parks			
Outdoor Recreation, Acquisition, Development and Planning	15.916	LWCF Proj. 25-00584	<u>48,901</u>
<b>Total U.S. Department of the Interior, National Park Service</b>			<u>48,901</u>
<b>U.S. Department of Justice</b>			
Direct:			
Federal equitable sharing program	16.UN	N/A	<u>23,515</u>
Subtotal direct programs			<u>23,515</u>
Passed through the Mississippi Department of Public Safety:			
Juvenile Accountability Block Grants	16.523	6JB1251	31,625
Crime Victim Assistance	16.575	6VA1251	36,263
Crime Victim Assistance	16.575	8VA1251	<u>16,547</u>
			<u>52,810</u>
Violence Against Women Formula Grants	16.588	7SL1251	22,462
Violence Against Women Formula Grants	16.588	8SL1251	<u>7,746</u>
			<u>30,208</u>
Passed through the Mississippi Bureau of Narcotics			
Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>10,042</u>
Subtotal pass-through programs			<u>124,685</u>
<b>Total U. S. Department of Justice</b>			<u>148,200</u>

HINDS COUNTY, MISSISSIPPI  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2009

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U.S. Department of Transportation</b>			
Passed through the Mississippi Department of Public Safety			
State and Community Highway Safety	20.600	9TA1251	\$ 182,171
Surface Transportation - Discretionary Grants for Capital Investment	20.932	STP-6927(1)B	<u>213,393</u>
<b>Total U.S. Department of Transportation</b>			<u>395,564</u>
<b>U.S. Election Commission Assistance</b>			
Passed through the Mississippi Secretary of State			
Help America Vote Act Requirements Payments	90.401	N/A	<u>98,957</u>
<b>Total U.S. Election Commission Assistance</b>			<u>98,957</u>
<b>U. S. Department of Health and Human Services</b>			
Passed through the Mississippi Department of Health and Human Services/ Central Mississippi Planning and Development District, Inc.			
Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	377I21A	<u>26,599</u>
Passed through the Mississippi Department of Health and Human Services/ Administrative office of Court			
Child Support Enforcement	93.563	N/A	<u>22,704</u>
<b>Total U. S. Department of Health and Human Services</b>			<u>49,303</u>
<b>Total Expenditures of Other Federal Awards</b>			<u>1,044,783</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 4,590,846</u></u>

**HINDS COUNTY, MISSISSIPPI**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2009**

**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.**

**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, 2009, which collectively comprise its basic financial statements and have issued our report thereon dated June 24, 2010, which contained explanatory paragraphs regarding a departure from accounting principles generally accepted in the United States of America, a change in accounting principle and the omission of certain required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2009-01 through 2009-07 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2009-01 through 2009-06 to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to the County's management in a separate letter dated June 24, 2010.

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

BKD, LLP

June 24, 2010

**Independent Accountants' Report on Compliance and Internal Control Over  
Compliance with Requirements Applicable to Major Federal Awards Programs**

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 are applicable to each of its major federal programs for the year ended September 30, 2009. 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 are applicable to each of its major federal programs for the year ended September 30, 2009.

**Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we considered to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2009-08, 2009-09 and 2009-10. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

BKD, LLP

June 24, 2010

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

Board of Supervisors  
Hinds County, Mississippi  
Jackson, Mississippi

We have made a study and evaluation of the central purchasing system and inventory control system of Hinds County, Mississippi as of and for the year ended September 30, 2009. Our study and evaluation included tests of compliance of the Purchase Clerk and Inventory Control Clerk records and such other procedures as we considered necessary in the circumstances.

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

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

The results of our audit procedures disclosed certain 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 31-7-13(n), all contracts for the purchase of commodities, equipment and public construction may be let for periods of not more than 60 months in advance. A term bid for culverts was not awarded to the correct supplier based on the results of bids submitted.

Recommendation

Term contract bids should be reviewed to ensure awards are made to the supplier who submitted the lowest and best bid for the item.

#### Purchase Clerk's Response

This recommendation is noted, and extra check points will be established in Purchasing to prohibit the possibility of errors in buying from a supplier other than the one winning the award on an item in the term bid process.

#### 2. Finding

In accordance with Section 31-7-115, the Schedule of Emergency Purchases should include all emergency purchases made under the authority of Section 31-7-13(k) during the fiscal year. The Schedule of Emergency Purchases originally provided excluded an emergency purchase that was noted in the July 7, 2009, meeting minutes of the Board of Supervisors.

#### Recommendation

Emergency purchases made under the authority of Section 31-7-13(k) should be properly accumulated and presented in the accompanying schedules in compliance with Section 31-7-115.

#### Purchase Clerk's Response

The County agrees with this recommendation. This is a procedure already established; however, the file in question was mingled with another and overlooked when developing the schedule for audit purposes.

### **Inventory Control Clerk**

#### 1. Finding

In accordance with Section 31-7-107, inventory reports are to be filed with the Board of Supervisors by October 1 each year. The Clerk of the Board of Supervisors shall keep the original of each inventory report filed by the Inventory Control Clerk as a permanent record for the County and forward a copy to the State Department of Audit not later than October 15. It was noted that such reports were not provided to the Board of Supervisors.

#### Recommendation

The Inventory Control Clerk should ensure this report is filed timely with the Board of Supervisors by October 1 for each fiscal year.

#### Inventory Control Clerk's Response

The Inventory Control Clerk will ensure proper reports are filed timely with the Board of Supervisors by October 1 for each fiscal year.

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

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

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

BKD, LLP

June 24, 2010

HINDS COUNTY, MISSISSIPPI  
 Schedule of Purchases Not Made From the Lowest Bidder  
 For the Year Ended September 30, 2009

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>
05/04/09	Playground equipment	\$ 173,582	Wren Construction	\$ 164,645	Full compliance with specifications
05/04/09	Copier lease	15,327	Digitec	10,925	Full compliance with specifications
08/03/09	Generators	436,756	Kossen Equipment	415,922	Bid not entered on all items

HINDS COUNTY, MISSISSIPPI  
 Schedule of Emergency Purchases  
 For the Year Ended September 30, 2009

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
05/01/09	Laptop Computer	\$ 1,700	Howard Technology Solution	Computer crash
05/18/09	UV Air Duct Disinfect Unit	15,475	Lumalier	Order of State Health Department
06/01/09	60 lbs Capacity Washer	9,358	Pellerin Laundry Machinery	Washer beyond repair at Youth Detention Center
07/07/09	Repair of Microwave Radio Board Unit	5,438	Airwave Consultant Company	Service at the MS ETV Research and Development
07/20/09	Repair & Maintenance Warning Sirens	48,470	Airwave Consultant Company	Non-functioning Warning Sirens – Public Safety

HINDS COUNTY, MISSISSIPPI

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2009

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
05/19/09	National Night Out T-Shirts & Caps	\$ 9,450	National Night Out

## 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 for the year ended September 30, 2009, we considered Hinds County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Hinds County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 24, 2010, on the financial statements of Hinds County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that the County has complied with all state legal requirements. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be deficiencies. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

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

### Board of Supervisors

#### 1. Finding

In accordance with Section 65-7-117, each member of the Board of Supervisors shall inspect every road and bridge in the County under the jurisdiction of the County not less than once each fiscal year. Each member shall file with the Clerk of the Board a report, under oath, of the condition of the roads and bridges inspected by the supervisor with recommendations by the supervisor for a four-year plan for construction and major maintenance of such roads and bridges. Such inspection reports were not prepared or filed with the Clerk of the Board for the fiscal year ended September 30, 2009.

#### Recommendation

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

Board of Supervisors' Response

Each member of the Board of Supervisors does inspect all roads and bridges of their respective districts at least annually. Reports detailing the condition of roads and bridges inspected and recommendations will be filed with the Clerk of the Board in fiscal year 2010.

2. Finding

The tax levy for the fiscal year ended September 30, 2009, included an incorrect statutory reference for Hinds County Schools General Obligation Bonds.

Recommendation

The tax levy, as made by the Board of Supervisors, should correctly reflect statute references authorizing such levies.

Board of Supervisors' Response

Hinds County utilized the reference provided to them by the Hinds County School District which did not include the complete statutory reference. The County has taken corrective action beginning with the 2010 fiscal year tax levy adoption.

3. Finding

In accordance with Section 27-39-329(2)(b), the County levies an ad valorem tax of one mill upon all taxable property of the County which may be used for any purpose for which counties are authorized by law to levy an ad valorem tax. The avails of such tax levy shall not be expended unless and until the State Tax Commission (the Commission) certifies the County has a method of maintaining assessment records in accordance with the Commission's rules and regulations, has an ownership mapping system as provided in Section 27-35-53 in conformity with the Commission's specifications, maintains certified appraisals as provided in Section 27-3-52, and complies with requests by the Commission's for sales data under Section 27-3-51.

The Board of Supervisors in its September 30, 2009, meeting approved an interfund transfer from the Special Ad Valorem Reappraisal Fund to the General Fund pending receipt of the letter from the Commission. The interfund transfer of \$1,570,067 was made as approved by the Board of Supervisors, and the County expended from the one mill mandatory levy in September 2009 before receiving the approval letter from the Commission dated October 19, 2009.

Recommendation

The County should not expend from the one mill mandatory levy until it has received the approval letter from the Commission.

Board of Supervisors' Response

The Board of Supervisors will take corrective actions in the future.

**Circuit Court Clerk**

1. Finding

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

The Circuit Court Clerk was unable to provide evidence of valid business purposes in support of the operation of her office for 4 meal expenses totaling \$263 and was unable to provide a receipt for \$214 of repairs and maintenance expense out of the 15 expenses selected for testing totaling \$4,607. Additionally, one meal receipt for \$138 for two individuals did not contain food, beverage or associated taxes in support for \$75 of the total charge.

The annual report and supporting fee account general ledger reflect \$499 excess depreciation expense for office equipment purchased. Additionally, approximately \$20,000 of amounts paid to the Circuit Court Clerk for salary draws reflected in the fee account general ledger are not reflected on the annual report as part of net revenues subject to the salary limitation.

#### Recommendation

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

Additionally, the annual report filed in accordance with Section 9-1-45, should be supported by the fee account general ledger.

#### Circuit Court Clerk's Response

The Circuit Court Clerk will investigate these matters further.

### 2. Finding

In accordance with Section 19-2-9(2), elected officials, other than members of the Board of Supervisors, who are authorized to employ personnel should adopt and maintain a system of personnel administration for their respective employees or shall adopt the Board of Supervisors' personnel administration system. The personnel system adopted and any amendments thereto shall be filed with the Board of Supervisors. Documentation of the personnel system adopted by the Circuit Court Clerk's office 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 develop a simple but comprehensive personnel manual that will be used in the administration of her office.

## **Justice Court**

### 1. Finding

In accordance with Section 9-11-3(2), justice court judges are required to file annually in the office of the Chancery Clerk a certificate of completion of a course of continuing education conducted by the Mississippi Judicial College. Such certificates were not filed for one of the justice court judges for the fiscal year ended September 30, 2009.

#### Recommendation

Justice court judges should annually file their continuing education certificates with the Chancery Clerk.

Justice Court's Response

The justice court judges will submit certificates to the Chancery Clerk's office as required.

**Sheriff**

1. Finding

In accordance with Section 19-25-74, the Sheriff is to maintain a log (showing the name of each prisoner, the date and time of incarceration and release) to be posted daily, which shall record the number of meals served to prisoners at each mealtime and the hours of the day served, and shall make an affidavit as to the correctness thereof and file the same monthly with the Board of Supervisors. The meal log for the Raymond Detention Center is filed monthly with the Board of Supervisors. However, the meal logs maintained for the Hinds County Penal Farm and Jackson Detention Center are not filed monthly with the Board of Supervisors.

Recommendation

The Sheriff should file the meal logs maintained for the Hinds County Penal Farm and Jackson Detention Center each month with the Board of Supervisors.

Sheriff's Response

Effective May 2010, the Sheriff will begin filing meal logs for the Hinds County Penal Farm and Jackson Detention Center each month with the Board of Supervisors.

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

BKD, LLP

June 24, 2010

**HINDS COUNTY, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

HINDS COUNTY, MISSISSIPPI  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2009

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |   |             |
|----|---|-------------|
| 1. | Type of auditor's report issued on the financial statements:                                |             |
|    | Government-wide Activities  | Unqualified |
|    | General Fund  | Unqualified |
|    | Series 2007B Taxable Bonds (Parking Garage) Fund  | Unqualified |
|    | Aggregate Remaining Fund Information  | Unqualified |
|    | Aggregate Discretely Presented Component Units  | Adverse     |
| 2. | Internal control over financial reporting:  |             |
|    | a. Material weaknesses identified?  | Yes         |
|    | b. Significant deficiencies identified that are not considered to be a material weaknesses? | Yes         |
| 3. | Noncompliance material to the financial statements?   | No          |

***Federal Awards:***

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

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2009

d.	Homeland Security Cluster Homeland Security Grant Program	97.067
8.	The dollar threshold used to distinguish between type A and type B programs:	\$300,000
9.	Auditee qualified as a low-risk auditee?	No
10.	Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315(b) of OMB Circular A-133?	Yes

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

Reference Number	Finding	Questioned Costs
2009-01	<b>Design Deficiency – Financial Statement Preparation (Material Weakness)</b>	\$0

*Criteria or Specific Requirement* – The County is responsible for establishing and maintaining effective internal control over financial reporting.

*Condition* – As reported in the prior year audit report, the County relies on its external auditors in assisting in the preparation of external financial statements and related disclosures, including the review of cash to accrual conversion adjustments prepared by a third party and significant estimates. Under auditing standards generally accepted in the United States of America, outside auditors cannot be considered part of the entity’s internal control structure. The County does not have documented procedures in place that provide review of accrual conversion amounts prepared by its third-party accountant or otherwise prevent or detect material misstatements in the external financial statements.

*Effect* – The financial statements might be materially misstated, and the errors would not be detected by management.

*Cause* – The County attempted to outsource a significant part of these functions this fiscal year. However, the outsourced party did not have the experience to adequately perform the tasks.

*Recommendation* – The County should continue to seek ways to improve this area.

*Views of Responsible Officials and Planned Corrective Actions* – The County will take under advisement the recommendation to evaluate the costs and benefits of providing for the preparation of external financial statements and related disclosures and review of supporting adjustments by its personnel.

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2009

Reference Number	Finding	Questioned Costs
2009-02	<b>Design Deficiency – Monitoring            (Material Weakness)</b>	
	<p><i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> – As reported in the prior year audit report, the County does not have procedures in place to provide for review and approval of financial statement adjustments.</p> <p><i>Effect</i> – The financial statements might be materially misstated, and the errors would not be detected by management.</p> <p><i>Cause</i> – There are no procedures in place, such as the review of financial statement adjustments, which would mitigate the risk of potential errors or misappropriations not being detected timely by employees in the normal course of performing their duties.</p> <p><i>Recommendation</i> – The County should implement procedures to ensure all adjusting journal entries are reviewed and approved by someone without recording responsibility.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The County implemented procedures effective October 1, 2009, to ensure all adjusting journal entries are reviewed by someone without recording responsibility.</p>	\$0
2009-03	<b>Design Deficiency – Monitoring            (Material Weakness)</b>	
	<p><i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> – As reported in the prior year audit report, the Circuit Court Clerk’s record keeping system does not allow for reconciliation between open bonds and the bond bank account or daily cash receipts with bank deposits. Additionally, there is a lack of segregation of duties associated with cash receipts and the associated record keeping.</p> <p><i>Effect</i> – The financial statements might be materially misstated, and the errors would not be detected by management. An unexplained difference which does not remain constant exists between the bank balance and detail supporting ledgers which could allow misappropriations to go undetected.</p> <p><i>Cause</i> – There are no procedures in place such as a monthly review and reconciliation of outstanding bond amounts with funds maintained in the Circuit Court Clerk’s bond bank account or reconciliation of daily cash receipts with amounts deposited to the bank.</p>	\$0

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2009

Reference Number	Finding	Questioned Costs
	<p><i>Recommendation</i> – The Circuit Court Clerk listing of bond funds held, including names and amounts paid, should be regularly reconciled to funds maintained in the Circuit Court Clerk’s bond bank account with any discrepancies identified and investigated. Additionally, the Circuit Court Clerk should segregate the cash receipts and record keeping functions.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The Circuit Court Clerk will take actions to correct any and all findings.</p>	
2009-04	<p><b>Design Deficiency – Recording (Material Weakness)</b></p> <p><i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> – As reported in the prior year audit report, the County did not properly record amounts paid on their behalf by the Mississippi Office of State Aid Road Construction as additions to capital assets, public works expenditures or intergovernmental revenues.</p> <p><i>Effect</i> – The financial statements were materially misstated, and the errors were not detected by management.</p> <p><i>Cause</i> – There are no procedures in place to capture amounts paid by the Office of State Aid on behalf of the County.</p> <p><i>Recommendation</i> – The County should implement procedures to obtain amounts paid on their behalf to properly reflect public works expenditures, intergovernmental revenues and applicable additions to capital assets.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will implement procedures to obtain amounts paid on their behalf to properly reflect public works expenditures, intergovernmental revenues and applicable additions to capital assets.</p>	
2009-05	<p><b>Design Deficiency – Monitoring (Material Weakness)</b></p> <p><i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal controls over financial reporting.</p> <p><i>Condition</i> – As reported in the prior year audit report, the County has entered into two complex transactions involving interest rate swap agreements which could subject the County to significant gains and losses due to factors outside the County’s control. The agreements provide for semiannual calculations which compare the relationship of the tax-exempt BMA Index and LIBOR and provide for a settlement, either positive or negative. The</p>	\$0

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2009

Reference Number	Finding	Questioned Costs
	<p>County does not have procedures to monitor this agreement and verify the calculations.</p> <p>Additionally, it does not appear that anyone in County management understands whether these agreements represent an effective internal rate hedge. Copies of the agreements in effect had to be obtained from the County's consultant who is also a party to the swap.</p> <p><i>Effect</i> – The financial statements might be materially misstated, and errors would not be detected by management. Additionally, errors in amounts paid or from the County might go undetected.</p> <p><i>Cause</i> – The County has not established procedures and provided training to its personnel to monitor and evaluate these agreements.</p> <p><i>Recommendation</i> – The County needs to assign the responsibility for monitoring these agreements to a qualified person who reports the status regularly to management and the Board of Supervisors.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will seek a qualified financial advisor to monitor these agreements and report the status to County management and the Board of Supervisors on a regular basis regarding the swap performance.</p>	
2009-06	<p><b>Design Deficiency – Financial Statement Preparation            (Material Weakness)</b></p> <p><i>Criteria or Specific Requirement</i> – The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> – As reported in the prior year audit report, accounting principles generally accepted in the United States of America require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for the County's legally separate component units.</p> <p><i>Effect</i> – The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.</p> <p><i>Cause</i> – The County has not developed procedures to include the financial data for the County's legally separate component units.</p> <p><i>Recommendation</i> – The County should evaluate the costs and benefits of including financial data of its legally separate component units to be reported with the financial data of the County's primary government.</p>	\$0

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2009

Reference Number	Finding	Questioned Costs
	<p><i>Views of Responsible Officials and Planned Corrective Actions</i> – The County will evaluate the costs and benefits of including financial data of its legally separate component units to be reported with the financial data of the County’s primary government and determine appropriate actions to be taken, if any.</p>	
2009-07	<p><b>Design Deficiency – Monitoring            (Significant Deficiency)</b></p>	\$0
	<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> – In accordance with Mississippi Code Section 27-31-7, the Board of Supervisors may grant an exemption from ad valorem taxation, excepting ad valorem taxes for school district purposes on all or any portion of the value of the products, including finished goods, owned by or remaining in the hands of any manufacturer, or its subsidiary, or any distributor or wholesale merchant, located within such county or municipality. The time of such exemption shall be for a period not to exceed a total of ten (10) years, which shall commence from the date such exemption is granted. Any request for an exemption must be made in writing to the Board of Supervisors. The property in special taxing districts is not periodically reviewed to ensure accuracy of rates applied and exemptions granted.</p> <p><i>Effect</i> – Two companies received ad valorem tax exemptions longer than the period they were approved for by the Board of Supervisors. This oversight resulted in unauthorized ad valorem tax exemptions. Preliminary estimates indicate this error resulted in property taxes of approximately \$70,000 not being assessed.</p> <p><i>Cause</i> – The County has not developed procedures to monitor ad valorem tax exemptions and special taxing districts.</p> <p><i>Recommendation</i> – The County should implement procedures, whereby special taxing districts are periodically reviewed and tax exemptions are monitored to ensure accuracy of rates applied and exemptions granted.</p> <p><i>Views of Responsible Officials and Planned Corrective Actions</i> – After investigation of the above mentioned matter, it has been found that due to an oversight during a transition of supervisors, in the Personal Property Division (1) one company’s exemption was extended beyond board approval. To rectify this matter, a Board Order was submitted, changing the tax district for the years 2008 and 2009.</p> <p>Procedures have been implemented in conjunction with the Hinds County Economic District to ensure accuracy of rates applied and</p>	

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2009

Reference Number	Finding	Questioned Costs
	exemptions granted. Procedures are currently implemented for reviewing and monitoring special taxing districts and tax exemptions.	

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

Reference Number	Finding	Questioned Costs
2009-08	<p><b>Federal Programs –</b>            Homeland Security Cluster, CFDA No. 97.067, Program Year 2007, passed through the Mississippi Department of Homeland Security; Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii, CFDA No. 14.228, Program Year 2009, passed through the Mississippi Development Authority</p> <p><b>Criteria or Specific Requirement –</b> Procurement, Suspension, and Debarment – Federal regulations require that nonfederal entities, when engaging in covered transactions with an entity at a lower-tier, must verify that the lower-tier entity is not suspended or debarred or otherwise excluded from the conduction of business with federal funds by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity (2 CFR Part 180).</p> <p><b>Condition –</b> The County’s procedures for procurement do not include a verification check of the EPLS. Also, the County’s bid process does not contain a clause that the entity must not be suspended or debarred.</p> <p><b>Context –</b> For fiscal year 2009, the client did not verify that lower-tier vendors were not suspended or debarred or otherwise excluded from the conduction of business with federal funds by checking the EPLS maintained by the GSA, collect a certification from such vendors, or add a clause or condition to the covered transaction with the vendor.</p> <p><b>Effect –</b> Although the County did not properly ensure entities were not suspended or debarred of the sample items tested, no covered transactions were conducted with excluded parties.</p> <p><b>Cause –</b> The County does not have procedures in place to verify that lower-tier entities engaged in covered transactions are not suspended or debarred from conducting business with federal funds.</p> <p><b>Recommendation –</b> The County should implement a policy, whereas this verification is accomplished by checking the EPLS maintained by the GSA, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity.</p>	\$0

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2009

Reference Number	Finding	Questioned Costs
	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> – The County will include language in the bid specifications for all projects using federal funds, whereby we can determine if a business has been debarred or suspended from doing business with federal funds before allowing the business to participate in any project.</p> <p>The Purchasing Clerk will be the person responsible for implementing the corrective action.</p> <p>The corrective action was implemented effective October 1, 2009.</p>	
2009-09	<p><b>Federal Program</b> – Homeland Security Cluster, CFDA No. 97.067, Program Year 2007, passed through the Mississippi Department of Homeland Security</p> <p><b>Criteria or Specific Requirement</b> – Reporting – In accordance with OMB Circular A-102 <i>Common Rule</i>, OMB Circular A-133 and pass-through grantor requirements, the County is required to submit semiannual reports to the grantor.</p> <p><b>Condition</b> – The County’s procedures for completing the financial reports do not include a reconciliation or comparison to general ledger or other financial reports, as the financial reports are prepared from an ancillary file of invoices which may not be complete or correct.</p> <p><b>Context</b> – Homeland Security reports were not reconciled to financial reporting or general ledger records during fiscal year 2009.</p> <p><b>Effect</b> – The reports submitted to the pass-through grantor might contain amounts that are not able to be supported.</p> <p><b>Cause</b> – The reports to the pass-through grantor are not prepared from or reconciled to the underlying supporting accounting records.</p> <p><b>Recommendation</b> – The County should implement a policy, whereas the required reports are completed based on the general ledger or other financial reporting data, or the completed reports are reconciled back to the general ledger or other financial reporting data.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> – The County will implement a policy, whereas the required reports are completed based on the general ledger or other financial data, and the completed reports are reconciled back to the general ledger. The County will require financial reports to be submitted to the Finance Officer for completion or verification.</p> <p>The Finance/Accounting Coordinator along with department heads responsible for the grants will be responsible for implementation of corrective action.</p>	\$0

HINDS COUNTY, MISSISSIPPI  
 Schedule of Findings and Questioned Costs  
 For the Year Ended September 30, 2009

Reference Number	Finding	Questioned Costs
	The corrective action was implemented December 1, 2009.	
2009-10	<p><b>Federal Program</b> – Department of Justice Cluster, CFDA No. 16.738, Program Years 2007, 2008 and 2009 passed through the City of Jackson, Mississippi</p> <p><b>Criteria or Specific Requirement</b> – Activities Allowed or Unallowed – In accordance with OMB Circular A-87 <i>Cost Principles for State, Local, and Indian Tribal Governments</i>, governmental units assume responsibility for administering federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the federal award.</p> <p><b>Condition</b> – The County does not have adequate procedures in place to monitor its expenditures in compliance with grant budget allocations.</p> <p><b>Context</b> – The County charged fringe benefits to the program. The budget summary for the program provided a detail of amounts to be expended by budget category, including personnel, equipment, and other costs. Neither the budget summary nor the budget detail worksheet for the program included fringe benefits.</p> <p><b>Effect</b> – The County expended a portion of grant monies toward costs not consistent with the underlying grant agreement budget.</p> <p><b>Cause</b> – The County does not have procedures in place to monitor expenditures for compliance with varying budget categories.</p> <p><b>Recommendation</b> – The County should verify that grant funds expended agree to that per budget documentation submitted to grantor agencies.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> – The County will verify grant funds expended agree to the budget documentation submitted to the grantor by requesting the grantee to provide all documentations to the County. Presently, the City of Jackson is requesting a budget modification to include the fringe benefits line item as part of the budget for the above item.</p> <p>The person responsible for the implementation of corrective action is the Grant Director. This person will distribute copies to the Deputy Chancery Clerk and the Budget Coordinator.</p> <p>The corrective action will be implemented effective June 1, 2010.</p>	\$18,727

**HINDS COUNTY**

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

ROBERT GRAHAM  
District 1  
President

DOUGLAS "DOUG" ANDERSON  
District 2  
Vice President

PEGGY HOBSON CALHOUN  
District 3



PHIL FISHER  
District 4

GEORGE S. SMITH  
District 5

RAY BRYANT  
Interim  
County Administrator

## HINDS COUNTY CORRECTIVE ACTION PLAN

### Reference Number 2009-08

#### Views of Responsible Officials and Planned Corrective Actions-

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

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

The corrective action was implemented effective October 1, 2009.

### Reference Number 2009-09

#### Views of Responsible Officials and Planned Corrective Actions –

The County will implement a policy, whereas the required reports are completed based on the general ledger or other financial data and the completed reports are reconciled back to the general ledger. The County will require financial reports to be submitted to the Finance Office or for completion or verification

The Finance/ Accounting Coordinator along with Department Heads responsible for the grants will be responsible for implementation of corrective action.

The corrective action was implemented December 1, 2009.

### Reference Number 2009-10

#### Views of Responsible Officials and Planned Corrective Actions –

The County will verify grant funds expended agree to the budget documentation submitted to the grantor by requesting the grantee to provide all documentations to the County. Presently the City is requesting a budget modification to include the fringe benefits line item as part of the budget for the above item.

The person responsible for the implementation of correction action is the Grant Director. This person will distribute copies to the Deputy Chancery Clerk and The Budget Coordinator.

The corrective action will be implemented effective June 1, 2010.

**HINDS COUNTY, MISSISSIPPI**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended September 30, 2009**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
<b>2008-07</b>	The County's procedures for procurement do not include a verification check of the EPLS. Also, the County's bid process does not contain a clause that the entity must not be suspended or debarred.	Not corrected. See current year finding 2009-08.
<b>2008-08</b>	The County's procedures for completing semiannual financial reports to the grantor do not include reconciliation or comparison to general ledger or other financial reports, as the financial reports are prepared from an ancillary file of invoices and many may not be complete or correct.	Not corrected. See current year finding 2009-09.