

Hinds County, Mississippi
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2014



HINDS COUNTY, MISSISSIPPI

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HINDS COUNTY, MISSISSIPPI

FINANCIAL SECTION

Independent Auditor's Report

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Hinds County, Mississippi (the County), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hinds County Economic Development Authority (the Authority), a discretely presented component unit, which represents 44%, 50% and 7%, respectively, of the assets, net position and revenues of the aggregate discretely presented component units column. We also did not audit the financial statements of Hinds County Mental Health Commission (the Commission), a discretely presented component unit, which represents 56%, 50% and 93%, respectively, of the assets, net position and revenues of the aggregate discretely presented component units column. The financial statements of these entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hinds County, Mississippi

as of September 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2014, the County adopted the new accounting guidance included in Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

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 2007 Taxable Bonds' Budgetary Comparison Schedule and the Schedule of Expenditures of Federal Awards required by the OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015, 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* in considering the County's internal control over financial reporting and compliance.

BKD, LLC

Jackson, Mississippi
June 26, 2015

HINDS COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

The Management's Discussion and Analysis by Hinds County, Mississippi (the County) is designed to do the following (a) give a summary of the County's financial activities for the year ended September 30, 2014, (b) indicate any major financial issues, (c) show changes in the County's financial position, and (d) identify any significant variations from the County's financial plan (the original budget). This discussion and analysis by management is structured to highlight the fiscal year being audited. The financial statements and the notes to these statements give a more precise understanding of the County's financial picture.

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

Using the Annual Report

The following discussion is intended to describe the County's basic financial statements, which are comprised of 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. Required supplementary information is included in addition to the basic financial statements.

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

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

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

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

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

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

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

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

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

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

Effective October 1, 2013, the County adopted the new accounting and financial reporting guidance included in GASB Statement No. 65 (Statement No. 65), *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows or inflows of resources and recognizes as expenses or revenues certain items that were previously reported as assets and liabilities. The adjustments required for the County's 2013 financial statements, not presented herein, for adoption of Statement No. 65 include reducing current and other assets and increasing general government expenses, net of debt issuance costs previously amortized during 2013, for previously capitalized debt issuance costs and classifying deferred property tax revenues and deferred fines receivable as deferred inflows of resources.

The County's 2013 summarized financial information presented below has been restated to reflect the adoption of Statement No. 65.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Government-wide Financial Analysis

Statements of Net Position

The following statements reflect the condensed Statements of Net Position at September 30, 2014 and 2013.

Statements of Net Position

	<u>Restated</u> <u>2013</u>	<u>2014</u>
Current assets	\$ 91,524,751	\$ 99,702,571
Capital assets, net	116,996,519	116,832,183
Total assets	<u>\$ 208,521,270</u>	<u>\$ 216,534,754</u>
Current liabilities	\$ 18,888,362	\$ 21,673,165
Long-term liabilities	47,363,733	47,171,128
Total liabilities	<u>66,252,095</u>	<u>68,844,293</u>
Deferred inflows of resources	<u>45,577,927</u>	<u>46,767,612</u>
Net position:		
Net investment in capital assets	99,315,459	100,510,545
Restricted	5,282,010	4,531,873
Unrestricted	<u>(7,906,221)</u>	<u>(4,119,569)</u>
Total net position	<u>\$ 96,691,248</u>	<u>\$ 100,922,849</u>

There are normal financial transactions that affect the Statements of Net Position.

- Net Results of Activities - This will either increase/decrease current assets and unrestricted assets. During FY 2014, net position increased by \$4.2 million from FY 2013.
- Borrowing for Capital - This will increase financial assets and long-term liabilities. During FY 2014, the County paid down \$3.0 million for capital projects. Long-term debt decreased overall by \$2.0 million.
- Spending Borrowed Proceeds on New Capital - This will reduce financial assets and increase capital assets. This will also increase the net investment in capital assets, which will not change total net position. In 2014, the County spent approximately \$975,000 of debt proceeds on capital projects.
- Spending of Nonborrowed Current Assets on New Capital - This will reduce current assets, increase capital assets, reduce unrestricted assets, and increase net investment in capital assets. The County spent \$6.8 million of nonborrowed cash on new capital assets during 2014.
- Principal Payment on Debt - This will reduce current assets, reduce long-term debt, reduce unrestricted net position, and increase net investment in capital assets. The County reduced principal on long-term debt by \$3.0 million.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

- Reduction of Capital Assets Through Depreciation - This will reduce capital assets and net investment in capital assets. This is a noncash expense. The County recorded depreciation of \$5.6 million in FY 2014.

Changes in Net Position

Hinds County's total revenue for the fiscal year ended September 30, 2014 was \$84.1 million, as compared to \$77.6 million for the fiscal year ended September 30, 2013. The total cost of services provided by the County was \$79.9 million for the fiscal year ended September 30, 2014, as compared to \$77.3 million for the fiscal year ended September 30, 2013. The County had an increase in net position of \$4.2 million related to an 8% increase in revenue, while expenditures increased by only 3.0%.

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2014 and 2013.

Statement of Activities

	<u>Restated</u>	
	<u>2013</u>	<u>2014</u>
Revenues:		
Program revenues		
Charges for services	\$ 9,074,257	\$ 9,680,183
Operating grants and contributions	7,199,168	5,244,126
Capital grants and contributions	4,934,899	3,565,288
General revenues		
Property taxes	55,703,918	55,498,033
Road and bridge privilege tax	2,714,720	2,658,591
Grants and contributions not restricted	2,856,296	2,917,460
Unrestricted interest income	112,072	133,399
Loss on disposal of assets	(30,714)	(133,069)
Gain (loss) related to derivative instrument	(6,214,848)	3,421,189
Miscellaneous	1,226,402	1,145,653
Total revenues	<u>77,576,170</u>	<u>84,130,853</u>
Expenses:		
General government	25,167,049	27,583,946
Public safety	31,277,782	33,033,885
Public works	12,470,593	10,271,678
Health and welfare	3,022,571	2,945,767
Culture and recreation	1,791,289	1,871,375
Conservation of natural resources	341,510	328,794
Economic development and assistance	879,354	1,912,034
Interest on long-term debt	2,309,091	1,951,773
Total expenses	<u>77,259,239</u>	<u>79,899,252</u>
Special item - transfer of roads to municipalities	<u>(557,261)</u>	<u>-</u>
Change in net position	(240,330)	4,231,601
Net position, beginning	<u>96,931,578</u>	<u>96,691,248</u>
Net position, ending	<u>\$ 96,691,248</u>	<u>\$ 100,922,849</u>

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Governmental Activities

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

Cost of Major Services for the Taxpayers

<u>Program</u>	2014		
	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General government	\$ 27,583,946	\$ 4,768,612	\$ 22,815,334
Public safety	33,033,885	7,645,090	25,388,795
Public works	10,271,678	5,456,332	4,815,346
Health and welfare	2,945,767	545,382	2,400,385
Culture and recreation	1,871,375	64,181	1,807,194
Conservation of natural resources	328,794	-	328,794
Economic development and assistance	1,912,034	10,000	1,902,034
Interest on long-term debt	1,951,773	-	1,951,773

<u>Program</u>	Restated 2013		
	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General government	\$ 25,167,049	\$ 6,143,883	\$ 19,023,166
Public safety	31,277,782	7,545,069	23,732,713
Public works	12,470,593	6,792,337	5,678,256
Health and welfare	3,022,571	639,921	2,382,650
Culture and recreation	1,791,289	61,229	1,730,060
Conservation of natural resources	341,510	-	341,510
Economic development and assistance	879,354	25,885	853,469
Interest on long-term debt	2,309,091	-	2,309,091

Financial Analysis of the County's Funds

As of year-end, the governmental funds reported, as audited, a fund balance of \$35.1 million. This is an increase of \$0.7 million from the prior year's fund balance of \$34.4 million, which is due to the increase in general government revenue.

The General Fund, the County's primary operating fund, had an ending fund balance of \$11.4 million, an increase of \$0.7 million from the prior year. The Series 2007B Taxable Bonds Fund decreased \$0.5 million to a fund balance of \$11.4 million.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2014, the County had a total of \$198 million invested in a variety of depreciable capital assets. The largest investments in depreciable capital assets are in roads and bridges (infrastructure) with a total of \$88.5 million (45%). Roads and bridges and other infrastructure are included, as required by GASB 34, in the County's financial records. GASB also requires depreciation, a noncash expense, to now be recorded. Accumulated depreciation was \$104 million at September 30, 2014.

The County's total capital assets, net of depreciation, total \$116.8 million, compared to a prior year net balance of \$117.0 million.

Debt

At the end of September 30, 2014, the County had \$41.6 million in outstanding long-term debt. This includes general obligation bonds, limited obligation bonds, grant obligations, capital leases and other loans. This is \$2.0 million less than the prior year of \$43.6 million.

The State of Mississippi limits the amount of debt counties can issue to 20% of total assessed value. During FY 2014, Hinds County was at 2.0%, well below its current limit.

**Long-term Debt
As of September 30, 2014**

	<u>Balance Oct. 1, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Sept. 30, 2014</u>
Governmental Activities:				
General obligation bonds	\$ 38,605,000	\$ -	\$ (1,760,000)	\$ 36,845,000
Limited obligation bonds	506,000	-	(96,000)	410,000
Grant obligations	60,000	-	(60,000)	-
Capital leases	788,951	975,082	(287,167)	1,476,866
Other loans	3,684,334	-	(810,249)	2,874,085
Total	<u>\$ 43,644,285</u>	<u>\$ 975,082</u>	<u>\$ (3,013,416)</u>	<u>\$ 41,605,951</u>

HINDS COUNTY, MISSISSIPPI
 Management's Discussion and Analysis
 For the Year Ended September 30, 2014

Budget - Original vs. Final

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

Budget Analysis Summary

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance Between Original and Final Budgets</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance Between Final Budget and Actual</u>
<u>General Fund</u>					
Revenues	\$ 53,719,094	\$ 53,886,311	\$ 167,217	\$ 57,134,198	\$ 3,247,887
Expenditures	55,129,118	59,534,235	4,405,117	57,497,873	(2,036,362)
<u>Fund 377</u>					
Revenues	200,000	200,000	-	19,253	(180,747)
Expenditures	-	1,175,000	1,175,000	265,891	(909,109)

The general fund revenue was running about 6.0% ahead of budget. This was primarily due to increased collections in taxes, our major source of revenue, and an increase in fines and forfeitures. On the expenditure side, the County was able to hold expenditures below budget by approximately 3.0%. Restructuring in various departments resulted in the savings.

Financial Contact

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

HINDS COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

HINDS COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2014

Exhibit 1

	Primary Government	Component Units		
	Governmental Activities	Economic Development Authority	Mental Health Commission	Total
ASSETS				
Cash	\$ 39,077,925	\$ 624,486	\$ 1,742,619	\$ 2,367,105
Property tax receivable	46,767,612	-	-	-
Fines receivable (net of allowance for uncollectibles of \$13,920,012)	561,530	-	-	-
Intergovernmental receivables	3,869,373	425,236	652,547	1,077,783
Other receivables	9,183,880	-	78,025	78,025
Prepaid items	242,251	1,430	86,114	87,544
Other assets	-	-	277,030	277,030
Capital assets, net	116,832,183	5,952,962	6,180,691	12,133,653
Total Assets	216,534,754	7,004,114	9,017,026	16,021,140
LIABILITIES				
Claims payable	2,531,591	231,964	349,370	581,334
Amounts held in custody for others	2,766,082	-	-	-
Intergovernmental payables	11,849,606	5,261,811	-	5,261,811
Matured bonds and interest payable	18,459	-	-	-
Accrued interest payable	52,471	-	62,529	62,529
Unearned revenue	172,809	-	-	-
Long-term liabilities				
Due within one year:				
Capital debt	1,751,579	-	231,068	231,068
Noncapital debt	1,108,705	-	169,535	169,535
Claims and judgments payable	1,347,000	-	-	-
Postemployment benefit obligation	1,556,728	-	-	-
Due in more than one year:				
Capital debt	28,940,838	-	5,835,222	5,835,222
Noncapital debt	12,466,278	-	848,679	848,679
Fair value of derivative instruments	4,282,147	-	-	-
Total Liabilities	68,844,293	5,493,775	7,496,403	12,990,178
DEFERRED INFLOWS OF RESOURCES				
Property taxes	46,767,612	-	-	-
NET POSITION				
Net investment in capital assets	100,510,545	687,953	114,401	802,354
Restricted:				
Expendable:				
General government	82,881	-	-	-
Public safety	1,713,907	-	-	-
Public works	1,803,242	-	-	-
Health and welfare	253,955	-	716,308	716,308
Culture and recreation	512,672	-	-	-
Economic development	165,216	-	-	-
Unrestricted	(4,119,569)	822,386	689,914	1,512,300
Total Net Position	\$ 100,922,849	\$ 1,510,339	\$ 1,520,623	\$ 3,030,962

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, 2014

Exhibit 2

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		
					Governmental Activities	Economic Development Authority	Mental Health Commission	Total
Governmental activities:								
General government	\$ 27,583,946	\$ 4,214,994	\$ 553,618	\$ -	\$ (22,815,334)			
Public safety	33,033,885	5,390,196	2,162,512	92,382	(25,388,795)			
Public works	10,271,678	812	1,982,614	3,472,906	(4,815,346)			
Health and welfare	2,945,767	-	545,382	-	(2,400,385)			
Culture and recreation	1,871,375	64,181	-	-	(1,807,194)			
Conservation of natural resources	328,794	-	-	-	(328,794)			
Economic development and assistance	1,912,034	10,000	-	-	(1,902,034)			
Interest on long-term debt	1,951,773	-	-	-	(1,951,773)			
Total Governmental Activities	<u>79,899,252</u>	<u>9,680,183</u>	<u>5,244,126</u>	<u>3,565,288</u>	<u>(61,409,655)</u>			
Total Primary Government	<u>\$ 79,899,252</u>	<u>\$ 9,680,183</u>	<u>\$ 5,244,126</u>	<u>\$ 3,565,288</u>	<u>(61,409,655)</u>			
Component unit:								
Hinds County Economic Development Authority	\$ 658,091	\$ -	\$ 645,059	\$ -		\$ (13,032)	\$ -	\$ (13,032)
Hinds County Mental Health Commission	9,220,917	8,794,263	8,455	-		-	(418,199)	(418,199)
Total Component Units	<u>\$ 9,879,008</u>	<u>\$ 8,794,263</u>	<u>\$ 653,514</u>	<u>\$ -</u>		<u>(13,032)</u>	<u>(418,199)</u>	<u>(431,231)</u>
General Revenues:								
Property taxes					55,498,033	-	1,394,782	1,394,782
Road and bridge privilege taxes					2,658,591	-	-	-
Grants and contributions not restricted to specific programs					2,917,460	-	-	-
Unrestricted interest income					133,399	890	976	1,866
Gain (loss) on disposal of assets					(133,069)	104,670	-	104,670
Gain on derivative instrument					3,421,189	-	-	-
Miscellaneous					1,145,653	24,413	3,553	27,966
Total General Revenues					<u>65,641,256</u>	<u>129,973</u>	<u>1,399,311</u>	<u>1,529,284</u>
Change in Net Position					<u>4,231,601</u>	<u>116,941</u>	<u>981,112</u>	<u>1,098,053</u>
Net Position - Beginning of year, as previously reported					97,035,602	1,393,398	991,511	2,384,909
Adjustment for adoption of new accounting standard (Note 1T)					<u>(344,354)</u>	<u>-</u>	<u>(452,000)</u>	<u>(452,000)</u>
Net Position - Beginning of year, as restated					<u>96,691,248</u>	<u>1,393,398</u>	<u>539,511</u>	<u>1,932,909</u>
Net Position - End of year					<u>\$ 100,922,849</u>	<u>\$ 1,510,339</u>	<u>\$ 1,520,623</u>	<u>\$ 3,030,962</u>

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

HINDS COUNTY, MISSISSIPPI
 Balance Sheet - Governmental Funds
 September 30, 2014

Exhibit 3

	Major Funds			Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds	
ASSETS				
Cash	\$ 16,201,298	\$ 9,388,149	\$ 13,488,479	\$ 39,077,926
Property tax receivable	36,252,597	-	10,515,015	46,767,612
Fines receivable (net of allowance for uncollectibles of \$13,930,012)	561,530	-	-	561,530
Intergovernmental receivables	1,525,961	-	2,343,412	3,869,373
Other receivables	6,877,881	-	2,305,999	9,183,880
Due from other funds	-	-	353,816	353,816
Advances to other funds	533,000	2,140,000	-	2,673,000
Prepaid items	242,251	-	-	242,251
Total Assets	<u>\$ 62,194,518</u>	<u>\$ 11,528,149</u>	<u>\$ 29,006,721</u>	<u>\$ 102,729,388</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 1,386,086	\$ 96,063	\$ 1,047,522	\$ 2,529,671
Amounts held in custody for others	2,766,082	-	-	2,766,082
Intergovernmental payables	9,547,234	-	2,304,292	11,851,526
Due to other funds	353,816	-	-	353,816
Advances from other funds	-	-	2,673,000	2,673,000
Matured bonds and interest payable	-	-	18,459	18,459
Unearned revenue	-	-	172,809	172,809
Total Liabilities	<u>14,053,218</u>	<u>96,063</u>	<u>6,216,082</u>	<u>20,365,363</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	36,252,597	-	10,515,015	46,767,612
Unavailable revenue - fines	500,965	-	-	500,965
Total Deferred Inflows of Resources	<u>36,753,562</u>	<u>-</u>	<u>10,515,015</u>	<u>47,268,577</u>
Fund balances:				
Nonspendable:				
Advances to other funds	533,000	2,140,000	-	2,673,000
Prepaid items	242,251	-	-	242,251
Restricted for:				
General government	41,642	-	41,239	82,881
Public safety	-	-	1,713,908	1,713,908
Public works	-	-	1,803,242	1,803,242
Health and welfare	-	-	253,955	253,955
Culture and recreation	-	-	512,672	512,672
Economic development	-	-	165,216	165,216
Capital projects	-	8,548,386	3,682,394	12,230,780
Debt service	-	-	37,527	37,527
Committed to:				
General government	-	-	713,313	713,313
Public safety	-	-	224,950	224,950
Economic development	-	-	499,011	499,011
Capital projects	-	743,700	2,628,197	3,371,897
Unassigned	10,570,845	-	-	10,570,845
Total Fund Balances	<u>11,387,738</u>	<u>11,432,086</u>	<u>12,275,624</u>	<u>35,095,448</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 62,194,518</u>	<u>\$ 11,528,149</u>	<u>\$ 29,006,721</u>	<u>\$ 102,729,388</u>

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

HINDS COUNTY, MISSISSIPPI

Exhibit 3-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2014

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 35,095,448
Amounts reported for governmental activities in the Statement of Net Position 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 \$104,013,790.	116,832,183
Other long-term assets, such as fines receivable, are not available to pay for current period expenditures and, therefore, are unearned in the funds.	500,964
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(45,614,400)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(52,471)
Postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(1,556,728)
Liability for derivative instruments is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(4,282,147)</u>
Total Net Position - Governmental Activities	<u><u>\$ 100,922,849</u></u>

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

HINDS COUNTY, MISSISSIPPI

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds	
REVENUES				
Property taxes	\$ 43,341,450	\$ -	\$ 12,156,583	\$ 55,498,033
Road and bridge privilege taxes	-	-	2,658,591	2,658,591
Licenses, commissions and other	2,339,130	-	81,763	2,420,893
Fines and forfeitures	1,811,858	-	789,410	2,601,268
Intergovernmental	5,203,638	-	6,523,236	11,726,874
Charges for services	1,730,071	-	2,950,031	4,680,102
Interest income	84,133	19,253	30,013	133,399
Miscellaneous	333,511	-	126,755	460,266
Total Revenues	<u>54,843,791</u>	<u>19,253</u>	<u>25,316,382</u>	<u>80,179,426</u>
EXPENDITURES				
Current:				
General government	31,546,563	361,954	1,040,194	32,948,711
Public safety	27,599,087	-	4,465,946	32,065,033
Public works	-	-	13,144,251	13,144,251
Health and welfare	1,350,676	-	1,502,679	2,853,355
Culture and recreation	78,186	-	1,752,020	1,830,206
Conservation of natural resources	319,579	-	-	319,579
Economic development and assistance	68,838	-	1,950,302	2,019,140
Debt service:				
Principal	221,007	-	2,792,356	3,013,363
Interest	7,225	-	1,938,641	1,945,866
Total Expenditures	<u>61,191,161</u>	<u>361,954</u>	<u>28,586,389</u>	<u>90,139,504</u>
Excess of Revenues over (under) Expenditures	<u>(6,347,370)</u>	<u>(342,701)</u>	<u>(3,270,007)</u>	<u>(9,960,078)</u>

HINDS COUNTY, MISSISSIPPI

Exhibit 4

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

For the Year Ended September 30, 2014

	Major Funds			Total Governmental Funds
	General Fund	Series 2007B Taxable Bonds Fund	Other Governmental Funds	
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ 6,774,051	\$ -	\$ 975,082	\$ 7,749,133
Proceeds from sale of capital assets	21,878	-	2,200,276	2,222,154
Compensation for loss of capital assets	685,267	-	-	685,267
Transfers in	444,156	-	805,565	1,249,721
Transfers out	(897,657)	(120,000)	(232,064)	(1,249,721)
Total Other Financing Sources (Uses)	<u>7,027,695</u>	<u>(120,000)</u>	<u>3,748,859</u>	<u>10,656,554</u>
Net Change in Fund Balances	680,325	(462,701)	478,852	696,476
Fund Balances - Beginning	<u>10,707,413</u>	<u>11,894,787</u>	<u>11,796,772</u>	<u>34,398,972</u>
Fund Balances - Ending	<u>\$ 11,387,738</u>	<u>\$ 11,432,086</u>	<u>\$ 12,275,624</u>	<u>\$ 35,095,448</u>

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

HINDS COUNTY, MISSISSIPPI

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended September 30, 2014

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 696,476
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 position differs from the change in fund balances by the amount that capital outlays of \$7,777,177 exceeded depreciation of \$5,586,290 in the current period.	2,190,887
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 position differs from the change in fund balances by the amount of proceeds from sale of assets of \$2,222,154 and the net loss from the sale of capital assets in the amount of \$133,069 in the current period.	(2,355,223)
Fines revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition was required on the Statement of Activities using the full accrual basis of accounting.	(21,961)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that short and long-term debt proceeds of \$975,082 exceeded repayments of \$3,013,362.	2,038,281
Governmental Funds do not report the change in fair value of the derivative instrument. However, in the Statement of Activities, the change in fair value is recorded in the Statement of Activities as an item of general revenues.	3,421,189
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 position differs from the change in fund balances by a combination of the following items:	
The amount of increase in claims and judgments payable	(1,190,500)
The amount of increase in compensated absences	(156,835)
The amount of increase in postemployment benefit obligation	(384,806)
The amount of decrease in accrued interest payable	<u>(5,907)</u>
Change in Net Position of Governmental Activities	<u>\$ 4,231,601</u>

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

HINDS COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2014

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 1,207,916
Other receivables	<u>151,822</u>
Total Assets	<u><u>\$ 1,359,738</u></u>
LIABILITIES	
Other liabilities	\$ 1,179,891
Intergovernmental payables	<u>179,847</u>
Total Liabilities	<u><u>\$ 1,359,738</u></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, 2014

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Hinds County (the 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 two component units which have significant operational or financial relationships with the County.

Discretely Presented Component Units

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

Hinds County Economic Development Authority – In accordance with House Bill No. 1687 of the laws of the State of Mississippi, the Hinds County Board of Supervisors established the Hinds County Economic Development Authority (the Authority). The Board of Supervisors appoints board members to the Authority and provides the Authority with operating funds. The County provided \$794,134 of funds to the Authority for operations during the fiscal year ended September 30, 2014, pursuant to the related property tax millage assessed and collected. Complete financial statements for the Authority can be obtained from 909 North President Street, Jackson, Mississippi 39202.

Hinds County Mental Health Commission – Pursuant to Miss. Code Sections 41-19-31 and 41-19-33 and a resolution adopted by the Hinds County Board of Supervisors, the Hinds County Mental Health Commission (the Commission) was formed. The Commission is governed by a seven-member Board appointed by the Hinds County Board of Supervisors. The County provided \$1,592,363 of funds to the Commission for operations during the County's fiscal year ended September 30, 2014, pursuant to the related property tax millage assessed and collected. The Commission operates on a calendar year reporting cycle, and the financial statements as of and for the year ended December 31, 2013, are included in the government-wide financial statements. The beginning net position of the Commission was decreased by \$452,000 to \$539,511. The decrease in beginning net position was a result of implementing Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Financial statements for the Commission can be obtained from 3450 Highway 80 West, Jackson, Mississippi 39209.

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

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position 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 Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues. The primary government is reported separately from its legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental activities of the County and its component units at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and its component units. Direct expenses are those that are specifically associated with a service, program or department and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. Internal service charges have been eliminated against the expenses and program revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. Funds are organized into governmental and fiduciary types. 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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

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 inflows of resources, where applicable, in the current fiscal period.

The County reports the following major Governmental Funds:

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

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

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

FIDUCIARY FUND TYPES

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

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

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, liabilities and deferred inflows of resources 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 position during the reporting period. Actual results could differ from those estimates.

F. Deposits and Investments.

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

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

G. Receivables.

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

H. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are reported as nonspendable fund balance. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

I. Prepaid Items.

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

J. Capital Assets.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets for governmental activities.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Hinds County meets these criteria and has so elected. General infrastructure assets acquired after September 30, 1980, are reported on the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

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

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

K. Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future period/unavailable revenue - property taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue - fines - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

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 Position. Bond premiums and discounts are recognized as a component of long-term liabilities and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Debt issuance costs, other than prepaid insurance, do not meet the definition of an asset or deferred outflow of resources since the costs are not applicable to a future period and, therefore, are recognized as an expense/expenditure in the period incurred.

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

M. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position for the primary government and its discretely presented component units and is displayed in the following components:

Net investment in capital assets - 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 position - Consists of net position 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 position when an expenditure or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is classified as one of the five components below:

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

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

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

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

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

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

N. Property Tax Revenues.

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

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

Accounting principles generally accepted in the United States of America require property taxes receivable to be recognized at the levy date. Because property taxes are levied in a period other than in the period for which they are to be used in accordance with state law, they are deferred and recorded as a deferred inflow of resources 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.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

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.

Q. Unearned Revenue.

Unearned revenue represents deferred 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.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, (GASB 68) is effective for periods beginning after June 15, 2014. This Statement requires the recognition of the entire net pension liability attributable to the governmental entity and provides for a more comprehensive measure of pensions expense for employer and governmental nonemployer contributing entity financial reports.

S. Operating Leases.

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

T. Change in Accounting Principles.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, (GASB 65) is effective for periods beginning after December 15, 2012. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of implementing GASB 65, beginning net position as of October 1, 2013 was reduced for governmental activities and for Mental Health Commission by \$344,354 and \$452,000, respectively, for unamortized debt issuance costs as of September 30, 2013.

In addition, as required by GASB 65, deferred property tax revenues previously reported as a liability, were reclassified as deferred inflows of resources.

<u>Government-wide</u>	October 1, 2013, Net Position as Previously Reported	Statement No. 65 Adoption	October 1, 2013, Net Position as Restated
Governmental activities	\$ 97,035,602	\$ (344,354)	\$ 96,691,248
Mental Health Commission	991,511	(452,000)	539,511

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

(2) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$40,266,635 (including Agency Funds and excluding petty cash of \$19,205), and the bank balance was \$47,527,470, of which all was insured or collateralized. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

The carrying amount of the discretely presented component unit's, Hinds County Economic Development Authority, total deposits with financial institutions at September 30, 2014, was \$624,486, and the bank balance was \$674,692, of which all was insured or collateralized. These funds are collateralized under the same program as the County's funds above.

The carrying amount of the other discretely presented component unit's, Hinds County Mental Health Commission, total deposits with financial institutions at December 31, 2013, was \$2,019,649, and the bank balance was \$2,232,193, of which all was insured or collateralized. These funds are collateralized under the same program as the County's funds above.

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

Investments:

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

(3) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2014.

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 353,816

The receivables represent the tax revenue collected but not settled until October 2014. All interfund balances are expected to be repaid within one year from the date of the financial statements.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Series 2007B Taxable Bonds Fund	Other Governmental Funds	\$ 2,140,000
General Fund	Other Governmental Funds	533,000
Total		\$ 2,673,000

The principal purpose of advances to Other Governmental Funds was to provide operating capital for federal, state and local grants in order to pay for operations of the funds until reimbursed.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	General Fund	\$ 444,156
Other Governmental Funds	General Fund	453,501
Other Governmental Funds	Series 2007B Taxable Bonds Fund	120,000
Other Governmental Funds	Other Governmental Funds	232,064
Total		\$ 1,249,721

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.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2014, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 1,181,466
Reimbursement for housing prisoners	200,500
Public safety grants	157,304
Public works grants	2,173,697
Other	156,406
Total governmental activities	\$ 3,869,373

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

(5) Loan Receivable.

The County's loan receivable balance at September 30, 2014, is as follows:

Description	Date of Loan	Interest Rate	Maturity Date	Receivable Balance
King Edward Revitalization Company - CDBG Loan (A)	05/05/09	1.00%	11/01/30	\$ 2,304,292
Westin Hotel (B)	04/21/14	3.25%	08/01/33	6,774,051
				<u>\$ 9,078,343</u>

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

(B) This loan originated as a loan from MDA pursuant to HB No. 1049. The County loaned the funds to Capital Hotel Associates (CHA) to develop a 200-bed Westin Hotel. The County is responsible for monitoring the loan, approving interim payments, collecting principal and interest payments from CHA, and remitting all principal and interest to MDA. The related payable to MDA is recorded as an intergovernmental payable. The receivable is backed by a personal guarantee of CHA's investors.

(6) Development of Industrial Parks.

Component Unit - Hinds County Economic Development Authority:

J. C. "Sonny" McDonald Industrial Center

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

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

The Authority has been in the process of developing the J. C. "Sonny" McDonald Industrial Center, and the following expenditures, net of cost of sales, impairments and nonsalable portion, have been incurred for the purchase of land and development costs as of September 30, 2014.

Land	\$ 792,015
Land development costs	<u>4,472,997</u>
	<u>\$ 5,265,012</u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

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

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

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

(7) Capital Assets.

Primary Government:

The following is a summary of capital assets activity for the year ended September 30, 2014.

	Balance 10/01/13	Additions	Deletions	Transfers*	Balance 09/30/14
<u>Nondepreciable capital assets:</u>					
Land	\$ 1,527,841	\$ 4,750	\$ (582,189)	\$ -	\$ 950,402
Construction in progress	17,352,768	5,351,805	-	(1,301,017)	21,403,556
Total nondepreciable capital assets	<u>18,880,609</u>	<u>5,356,555</u>	<u>(582,189)</u>	<u>(1,301,017)</u>	<u>22,353,958</u>
<u>Depreciable capital assets:</u>					
Infrastructure	87,243,006	185,649	-	1,144,207	88,572,862
Buildings	57,207,930	-	(1,957,751)	-	55,250,179
Improvements other than buildings	13,485,823	162,509	-	156,810	13,805,142
Mobile equipment	20,896,338	662,738	(588,612)	-	20,970,464
Furniture and equipment	17,289,509	434,644	(276,149)	-	17,448,004
Leased property under capital leases	1,470,282	975,082	-	-	2,445,364
Total depreciable capital assets	<u>197,592,888</u>	<u>2,420,622</u>	<u>(2,822,512)</u>	<u>1,301,017</u>	<u>198,492,015</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	(49,066,960)	(1,319,457)	-	-	(50,386,417)
Buildings	(19,088,788)	(1,057,873)	274,085	-	(19,872,576)
Improvements other than buildings	(5,802,433)	(474,632)	-	-	(6,277,065)
Mobile equipment	(14,975,064)	(1,119,167)	504,170	-	(15,590,061)
Furniture and equipment	(9,668,448)	(1,289,794)	271,223	-	(10,687,019)
Leased property under capital leases	(875,285)	(325,367)	-	-	(1,200,652)
Total accumulated depreciation	<u>(99,476,978)</u>	<u>(5,586,290)</u>	<u>1,049,478</u>	<u>-</u>	<u>(104,013,790)</u>
Total depreciable capital assets, net	<u>98,115,910</u>	<u>(3,165,668)</u>	<u>(1,773,034)</u>	<u>1,301,017</u>	<u>94,478,225</u>
Governmental activities capital assets, net	<u>\$ 116,996,519</u>	<u>\$ 2,190,887</u>	<u>\$ (2,355,223)</u>	<u>\$ -</u>	<u>\$ 116,832,183</u>

* Transfers represent construction-in-progress costs transferred to municipalities or placed in service due to project completion during the year ended September 30, 2014.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 662,976
Public safety	2,936,736
Public works	1,832,605
Health and welfare	112,804
Culture and recreation	41,169
 Total governmental activities depreciation expense	 \$ 5,586,290

Commitments with respect to unfinished capital projects at September 30, 2014, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Byram-Clinton Corridor (Wastewater)	\$ 185,182	12/31/2015
Byram-Clinton Corridor (ROW)	278,099	12/31/2015
Byram Swinging Bridge	35	12/31/2015
John Bell Williams Airport	89,425	12/31/2014
Safe Routes to Schools	599	12/31/2014
MDA - DIP Grant (Irby Project)	9,215	11/30/2014
Neil Collins Road Bridge	6,420	03/31/2015
Old Jackson Road Bridge	17,036	03/31/2015
Gore Road Bridge	8,218	03/31/2015
Bush Bottom, Mt. Olive, Middle, Newman Roads	129,851	06/30/2015
Tank Road	228,240	09/30/2015
Oakley Palestine Road (Full Depth)	29,384	12/31/2014
Sonny McDonald Pond (IMS Engineers)	24,941	12/31/2015
Sonny McDonald Pond (Waggoner Engineers, Inc.)	80,614	12/31/2015
Hinds County Courthouse Elevator Modernization (Waggoner Engineers, Inc.)	478	03/31/2015
Hinds County Courthouse Elevator Modernization (MidSouth Elevator)	106,865	03/31/2015
CDBG Eastside Water (Greenbriar Digging Service)	8,685	11/30/2014
CDBG Eastside Water (Allen & Hoshall)	3,044	11/30/2014
CDBG Eastside Water (Sunbelt Research)	17,000	11/30/2014
	 \$ 1,223,331	

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

Component Units:

The component units' capital asset balances are as follows:

	12/31/2013 Mental Health Commission	9/30/2014 Economic Development Authority	Total
Property and equipment:			
Building	\$ 5,803,500	\$ 164,480	\$ 5,967,980
Land	1,019,322	65,000	1,084,322
Construction in progress	-	5,775,517	5,775,517
Automobiles	160,928	38,577	199,505
Furniture and equipment	846,449	93,189	939,638
Leasehold improvements	147,909	-	147,909
	<u>7,978,108</u>	<u>6,136,763</u>	<u>14,114,871</u>
Less accumulated depreciation and amortization	<u>(1,797,417)</u>	<u>(183,801)</u>	<u>(1,981,218)</u>
Component unit capital assets, net	<u>\$ 6,180,691</u>	<u>\$ 5,952,962</u>	<u>\$ 12,133,653</u>

(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 January 1, 2013 through January 1, 2014. The pool may make an overall supplemental assessment or declare a refund, depending on the loss experience of all the entities it insures.

The County is exposed to risk of loss relating to public official liability, law enforcement liability, automobile liability, personal property damage and employment practices. The County protects itself against loss in these areas with commercial insurance coverage of \$500,000 to \$2,000,000 and retention deductibles ranging from \$0 to \$100,000.

Settled claims did not exceed insurance coverage for the fiscal years ended September 30, 2012, September 30, 2013 or September 30, 2014. The Government-wide Statement of Net Position as of September 30, 2014, presents a liability of \$1,347,000, representing unpaid judgments and estimated future settlements. Several legal suits are outstanding against the County at any given time during a fiscal year. While the County believes it has meritorious defenses against each suit, the ultimate resolution of each matter, each of which is expected to occur within one year, could result in losses of up to \$2,560,000 in excess of the amount accrued.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

(9) Capital Leases.

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2014.

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,682,262
Nonmobile equipment	763,102
	2,445,364
Less accumulated depreciation	(1,200,652)
Leased property under capital leases	\$ 1,244,712

The following is a schedule by years of the total payments due as of September 30, 2014.

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 471,959	\$ 26,123
2016	358,161	18,551
2017	245,467	16,768
2018	198,735	11,591
2019	202,544	7,802
Total	\$ 1,476,866	\$ 80,835

(10) Postemployment Benefits Other Than Pensions.

A. Plan Description.

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

B. Funding Policy.

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

C. Annual OPEB Cost and Net OPEB Obligation.

The County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a 30-year period. The following table shows

HINDS COUNTY, MISSISSIPPI
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For the Year Ended September 30, 2014

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	\$	417,109
Interest on net OPEB obligation		52,736
Adjustment to annual requirement contribution		<u>(58,043)</u>
Annual OPEB cost		411,802
Contributions made		<u>26,996</u>
Increase in net OPEB obligation		384,806
Net OPEB obligation - beginning of year		<u>1,171,922</u>
Net OPEB obligation - end of year	\$	<u><u>1,556,728</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan and the net OPEB obligation for fiscal years 2012, 2013 and 2014 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/12	\$ 207,116	11.2%	\$ 816,333
09/30/13	380,131	6.5%	1,171,922
09/30/14	411,802	6.6%	1,556,728

D. Funded Status and Funding Progress.

As of September 30, 2014, the actuarial accrued liability for benefits was \$2,327,420, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was \$27,925,527, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 8.3%.

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 ARCs 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 for the Retiree Health Plan, presented as required supplementary information following the notes to financial statements, presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Methods and Assumptions.

Projections of benefits for financial reporting purposes are based on the substantive Plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

The following simplifying assumptions were made:

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

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

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

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

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

Health insurance premiums - 2013 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, 2014 was 24 years.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

(11) Long-term Debt.

Debt outstanding as of September 30, 2014, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Mississippi Development Bank Special Obligation Bonds, Series 2005 (Hinds County, Mississippi General Obligation Public Improvements Bond Project)	\$ 390,000	3.00% to 5.25%	10/01/35
Mississippi Development Bank Special Obligation Bonds, Series 2007A (Hinds County, Mississippi General Obligation Public Improvements and Refunding Bond Project)	22,030,000	4.00% to 5.00%	10/01/36
Mississippi Development Bank Special Obligation Taxable Bonds, Series 2007B (Hinds County, Mississippi General Obligation Public Parking Project)	12,305,000	5.46%	10/01/36
Mississippi Development Special Obligation Bonds, Series 2010	<u>2,120,000</u>	3.00% to 4.25%	06/01/30
Total General Obligation Bonds	<u>\$ 36,845,000</u>		
B. Limited Obligation Bonds:			
Tax Increment Limited Obligation Bonds, Series 1997 (Wal-Mart)	\$ 130,000	5.60%	09/01/17
Tax Increment Financing Revenue Bond, Series 2005 (Byram Parkway Project)	177,000	5.34%	04/01/18
Tax Increment Financing Revenue Bond, Series 2008 (Byram Parkway Project)	<u>103,000</u>	4.96%	04/01/18
Total Limited Obligation Bonds	<u>\$ 410,000</u>		
C. Capital Leases:			
Road Equipment 2014	\$ 975,082	1.94%	12/13/18
Road Equipment 2011	147,206	2.89%	11/01/16
Self-contained Breathing Apparatus Equipment	127,339	0.00%	09/15/16
Sheriff's Vehicle	78,017	1.99%	09/15/15
Sheriff's Vehicle	4,790	2.54%	04/15/15
Sheriff's Vehicle	4,790	2.54%	04/15/15
2013 BancorpSouth 2013 Video Arraignment Equipment	67,677	2.08%	04/23/16
2013 BancorpSouth Vehicles	<u>71,965</u>	1.78%	05/24/16
Total Capital Leases	<u>\$ 1,476,866</u>		

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For the Year Ended September 30, 2014

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
D. Other Loans:			
MDA Energy Loan	\$ 47,405	3.50%	10/01/15
Unisys Computer Loan	693,345	1.63%	05/01/17
2013 General Obligation Note	<u>2,133,335</u>	1.90%	10/01/18
Total Other Loans	<u>\$ 2,874,085</u>		

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

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 1,210,000	\$ 1,761,752	\$ 105,000	\$ 20,327
2016	1,485,000	1,703,622	113,000	14,589
2017	1,540,000	1,630,023	117,000	8,362
2018	1,605,000	1,553,682	75,000	1,951
2019 - 2023	6,920,000	6,753,015	-	-
2024 - 2028	8,100,000	5,080,881	-	-
2029 - 2033	9,695,000	2,974,049	-	-
2034 - 2038	<u>6,290,000</u>	<u>605,742</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 36,845,000</u>	<u>\$ 22,062,766</u>	<u>\$ 410,000</u>	<u>\$ 45,229</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2015	\$ 811,854	\$ 54,409
2016	764,449	38,713
2017	764,449	24,465
2018	<u>533,333</u>	<u>10,323</u>
Total	<u>\$ 2,874,085</u>	<u>\$ 127,910</u>

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, 2014, the amount of outstanding debt was equal to 1.93% 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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

County's financial statements. On September 30, 2014, \$5,715,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2014.

	Balance Oct. 1, 2013	Additions	Reductions	Balance Sept. 30, 2014	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,504,614	\$ 156,835	\$ -	\$ 2,661,449	\$ 261,472
Other post employment benefits	1,171,922	384,806	-	1,556,728	-
Claims and judgments payable	156,500	1,190,500	-	1,347,000	1,347,000
General obligation bonds	38,605,000	-	(1,760,000)	36,845,000	1,210,000
Limited obligation bonds	506,000	-	(96,000)	410,000	105,000
Grant obligations	60,000	-	(60,000)	-	-
Capital leases	788,951	975,082	(287,167)	1,476,866	471,959
Other loans	3,684,334	-	(810,249)	2,874,085	811,853
Total	\$ 47,477,321	\$ 2,707,223	\$ (3,013,416)	\$ 47,171,128	\$ 4,207,284

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

Component Unit:

The debt outstanding at December 31, 2013 for the Hinds County Mental Health Commission, is as follows:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. Revenue Bonds:			
Mississippi Hospital Equipment and Facilities Authority, Series 2006	<u>\$ 5,960,000</u>	5.30 to 6.10%	05/01/31
B. Other Loans:			
Loan payable	<u>\$ 835,320</u>	2.30%	08/01/32

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

Annual debt service requirements to maturity at December 31, 2013 for the following debt reported in the Commission's Statement of Net Position are as follows:

Year Ending	Revenue Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 195,000	\$ 355,962	\$ 36,068	\$ 18,903
2015	205,000	345,628	36,905	18,066
2016	220,000	333,840	37,761	17,210
2017	230,000	321,190	38,637	16,334
2018- 2022	1,375,000	1,390,325	207,054	67,801
2023 - 2027	1,830,000	928,725	232,212	42,643
2028 - 2032	1,905,000	299,025	246,683	14,428
Total	<u>\$ 5,960,000</u>	<u>\$ 3,974,695</u>	<u>\$ 835,320</u>	<u>\$ 195,385</u>

The following is a summary of changes in long-term liabilities and obligations for the year ended December 31, 2013 for the Commission.

	Balance	Additions	Reductions	Balance	Amount Due
	Jan. 1, 2013			Dec. 31, 2013	Within One Year
Revenue bonds	\$ 6,145,000	\$ -	\$ (185,000)	\$ 5,960,000	\$ 195,000
Other loans	870,570	-	(35,250)	835,320	36,068
Compensated absences	270,279	58,030	(39,125)	289,184	169,535
Total	<u>\$ 7,285,849</u>	<u>\$ 58,030</u>	<u>\$ (259,375)</u>	<u>\$ 7,084,504</u>	<u>\$ 400,603</u>

(12) Derivative Instruments.

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

The County retained the services of an independent company specializing in valuation of derivatives to evaluate and value its derivative instruments as of September 30, 2014, as part of its adoption of GASB 53. Because neither of the instruments discussed below qualify as hedging derivative instruments under GASB 53, the derivative instruments have been accounted for as investment derivative instruments. The swap value is determined using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement of the swaps.

Changes in Derivative Agreements - On March 10, 2011, the County entered into an amended and restated agreement with both of the below instruments. Under the terms of the new agreements, all payments required to be made under the agreements are terminated for a period of four years.

2006 Interest Rate Swap:

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

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

On September 19, 2007, the 2006 Swap Agreement was amended to decrease the notional amount to \$1,600,000 and amend the multiplier to leave the effective notional amount at \$29,780,000. The County received an additional payment of \$300,000. Under the amendment, the County pays a variable rate indexed to the SIFMA Municipal Swap Index (SIFMA) divided by a fixed divisor of 0.604 and received a fixed rate less an adjustment factor based primarily on the relationship between LIBOR and SIFMA through September 18, 2007, and receives a variable rate based primarily on either LIBOR or the ISDA-swap rate based on certain conditions from September 19, 2007 through September 30, 2009, and then will receive a variable rate based primarily on a percentage of the ISDA-swap rate from October 1, 2009 through maturity. All amounts to be received by the County under this agreement are subject to a multiplier. The swap will terminate on October 1, 2035. An early termination of the swap transaction may result in the County making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2014, the fair value of the transaction was a liability of \$1,906,997.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

County received a payment of \$500,000 from the 2007 Swap Counterparty when the swap was initiated for the purpose of paying certain costs associated with the swap, including legal and financial advisory fees.

Under the 2007 Swap Agreement, the County pays a variable rate indexed to the SIFMA divided by a fixed divisor of 0.604 and receives a variable rate based primarily on either LIBOR or the ISDA-swap rate based on certain conditions through September 30, 2010. Starting October 1, 2010, through maturity, the County will receive a variable rate based on a percentage of the ISDA-swap rate plus a fixed spread. Payments on the swap are exchanged semiannually. The swap will terminate on October 1, 2036. An early termination of the swap transaction may result in the County making or receiving a termination payment based on the prevailing market interest rates at the time of such termination. As of September 30, 2014, the fair value of the transaction was a liability of \$2,375,150.

Risks Associated with the Swap Agreements:

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

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

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

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

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

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

Yield Curve Risk - The 2006 Swap Agreement was amended on September 19, 2007. Under the amendment, the maturity of the LIBOR was changed from a short-term maturity (six-month LIBOR) to a

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

longer term maturity (a percentage of ten-year LIBOR). Under the amendment, the County expects that the payments from the 2006 Swap Counterparty will increase as a result of certain changes in the general interest rate environment. The County's payments under the amended 2006 Swap Agreement are not expected to change from the original 2006 Swap Agreement.

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

(13) Contingencies.

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

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not exceed the County's estimate of claims and judgments payable as reflected in Note 8.

(14) Related Organization.

The Hinds County Board of Supervisors is responsible for appointing a voting majority of the members of the Board of the Hinds County Livestock Commission, but the County's accountability for this organization does not extend beyond making the appointments. During the year, the County appropriated \$15,390 to this organization.

(15) 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 \$1,893,624 in 2014. Complete financial statements for the Jackson-Hinds Library System can be obtained from the following address: 400 North State Street, Jackson, MS 39201.

(16) 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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2014

percentage of CMPDD's total revenues. The County appropriated \$45,088 for support of CMPDD in FY 2014.

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 \$9,151,362 for maintenance and support of the College in FY 2014.

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 \$85,500 for support of the Agency in FY 2014.

(17) 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. At September 30, 2014, PERS members are required to contribute 9.00% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014, was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ended September 30, 2014, 2013 and 2012 were \$4,449,947, \$4,055,463 and \$3,563,981, respectively, equal to the required contributions for each year.

(18) Subsequent Event.

Events that occur after the statement of net position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management of the County evaluated the activity of the County through the date the financial statements were available to be issued and determined that the following subsequent event has occurred that requires disclosure in the notes to the financial statements.

The County issued bonds totaling \$9,995,000 on March 10, 2015, at an initial interest rate of 2.0% for a term of 22 years to refund a portion of the outstanding General Obligation 2007A bonds.

Additionally, the County terminated the derivative instruments included in Note 12 on January 20, 2015 at no cost to the County.

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, 2014

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 42,637,740	\$ 42,713,164	\$ 44,909,453	\$ 2,196,289
Licenses, commissions and other	2,140,220	2,140,220	2,318,514	178,294
Fines and forfeitures	1,058,000	1,058,000	1,843,348	785,348
Intergovernmental	3,980,328	3,910,829	5,267,431	1,356,602
Charges for services	3,506,006	3,641,747	2,353,527	(1,288,220)
Interest income	53,300	53,300	82,822	29,522
Miscellaneous	343,500	369,051	359,103	(9,948)
Total Revenues	<u>53,719,094</u>	<u>53,886,311</u>	<u>57,134,198</u>	<u>3,247,887</u>
EXPENDITURES				
Current:				
General government	26,187,381	27,888,232	26,953,554	934,678
Public safety	26,336,182	29,151,810	28,164,316	987,494
Public works	400,000	257,640	257,640	-
Health and welfare	1,522,092	1,524,115	1,411,652	112,463
Culture and recreation	63,250	78,750	78,186	564
Conservation of natural resources	321,981	335,456	335,456	-
Economic development and assistance	68,838	68,838	68,838	-
Debt service:				
Principal	221,762	221,845	221,275	570
Interest	7,182	7,099	6,956	143
Bond issuance costs	450	450	-	450
Total Expenditures	<u>55,129,118</u>	<u>59,534,235</u>	<u>57,497,873</u>	<u>2,036,362</u>
Excess of Expenditures over Revenues	<u>(1,410,024)</u>	<u>(5,647,924)</u>	<u>(363,675)</u>	<u>5,284,249</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	25,000	28,330	25,437	(2,893)
Compensation for loss of capital assets	50,000	688,758	685,267	(3,491)
Transfers in	2,114,872	2,567,571	2,609,213	41,642
Transfers out	<u>(2,450,783)</u>	<u>(3,077,844)</u>	<u>(3,062,714)</u>	<u>15,130</u>
Total Other Financing Sources (Uses)	<u>(260,911)</u>	<u>206,815</u>	<u>257,203</u>	<u>50,388</u>
Excess of Expenditures and Other Financing Sources (Uses) over Revenue and Other Financing Sources	<u>\$ (1,670,935)</u>	<u>\$ (5,441,109)</u>	<u>(106,472)</u>	<u>\$ 5,334,637</u>
FUND BALANCES				
Beginning of year			10,707,413	
End of year			<u>\$ 10,600,941</u>	

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

HINDS COUNTY, MISSISSIPPI
Notes to the Budgetary Comparison Schedule
For the Year Ended September 30, 2014

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, Tax Assessor and Tax Collector for his or her respective department, prepares an original budget for the general fund (a Governmental Fund) for said fiscal year. The completed budget for the fiscal year includes for the General Fund every source of revenue, each general item of expenditure and the unencumbered cash and investment balances. When, during the fiscal year, it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

Note B - Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The 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 Schedule (Continued)
For the Year Ended September 30, 2014

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

	Governmental Fund Type
	General Fund
Budget (Cash Basis)	\$ (106,472)
Increase (Decrease)	
Net adjustments for revenue accruals	(2,290,407)
Net adjustments for expenditure accruals	3,077,204
GAAP Basis	\$ 680,325

HINDS COUNTY, MISSISSIPPI
Schedule of Funding Progress for the Retiree Health Plan
For the Year Ended September 30, 2014

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}
2011-2012	-	\$ 1,450,938	\$ 1,450,938	0%	\$ 28,371,582	5.10%
2012-2013	-	1,974,971	1,974,971	0%	27,377,968	7.21%
2013-2014	-	2,327,420	2,327,420	0%	27,925,527	8.30%

HINDS COUNTY, MISSISSIPPI

SUPPLEMENTARY INFORMATION

HINDS COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Series 2007B Taxable Bonds
 For the Year Ended September 30, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Interest income	\$ 200,000	\$ 200,000	\$ 19,253	\$ (180,747)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>19,253</u>	<u>(180,747)</u>
EXPENDITURES				
Current:				
General government	-	1,000,000	265,891	734,109
Culture and recreation	-	175,000	-	175,000
Total Expenditures	<u>-</u>	<u>1,175,000</u>	<u>265,891</u>	<u>909,109</u>
Excess of Expenditures over Revenues	<u>200,000</u>	<u>(975,000)</u>	<u>(246,638)</u>	<u>728,362</u>
OTHER FINANCING SOURCES				
Transfers out	-	(120,000)	(120,000)	-
Total Other Financing Sources	<u>-</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
Excess of Expenditures over Revenue and Other Financing Sources	<u>\$ 200,000</u>	<u>\$ (1,095,000)</u>	<u>(366,638)</u>	<u>\$ 728,362</u>
FUND BALANCES				
Beginning of year			<u>11,894,787</u>	
End of year			<u>\$ 11,528,149</u>	

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

HINDS COUNTY, MISSISSIPPI
Notes to the Budgetary Comparison Schedule
For the Year Ended September 30, 2014

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, Tax Assessor and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds, including the major capital projects fund, for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure and the unencumbered cash and investment balances. When, during the fiscal year, it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

Note B - Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is not a part of required supplementary information, but it is presented as supplemental 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 Schedule (Continued)
For the Year Ended September 30, 2014

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the major capital projects fund:

	<u>Governmental</u> <u>Fund Type</u> Series 2007B Taxable Bonds <u>Fund</u>
Budget (Cash Basis)	\$ (366,638)
Increase (Decrease)	
Net adjustments for revenue accruals	-
Net adjustments for expenditure accruals	<u>(96,063)</u>
GAAP Basis	<u>\$ (462,701)</u>

HINDS COUNTY, MISSISSIPPI
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
MAJOR FEDERAL AWARDS			
U.S. Department of Transportation			
Passed through Mississippi Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	MS 024 125	\$ 854,063
Highway Planning and Construction	20.205	N/A	91,770
Highway Planning and Construction	20.205	SRSP-0025-00(70)	<u>1,812</u>
Total U.S. Department of Transportation			<u>947,645</u>
U.S. Election Commission Assistance			
Passed through Mississippi Development Authority			
Community Development Block Grant/State's program and Non-entitlement Grants in Hawaii			
	14.228	1129-12-025PF-01	<u>351,411</u>
Total U.S. Election Commission Assistance			<u>351,411</u>
Total Expenditures of Major Federal Awards			<u>1,299,056</u>
OTHER FEDERAL AWARDS			
U.S. Department of Justice			
Justice Assistance Grant Program Cluster			
Passed through the City of Jackson, Mississippi			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-1159	32,568
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0594	13,379
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011-H5375-MS-DJ	89,645
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-1095	65,748
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-H5672-MS-DJ	<u>86,047</u>
			287,387
Passed through the Mississippi Department of Public Safety			
Juvenile Accountability Block Grants	16.523	12JB1251	91,546
Crime Victim Assistance	16.575	12VA1251	31,502
Crime Victim Assistance	16.575	13XA1251	10,241
Violence Against Women Formula Grants	16.588	13SL1251	<u>23,525</u>
			156,814
Passed through the Mississippi Bureau of Narcotics (MBN)			
Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>1,549</u>
Total U. S. Department of Justice			<u>445,750</u>
U. S. Department of Health and Human Services			
Passed through the Mississippi Department of Human Services/ Central Mississippi Planning and Development District, Inc.			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers			
	93.044	377N21	26,821
Passed through the Mississippi Emergency Management Agency			
Child Support Enforcement	93.563	93.UN	<u>2,585</u>
Total U.S. Department of Health and Human Services			<u>29,406</u>

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2014

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
OTHER FEDERAL AWARDS (Continued)			
Executive Office of the President			
Passed through the Gulf Coast HIDTA			
High Intensity Drug Trafficking Area Program	95.001	G14GC0003A	\$ 41,829
High Intensity Drug Trafficking Area Program	95.001	G13GC0003A	<u>25,025</u>
Total Executive Office of the President			<u>66,854</u>
U.S. Department of Agriculture			
Passed through the Mississippi Department of Education			
National School Lunch Program	10.555	N/A	<u>18,315</u>
Total U.S. Department of Agriculture			<u>18,315</u>
U.S. Department of Transportation			
Passed through the Mississippi Department of Public Safety			
State and Community Highway Safety Grant	20.600	12OP1251	1,550
Alcohol Open Container Requirements	20.607	13TA1251	<u>173,533</u>
Total U.S. Department of Transportation			<u>175,083</u>
U.S. Department of Homeland Security			
Passed through the Mississippi Department of Homeland Security			
Homeland Security Grant Program	97.067	10MM025	19,632
Homeland Security Grant Program	97.067	11HS025	11,653
Homeland Security Grant Program	97.067	S11HS025T	9,995
Homeland Security Grant Program	97.067	12HS025	10,954
Pass through the Mississippi Emergency Management Agency			
Hazard Mitigation Grant	97.039	1604-134	31,345
Emergency Management Performance Grants	97.042	97.UN	<u>12,964</u>
Total U. S. Department of Homeland Security			<u>96,543</u>
U.S. Environmental Protection Agency			
Direct			
Congressionally Mandated Projects	66.202	XP95471011-0	<u>20,916</u>
Total U.S. Environmental Protection Agency			<u>20,916</u>
Total Expenditures of Other Federal Awards			<u>852,867</u>
Total Expenditures of Federal Awards			<u>\$ 2,151,923</u>

HINDS COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

Note A - Significant Accounting Policies

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

Note B - There were no subrecipients during the year.

Note C - Outstanding Loans

At September 30, 2014, there were \$2,304,292 of loans outstanding in the Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii, CFDA No. 14.228. There were no continuing compliance requirements related to this loan for the year ended September 30, 2014.

HINDS COUNTY, MISSISSIPPI

OTHER INFORMATION

HINDS COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2014

Name	Position	Company	Bond
Robert Graham	Supervisor District 1	Western Surety Co.	\$ 100,000
Darrell McQuirter	Supervisor District 2	Western Surety Co.	100,000
Peggy Calhoun	Supervisor District 3	Western Surety Co.	100,000
Tony Greer	Supervisor District 4	Western Surety Co.	100,000
Kenneth Stokes	Supervisor District 5	Western Surety Co.	100,000
Carmen Davis	County Administrator	Travelers Casualty and Surety Co. of America	100,000
Eddie Jean Carr	Chancery Clerk	Western Surety Co.	100,000
Arthur Matlock	Purchasing Clerk	Travelers Casualty and Surety Co. of America	50,000
Chantey Broome	Purchasing Assistant Clerk	Travelers Casualty and Surety Co. of America	50,000
Latasha Jackson	Purchasing Assistant Clerk	Travelers Casualty and Surety Co. of America	50,000
Lillie Woods	Receiving Clerk	Travelers Casualty and Surety Co. of America	75,000
Brittany Anderson	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Linda Bennett	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Paula Cable	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Connie Cochran	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Angela Cook	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Nikia Felton	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Tracy Funchess	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Shelva King	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Larry Grant	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Joann Gray	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Regina Hill	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Ruth Kelly	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Sharon Kyle	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Genolia Lindsey	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Stephanie Meachum	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Joseph Perkins	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Deborah Pierce	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Earline Samuel	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
LaTonya Sturgis	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Angela Thomason	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Audrey Thrasher	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Mary Tory	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Tabetha Ward	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Gloria Wilson	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
Beverly Hughes	Assistant Receiving Clerk	Travelers Casualty and Surety Co. of America	50,000
James Ingram	Inventory Control Clerk	Travelers Casualty and Surety Co. of America	75,000
Michael Johnson	Inventory Admin Asst	Travelers Casualty and Surety Co. of America	50,000
Paul A. Greene	County Surveyor	Travelers Casualty and Surety Co. of America	50,000
Barbara Dunn	Circuit Clerk	Brierfield Insurance Co.	100,000
Tyrone Lewis	Sheriff	Western Surety Co.	100,000
John Brown	Constable	Western Surety Co.	50,000
Bennie Buckner	Constable	Western Surety Co.	50,000
Lawrence Funchess	Constable	Travelers Casualty and Surety Co. of America	50,000
Jon Lewis	Constable	Western Surety Co.	50,000
Jerry Moore	Constable	Travelers Casualty and Surety Co. of America	50,000
Ivory Britton	Justice Court Judge	Old Republic/Statewide	50,000
James Morton	Justice Court Judge	Travelers Casualty and Surety Co. of America	50,000
Pearlie Owens	Justice Court Judge	Old Republic Surety Co.	50,000
Frank Sutton	Justice Court Judge	Western Surety Co.	50,000
Donald D. Palmer	Justice Court Judge	Travelers Casualty and Surety Co. of America	50,000
Patricia Woods	Justice Court Clerk	Travelers Casualty and Surety Co. of America	50,000
Jephthah Amos	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Chase Kayla	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Amber Crawford	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Cynthia Smith	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000

HINDS COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials (Continued)
For the Year Ended September 30, 2014

Name	Position	Company	Bond
Kelley Walley	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	\$ 50,000
Robert Amos	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Lakisha Armon	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Dolise Clowers	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Shirley Harper	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Cheryl Keeler	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Rochell Jones	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Natasha Thompson	Justice Court Deputy Clerk	Travelers Casualty and Surety Co. of America	50,000
Joyce Williams	Justice Court Executive Assistant	Travelers Casualty and Surety Co. of America	50,000
Carl Frelix	Road Manager	Travelers Casualty and Surety Co. of America	50,000
Eddie Fair	Tax Collector	Western Surety Co.	100,000
Doris Boston	Tax Collector Clerk	Western Surety Co.	50,000
Erica Brown	Tax Collector Clerk	Western Surety Co.	50,000
Monica Butler	Tax Collector Clerk	Western Surety Co.	50,000
Quintina Calender	Tax Collector Clerk	Western Surety Co.	50,000
Kenisha Calvin	Tax Collector Clerk	Travelers Casualty and Surety Co. of America	50,000
Larry Camper	Tax Collector Clerk	Western Surety Co.	50,000
Kathy Chestnut	Tax Collector Clerk	Western Surety Co.	50,000
Sophie Coats	Tax Collector Clerk	Western Surety Co.	50,000
Peggy Ervin	Tax Collector Clerk	Western Surety Co.	50,000
Jasmine Felder	Tax Collector Clerk	Western Surety Co.	50,000
Kristie Fields	Tax Collector Clerk	Western Surety Co.	50,000
Joseph Francis	Tax Collector Clerk	Western Surety Co.	50,000
Irsteen Gatlin	Tax Collector Clerk	Western Surety Co.	50,000
Shamika Grace	Tax Collector Clerk	Western Surety Co.	50,000
Marketa Graham	Tax Collector Clerk	Western Surety Co.	50,000
Stephanie Green	Tax Collector Clerk	Western Surety Co.	50,000
Bridget Hall	Tax Collector Clerk	Western Surety Co.	50,000
Rochi Hearn	Tax Collector Clerk	Western Surety Co.	50,000
Keisha Jackson	Tax Collector Clerk	Western Surety Co.	50,000
Matrice Kent	Tax Collector Clerk	Western Surety Co.	50,000
Donna Larry	Tax Collector Clerk	Western Surety Co.	50,000
Sylvia McClellan	Tax Collector Clerk	Western Surety Co.	50,000
Lora McInnis	Tax Collector Clerk	Western Surety Co.	50,000
Karen McNeill	Tax Collector Clerk	Western Surety Co.	50,000
Etta McPhaul	Tax Collector Clerk	Western Surety Co.	50,000
Alexis Nelson	Tax Collector Clerk	Western Surety Co.	50,000
Sharonda Nichols	Tax Collector Clerk	Western Surety Co.	50,000
Brandi Riley	Tax Collector Clerk	Western Surety Co.	50,000
Erica Shearrill	Tax Collector Clerk	Western Surety Co.	50,000
Deanna Smith	Tax Collector Clerk	Western Surety Co.	50,000
Dorothy Smith	Tax Collector Clerk	Western Surety Co.	50,000
Judy Smith	Tax Collector Clerk	Western Surety Co.	50,000
Stephanie Smith	Tax Collector Clerk	Western Surety Co.	50,000
Marie Strong	Tax Collector Clerk	Western Surety Co.	50,000
Sheena Taylor	Tax Collector Clerk	Western Surety Co.	50,000
Ebony Teague	Tax Collector Clerk	Western Surety Co.	50,000
Ashanti Wansley	Tax Collector Clerk	Western Surety Co.	50,000
Lakonita Washington	Tax Collector Clerk	Western Surety Co.	50,000
Brinda Willis	Tax Collector Clerk	Western Surety Co.	50,000
Terrell Wilson	Tax Collector Clerk	Western Surety Co.	50,000
Darwin Wooten	Tax Collector Clerk	Western Surety Co.	50,000
Michelle Wright	Tax Collector Clerk	Western Surety Co.	50,000
Lenora Young	Tax Collector Clerk	Western Surety Co.	50,000
Charles Stokes	Tax Assessor	Statewide Insurance Group	100,000
Daryl Berry	Deputy Tax Assessor	Western Surety Co.	10,000
Edna Gipson	Deputy Tax Assessor	Western Surety Co.	10,000
Dajae Lindsay	Deputy Tax Assessor	Western Surety Co.	10,000

HINDS COUNTY, MISSISSIPPI
Schedule of Surety Bonds for County Officials (Continued)
For the Year Ended September 30, 2014

Name	Position	Company	Bond
Gary Neill	Deputy Tax Assessor	Western Surety Co.	\$ 10,000
Bonnye Owens	Deputy Tax Assessor	Western Surety Co.	10,000
Ashley Rayford	Deputy Tax Assessor	Western Surety Co.	10,000
Adrian Terry	Deputy Tax Assessor	Western Surety Co.	10,000
Angela Thomason	Deputy Tax Assessor	Western Surety Co.	10,000
Joseph Thompson	Deputy Tax Assessor	Western Surety Co.	10,000
Nicholas Ward	Deputy Tax Assessor	Western Surety Co.	10,000
Arthur Williams	Deputy Tax Assessor	Western Surety Co.	10,000
Debbie Hennington	Deputy Tax Assessor	Western Surety Co.	10,000
Frankie Shoto	Deputy Tax Assessor	Western Surety Co.	10,000
Thomas Ballenger	Deputy Tax Assessor	Old Republic Surety Company	10,000
Angela Blaylock	Deputy Tax Assessor	Old Republic Surety Company	10,000
Laura Burse	Deputy Tax Assessor	Old Republic Surety Company	10,000
Stephen Draper	Deputy Tax Assessor	Old Republic Surety Company	10,000
Tamara Graves	Deputy Tax Assessor	Old Republic Surety Company	10,000
Debra Griffiths	Deputy Tax Assessor	Old Republic Surety Company	10,000
Clifton Hackler	Deputy Tax Assessor	Old Republic Surety Company	10,000
Debbie Hennington	Deputy Tax Assessor	Old Republic Surety Company	10,000
Alexandria Lovell	Deputy Tax Assessor	Old Republic Surety Company	10,000
Robert McField	Deputy Tax Assessor	Old Republic Surety Company	10,000
Bobby Merritt	Deputy Tax Assessor	Old Republic Surety Company	10,000
Sandra Phillips	Deputy Tax Assessor	Old Republic Surety Company	10,000
Katherine Riley	Deputy Tax Assessor	Old Republic Surety Company	10,000
Roderick Ward	Deputy Tax Assessor	Old Republic Surety Company	10,000
April Jefferson	Deputy Tax Assessor	Statewide Insurance Group	10,000
Marlon Kidd	Deputy Tax Assessor	Statewide Insurance Group	10,000
Warren Pinter	Deputy Tax Assessor	Statewide Insurance Group	10,000
Gloria Wilson	Deputy Tax Assessor	Old Republic Surety Company	10,000

HINDS COUNTY, MISSISSIPPI

SPECIAL REPORTS

**Independent Auditor's 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, 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, the basic financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of Hinds County, Mississippi (the County), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 26, 2015, which contained a reference to the reports of other auditors and contained an "Emphasis of Matter" paragraph regarding a change in accounting principles. Our report includes a reference to other auditors who audited the financial statements of the Hinds County Economic Development Authority and the Hinds County Mental Health Commission, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the County's internal control to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 14-001 to be a material weakness.

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 matters that we reported to the County's management in separate letter dated June 26, 2015.

The County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLC

Jackson, Mississippi
June 26, 2015

**Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance**

Independent Auditor's Report

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the compliance of Hinds County, Mississippi (the County) with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above.

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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. 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.

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 material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Jackson, Mississippi
June 26, 2015

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

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

We have examined Hinds County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Hinds County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Hinds County, Mississippi has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

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

Purchase Clerk

1. Finding

In accordance with Section 31-7-115, the Schedule of Emergency Purchases should include all emergency purchases made under the authority of Section 31-7-13(k) during the fiscal year. The schedule, as originally provided by the purchasing clerk, excluded one emergency purchase approved in the minutes of the Board of Supervisors. The schedule originally included one emergency purchase that was not approved by the Board of Supervisors. The schedule originally included two emergency purchases, which were made under August 5, 2013 emergency proclamation and should not have been included on the schedule.

Recommendation

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

Purchase Clerk's Response

The Purchase Clerk will assure all emergency purchases made under the authority of Section 31-7-13(k) are properly accumulated and presented in the accompanying schedule in compliance with Section 31-7-115.

2. Finding

In accordance with Section 31-7-115, the Schedule of Purchases Not Made from the Lowest Bidder should include all purchases made from the other than lowest bidder under the authority of Section 31-7-13(d)(i) during the fiscal year. Per Section 31-7-13(d)(i), "if any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid." No agency or governing authority shall accept a bid based on items not included in the specifications. One such purchase occurred that was originally excluded from the schedule and was not approved in the minutes of the Board of Supervisors.

Recommendation

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

Purchase Clerk's Response

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

In our opinion, except for the noncompliance referred to in the preceding paragraphs, Hinds County, Mississippi complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

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 examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

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

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

BKD, LLC

Jackson, Mississippi
June 26, 2015

HINDS COUNTY, MISSISSIPPI
 Schedule of Purchases Not Made From the Lowest Bidder
 For the Year Ended September 30, 2014

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>
03/19/14	Diesel generator	\$ 32,995	V-Electric, Inc.	\$31,749	Lowest bidder was not able to order the equipment at the time required by the County

HINDS COUNTY, MISSISSIPPI
 Schedule of Emergency Purchases
 For the Year Ended September 30, 2014

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
06/06/14	Repairs	\$ 16,329	ServPro of Jackson	Repair water damage to Hinds County Human Services Building after a pipe burst during the night. Employees were unable to return to the building until it was cleaned properly.
07/21/14	Repairs	1,008	Roto Rooter	Plumbing repairs to a busted pipe on the third floor of the Chancery Building.
09/15/14	Boiler and tank at Penal Farm	62,000	Brandon Service Company	Replace the gas-powered boiler and tank at the Penal Farm after tank and boiler burst.

HINDS COUNTY, MISSISSIPPI
Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2014

Schedule 3

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
10/10/13	Physio Control Lifepak 100 AED's	\$56,519	Physio-Control Corp
10/11/13	Stryker Evacuation Chairs (Models 6252 & 6254)	55,017	Stryker Sales Corp
05/19/14	DS850 Model scanners, software and license	87,398	Election Services & Software, LLC
06/16/14	Diamante Writer	6,162	Stenograph, LLC
07/07/14	T-shirts	9,801	National Association of Town Watch

Limited Internal Control and Compliance Review Management Report

Board of Supervisors
Hinds County, Mississippi
Jackson, Mississippi

In planning and performing our audit of the financial statements of Hinds County, Mississippi (the County) for the year ended September 30, 2014, we considered the County's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to the County's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated June 26, 2015, 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 all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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

Board of Supervisors

1. Finding

In accordance with Section 65-7-117, Miss. Code Ann. (1972), each member of the Board of Supervisors shall inspect every road and bridge in the County under the jurisdiction of the County not less than once each fiscal year. Each member shall file with the Clerk of the Board a report, under oath, of the condition of the roads and bridges inspected by the supervisor, with recommendations by the supervisor for a four-year plan for construction and major maintenance of such roads and bridges. Such inspection reports were not prepared or filed with the Clerk of the Board by two of the five supervisors for the fiscal year ended September 30, 2014.

Recommendation

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

Board of Supervisors' Response

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

2. Finding

In accordance with Section 25-11-127, Miss. Code Ann. (1972), Mississippi Public Employees Retirement System (PERS) should be notified when any current retiree of PERS receiving retirement benefits is hired by the County as either an employee or a true independent contractor. Additionally, this section requires PERS retirees who are elected to a county office to file an annual written waiver to PERS. For one individual (a county elected official) out of five selected for testing this requirement, this notification was not provided to PERS.

Recommendation

The County should ensure that PERS is notified of any employees or independent contractors that are retirees of PERS receiving retirement benefits.

Board of Supervisors' Response

The County will ensure that PERS is notified of any employees or independent contractors that are retirees of PERS receiving retirement benefits and will ensure the PERS waivers for any county elected official officials are filed annually.

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

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

BKD, LLP

Jackson, Mississippi
June 26, 2015

HINDS COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2014

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|---------------|
| 1. | The opinions expressed in the Independent Auditor's Report were: | |
| | Government-wide Activities | Unmodified |
| | General Fund | Unmodified |
| | Series 2007B Taxable Bonds (Parking Garage) Fund | Unmodified |
| | Aggregate Remaining Fund Information | Unmodified |
| | Aggregate Discretely Presented Component Units | Unmodified |
| 2. | The Independent Auditor's 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> disclosed: | |
| a. | Significant deficiencies? | None Reported |
| b. | Material weaknesses? | Yes |
| 3. | Noncompliance considered material to the financial statements was disclosed by the audit? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | The Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance disclosed: | |
| a. | Significant deficiencies? | None Reported |
| b. | Material weaknesses? | No |
| 5. | The opinion expressed in the Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance was: | Unmodified |
| 6. | The audit disclosed findings required to be reported by OMB Circular A-133? | No |
| 7. | The County's major programs were: | |
| a. | Community Development Block Grant/State's program and Non-entitlement Grants in Hawaii | 14.228 |
| b. | Highway Planning and Construction Cluster
Highway Planning and Construction | 20.205 |

HINDS COUNTY, MISSISSIPPI
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended September 30, 2014

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
9. The County qualified as a low-risk auditee as that term is defined in OMB Circular A-133? No

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

Reference Number	Finding
14-001	<p style="text-align: center;">Design Deficiency – Monitoring (Material Weakness)</p> <p><i>Criteria or Specific Requirement</i> - The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p><i>Condition</i> - As reported in the prior year audit report, the Circuit Court Clerk’s record keeping system and accounting processes/procedures do not allow for reconciliation between the daily deposits as posted in the system and the deposit slip or bank statement or between the bank statement to the distribution of cash in order to properly maintain records for amounts held in custody of others. Additionally, there is a lack of segregation of duties associated with cash receipts and the associated record keeping. Finally, many of the accounting functions are handled by a third-party CPA firm whose work is not reviewed by anyone in the Circuit Clerk’s office for proper recording, which has resulted in errors in the annual report and in the balance of cash reported for the Circuit Clerk in the audited financial statements.</p> <p><i>Cause</i> - There are no procedures in place such as a monthly review and reconciliation of the bank statement to the distribution of cash, the daily cash receipts with amounts deposited to the bank, and the third-party CPA’s processing of items and reconciliation of bank statements.</p> <p><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>Recommendation</i> - The Circuit Court Clerk should regularly reconcile the bank statement to the distribution of cash, the daily cash receipts with amounts deposited to the bank, and review the third-party CPA’s processing of items and reconciliation of bank statements. Additionally, the Circuit Court Clerk should segregate the cash receipts and record keeping functions.</p>

HINDS COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2014

**Reference
Number**

Finding

Views of Responsible Officials and Planned Corrective Actions - The Circuit Court Clerk will evaluate any and all findings and take corrective actions as considered necessary.

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

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

HINDS COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

HINDS COUNTY, MISSISSIPPI
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2014

Reference Number	Summary of Finding	Status
None		