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Hinds County, Mississippi
Audited Financial Statements and Special Reports
For the Year Ended September 30, 2018

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as 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) or Hinds County Mental Health Commission (the Commission), the County's discretely presented component units, which represent 100% of the assets, net position and revenues of the aggregate discretely presented component units. Those financial statements 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 of America. 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, 2018, and the respective changes in its 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 2018 the County adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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, the budgetary comparison schedules, other postemployment benefit information and pension information as 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.

Other 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 Schedule of Expenditures of Federal Awards required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

The accompanying Schedule of Expenditures of Federal Awards 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2019, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the County's 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, LLP

Jackson, Mississippi
October 31, 2019

HINDS COUNTY, MISSISSIPPI

MANAGEMENT'S DISCUSSION AND ANALYSIS SECTION

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018

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, 2018, (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's assets, liabilities and deferred inflows and outflows 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 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 financial 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.

Government funds account for basically the same functions reported as governmental activities in the government-wide financial statements. Unlike the government-wide financial statements, governmental

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018

funds financial statements focus on current financial 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.

- **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 schedule for the general fund and the Series 2017 General Obligation Bond Fund.

Effective October 1, 2014, the County adopted the new accounting and financial reporting guidance included in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. This adoption required the County revise and establish new accounting and financial reporting requirements for governments that provide their employees with pension benefits. The County provides its employees with pension benefits through the Mississippi Public Employees' Retirement System (PERS), a multiple-employer cost-sharing defined benefit retirement program administered by PERS. GASB 68 requires employers participating in multiple-employer cost-sharing plans, such as PERS, to record their proportionate share, as defined in GASB 68, of PERS' unfunded pension liability. The County has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERS.

Effective October 1, 2017, the County adopted the new accounting and financial reporting guidance included in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Prior year comparative financial information contained herein has not been restated for the adoption of GASB Statement No. 75.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Government-wide Financial Analysis

Statements of Net Position

The following statements reflect the condensed Statements of Net Position at September 30, 2018 and 2017.

	<u>2018</u>	<u>2017</u>
Current assets	\$ 102,436,586	\$ 103,923,145
Noncurrent assets	204,329,180	144,675,839
Total assets	<u>306,765,766</u>	<u>248,598,984</u>
Deferred outflows of resources	<u>2,982,241</u>	<u>5,133,668</u>
Current liabilities	37,273,234	35,756,425
Long-term liabilities	179,171,112	138,214,534
Total liabilities	<u>216,444,346</u>	<u>173,970,959</u>
Deferred inflows of resources	<u>54,128,257</u>	<u>55,364,065</u>
Net position		
Net investment in capital assets	107,471,494	94,390,240
Restricted	11,965,801	8,556,464
Unrestricted	(80,261,891)	(78,549,076)
Total net position	<u>\$ 39,175,404</u>	<u>\$ 24,397,628</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 2018, net position increased by \$14.2 million from FY 2017, before the \$0.6 million increase from the adoption of GASB Statement No. 75.
- Borrowing for Capital - This will increase financial assets and long-term liabilities. During FY 2018, the County paid down \$9.7 million on borrowings for capital projects. Capital related long-term debt increased overall by \$49.1 million due to new borrowings.
- 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 2018, the County spent approximately \$12.8 million of debt proceeds on capital projects.
- Spending of Nonborrowed Current Assets on New Capital - This will reduce current assets, increase capital assets, reduce unrestricted assets, and increase net investment in capital assets. The County spent \$16.9 million of nonborrowed cash on new capital assets during 2018. \$11.1 million of this spending was related to federal grant funding associated with the Hinds Parkway project.
- 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 \$10.1 million through scheduled repayments and a refunding bond issuance.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018

- 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 \$6.6 million in FY 2018.

Changes in Net Position

Hinds County's total revenue for the fiscal year ended September 30, 2018 was \$103.7 million, as compared to \$91.5 million for the fiscal year ended September 30, 2017. The total cost of services provided by the County was \$89.5 million for the fiscal year ended September 30, 2018, as compared to \$95.9 million for the fiscal year ended September 30, 2017. The County had an increase in net position of \$14.2 million related to a 13.3% increase in revenue, while expenditures decreased by 6.6%. Additionally, there was the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in an increase to our net position in the amount of \$592,354 for the cumulative effect of change in accounting principles.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018

The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2018 and 2017.

Statement of Activities

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues		
Charges for services	\$ 9,903,199	\$ 9,666,018
Operating grants and contributions	5,910,144	6,841,505
Capital grants and contributions	19,490,888	9,764,166
General revenues		
Property taxes	62,176,334	59,053,260
Road and bridge privilege taxes	2,728,569	2,727,724
Grants and contributions not restricted	2,764,046	2,771,748
Unrestricted interest income	607,199	114,062
Miscellaneous	147,828	591,409
Total revenues	<u>103,728,207</u>	<u>91,529,892</u>
Expenses:		
General government	32,703,362	32,531,567
Public safety	35,309,991	35,106,823
Public works	11,871,371	18,192,033
Health and welfare	3,238,873	3,246,646
Culture and recreation	1,806,472	1,769,542
Conservation of natural resources	326,733	268,397
Economic development and assistance	1,064,167	2,681,597
Interest on long-term debt	3,221,816	2,098,581
Total expenses	<u>89,542,785</u>	<u>95,895,186</u>
Change in net position	<u>14,185,422</u>	<u>(4,365,294)</u>
Net position, beginning as previously reported	24,397,628	28,762,922
Adjustment for adoption of new accounting standard	<u>592,354</u>	<u>-</u>
Net position, beginning as restated	<u>24,989,982</u>	<u>28,762,922</u>
Net position, ending	<u><u>\$ 39,175,404</u></u>	<u><u>\$ 24,397,628</u></u>

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018

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>	2018		
	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General government	\$ 32,703,362	\$ 6,043,846	\$ 26,659,516
Public safety	35,309,991	8,934,902	26,375,089
Public works	11,871,371	19,130,577	(7,259,206)
Health and welfare	3,238,873	989,586	2,249,287
Culture and recreation	1,806,472	58,264	1,748,208
Conservation of natural resources	326,733	-	326,733
Economic development and assistance	1,064,167	147,056	917,111
Interest on long-term debt	3,221,816	-	3,221,816

<u>Program</u>	2017		
	<u>Total Costs</u>	<u>Revenues</u>	<u>Net Costs</u>
General government	\$ 32,531,567	\$ 6,358,931	\$ 26,172,636
Public safety	35,106,823	6,679,147	28,427,676
Public works	18,192,033	12,353,516	5,838,517
Health and welfare	3,246,646	741,934	2,504,712
Culture and recreation	1,769,542	84,016	1,685,526
Conservation of natural resources	268,397	-	268,397
Economic development and assistance	2,681,597	54,145	2,627,452
Interest on long-term debt	2,098,581	-	2,098,581

Financial Analysis of the County's Funds

As of year-end, the governmental funds reported, as audited, a fund balance of \$63.1 million. This is an increase of \$36.3 million from the prior year's fund balance of \$26.8 million, which is due to approximately \$54.1 million in general obligation bond funds and premiums received during the year.

The General Fund, the County's primary operating fund, had an ending fund balance of \$13.8 million, an increase of \$0.8 million from the prior year.

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2018, the County had a total of \$237.4 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 \$107.6 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 be recorded. Accumulated depreciation was \$122.9 million at September 30, 2018.

The County's total capital assets, net of depreciation, total \$160.5 million, compared to a prior year net balance of \$134.5 million.

Debt

At September 30, 2018, the County had \$90.8 million in outstanding long-term debt, exclusive of premiums. This includes general obligation bonds, limited obligation bonds, grant obligations, capital leases and other loans. This is \$39.0 million more than the prior year of \$51.8 million.

The State of Mississippi limits the amount of debt counties can issue to 20% of total assessed value. During FY 2018, Hinds County was at 4.4%, well below its current limit.

**Long-term Debt
As of September 30, 2018**

	Balance 10/1/2017	Additions	Reductions	Balance 09/30/18
Governmental Activities:				
General obligation bonds	\$ 38,370,000	\$ 48,649,000	\$ (1,080,000)	\$ 85,939,000
Limited obligation bonds	75,000	-	(75,000)	-
Capital leases	13,149,333	452,197	(8,797,841)	4,803,689
Other loans	195,133	-	(110,000)	85,133
Total	<u>\$ 51,789,466</u>	<u>\$ 49,101,197</u>	<u>\$ (10,062,841)</u>	<u>\$ 90,827,822</u>

HINDS COUNTY, MISSISSIPPI
Management's Discussion and Analysis
For the Year Ended September 30, 2018

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 amendments, 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	\$ 57,611,935	\$ 60,037,514	\$ 2,425,579	\$ 61,370,384	\$ 1,332,870
Expenditures	61,941,586	63,441,967	(1,500,381)	60,072,333	3,369,634
Other financing sources (uses)	(263,079)	(605,524)	(342,445)	(615,327)	(9,803)
<u>Series 2017 General Obligation Bond Fund</u>					
Revenues	\$ -	\$ 151,955	\$ 151,955	\$ 444,353	\$ 292,398
Expenditures	-	38,219,994	38,219,994	13,608,730	24,611,264
Other financing sources (uses)	-	45,464,017	45,464,017	45,464,017	-

The general fund revenue was running about 2.2% ahead of budget. This was primarily due to increased collections in taxes, the County's major source of revenue, an increase in intergovernmental revenues, which were offset by a decrease in charges for services. On the expenditure side, the County was able to hold expenditures below budget by approximately 5.3%. 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 or (601) 968-6501.

HINDS COUNTY, MISSISSIPPI

FINANCIAL STATEMENTS

HINDS COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2018

Exhibit 1

	Primary Government	Component Units		
	Governmental Activities	Hinds County Economic Development Authority	Hinds County Mental Health Commission	Total
ASSETS				
Cash	\$ 23,637,672	\$ 2,737,112	\$ 2,086,617	\$ 4,823,729
Property tax receivable	52,121,919	-	-	-
Fines receivable (net of allowance for uncollectibles of \$17,425,535)	334,765	-	-	-
Intergovernmental receivables	4,708,943	5,147	1,264,821	1,269,968
Other receivables	20,774,342	68,815	106,136	174,951
Prepaid items	858,945	2,147	114,236	116,383
Restricted cash	43,787,117	-	-	-
Capital assets, net	160,542,063	5,885,590	6,668,755	12,554,345
Total Assets	306,765,766	8,698,811	10,240,565	18,939,376
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	1,950,863	-	-	-
Deferred outflows related to OPEB	47,999	-	-	-
Deferred charge - bond refunding	983,379	-	-	-
Total Deferred Outflows of Resources	2,982,241	-	-	-
LIABILITIES				
Claims payable	3,903,764	122,556	600,980	723,536
Amounts held in custody for others	2,865,929	-	-	-
Intergovernmental payables	23,625,657	4,698,374	-	4,698,374
Matured bonds and interest payable	18,459	-	-	-
Accrued interest payable	1,094,173	-	128,333	128,333
Unearned revenue	220,032	-	-	-
Long-term liabilities				
Due within one year:				
Capital debt	3,734,453	-	406,732	406,732
Noncapital debt	962,100	-	-	-
Compensated absences	276,551	-	308,824	308,824
Claims and judgments payable	572,116	-	-	-
Due in more than one year:				
Capital debt	84,378,789	-	4,793,239	4,793,239
Noncapital debt	8,749,600	-	-	-
Compensated absences	2,505,575	-	72,947	72,947
Total other postemployment benefit liability	2,132,228	-	-	-
Net pension liability	81,404,920	-	-	-
Total Liabilities	216,444,346	4,820,930	6,311,055	11,131,985
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	2,006,338	-	-	-
Property taxes	52,121,919	-	-	-
Total Deferred Inflows of Resources	54,128,257	-	-	-
NET POSITION				
Net investment in capital assets	107,471,494	888,939	1,468,784	2,357,723
Restricted:				
Expendable:				
Public safety	3,636,094	-	-	-
Public works	4,966,803	-	-	-
Health and welfare	-	-	205,493	205,493
Culture and recreation	554,531	-	-	-
Debt service	2,808,373	-	-	-
Unrestricted	(80,261,891)	2,988,942	2,255,233	5,244,175
Total Net Position	\$ 39,175,404	\$ 3,877,881	\$ 3,929,510	\$ 7,807,391

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, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units		Total
					Governmental Activities	Hinds County Economic Development Authority	Hinds County Mental Health Commission	
Governmental activities:								
General government	\$ 32,703,362	\$ 5,285,961	\$ 744,385	\$ 13,500	\$ (26,659,516)			
Public safety	35,309,991	4,556,182	2,114,002	2,264,718	(26,375,089)			
Public works	11,871,371	2,792	1,915,115	17,212,670	7,259,206			
Health and welfare	3,238,873	-	989,586	-	(2,249,287)			
Culture and recreation	1,806,472	58,264	-	-	(1,748,208)			
Conservation of natural resources	326,733	-	-	-	(326,733)			
Economic development and assistance	1,064,167	-	147,056	-	(917,111)			
Interest on long-term debt	3,221,816	-	-	-	(3,221,816)			
Total Governmental Activities	89,542,785	9,903,199	5,910,144	19,490,888	(54,238,554)			
Total Primary Government	\$ 89,542,785	\$ 9,903,199	\$ 5,910,144	\$ 19,490,888	(54,238,554)			
Component units:								
Hinds County Economic Development Authority	\$ 891,569	\$ -	\$ 25,000	\$ -		\$ (866,569)	\$ -	\$ (866,569)
Hinds County Mental Health Commission	13,913,802	12,610,302	6,549	-		-	(1,296,951)	(1,296,951)
Total Component Units	\$ 14,805,371	\$ 12,610,302	\$ 31,549	\$ -		(866,569)	(1,296,951)	(2,163,520)
General revenues:								
Property taxes					62,176,334	1,023,095	1,364,469	2,387,564
Road and bridge privilege taxes					2,728,569	-	-	-
Grants and contributions not restricted to specific programs					2,764,046	-	-	-
Unrestricted interest income					607,199	16,152	832	16,984
Miscellaneous					147,828	1,321,430	32,120	1,353,550
Total General Revenues					68,423,976	2,360,677	1,397,421	3,758,098
Change in net position					14,185,422	1,494,108	100,470	1,594,578
Net position - beginning of year, as previously reported					24,397,628	2,383,773	3,728,162	6,111,935
Prior period adjustment					592,354	-	100,878	100,878
Net position - beginning of year, as restated					24,989,982	2,383,773	3,829,040	6,212,813
Net position - end of year					\$ 39,175,404	\$ 3,877,881	\$ 3,929,510	\$ 7,807,391

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

HINDS COUNTY, MISSISSIPPI
Balance Sheet - Governmental Funds
September 30, 2018

Exhibit 3

	Major Funds			Total
	General Fund	Series 2017 General Obligation Bond Fund	Other Governmental Funds	Governmental Funds
ASSETS				
Cash	\$ 18,067,770	\$ 33,392,512	\$ 15,872,511	\$ 67,332,793
Property tax receivable	39,209,246	-	12,912,673	52,121,919
Fines receivable (net of allowance for uncollectibles of \$17,425,535)	334,765	-	-	334,765
Intergovernmental receivables	1,223,452	-	3,488,824	4,712,276
Other receivables	18,586,979	-	2,175,029	20,762,008
Due from other funds	-	-	324,438	324,438
Advances to other funds	1,267,000	-	-	1,267,000
Prepaid items	725,672	-	133,273	858,945
Total Assets	<u>\$ 79,414,884</u>	<u>\$ 33,392,512</u>	<u>\$ 34,906,748</u>	<u>\$ 147,714,144</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 1,187,856	\$ 1,092,872	\$ 1,321,361	\$ 3,602,089
Amounts held in custody for others	2,865,929	-	-	2,865,929
Intergovernmental payables	21,744,604	-	2,165,393	23,909,997
Due to other funds	324,438	-	-	324,438
Advances from other funds	-	-	1,267,000	1,267,000
Matured bonds and interest payable	-	-	18,459	18,459
Unearned revenue	-	-	220,032	220,032
Total Liabilities	<u>26,122,827</u>	<u>1,092,872</u>	<u>4,992,245</u>	<u>32,207,944</u>
Deferred inflows of resources:				
Unavailable revenue - property taxes	39,209,246	-	12,912,673	52,121,919
Unavailable revenue - fines	288,557	-	-	288,557
Total Deferred Inflows of Resources	<u>39,497,803</u>	<u>-</u>	<u>12,912,673</u>	<u>52,410,476</u>
Fund balances:				
Nonspendable:				
Advances to other funds	1,267,000	-	-	1,267,000
Prepaid items	725,672	-	133,273	858,945
Restricted for:				
General government	-	-	112,523	112,523
Public safety	-	-	2,664,832	2,664,832
Public works	-	-	4,680,302	4,680,302
Health and welfare	-	-	79,146	79,146
Culture and recreation	-	-	554,531	554,531
Economic development	-	-	60,805	60,805
Capital projects	-	32,299,640	1,412,571	33,712,211
Debt service	-	-	3,902,546	3,902,546
Committed to:				
General government	-	-	861,478	861,478
Public safety	-	-	230,525	230,525
Economic development	-	-	5,176	5,176
Capital projects	-	-	2,919,421	2,919,421
Unassigned	11,801,582	-	(615,299)	11,186,283
Total Fund Balances	<u>13,794,254</u>	<u>32,299,640</u>	<u>17,001,830</u>	<u>63,095,724</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 79,414,884</u>	<u>\$ 33,392,512</u>	<u>\$ 34,906,748</u>	<u>\$ 147,714,144</u>

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

HINDS COUNTY, MISSISSIPPI

Exhibit 3-1Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
September 30, 2018

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 63,095,724
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 \$122,874,807.	160,542,063
Other long-term assets, such as fines receivable, are not available to pay for current period expenditures and, therefore, are unearned in the funds.	372,219
Deferred outflows of resources related to pension and OPEB reported in governmental activities are not a financial resource and, therefore, are not reported in the funds.	1,998,862
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(101,179,184)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(1,094,173)
Postemployment benefits are not due and payable in the current period and, therefore, are not reported in the funds.	(2,132,228)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(81,404,920)
Deferred inflows of resources related to pension are not due and payable in the current period and, therefore, are not reported in the funds.	(2,006,338)
Deferred charges on bond refinancing are not recognized in the funds and amortized in government-wide statements.	<u>983,379</u>
Total Net Position - Governmental Activities	<u><u>\$ 39,175,404</u></u>

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

HINDS COUNTY, MISSISSIPPI

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2018

	Major Funds			
	General	Series 2017 General Obligation	Other	Total
	Fund	Bond Fund	Governmental Funds	Governmental Funds
REVENUES				
Property taxes	\$ 46,858,700	\$ -	\$ 15,317,634	\$ 62,176,334
Road and bridge privilege taxes	-	-	2,728,569	2,728,569
Licenses, commissions and other	3,972,571	-	73,175	4,045,746
Fines and forfeitures	1,641,061	-	418,421	2,059,482
Intergovernmental	5,015,381	-	20,894,980	25,910,361
Charges for services	1,225,220	-	2,722,614	3,947,834
Interest income	70,262	444,353	92,584	607,199
Miscellaneous	442,898	-	185,926	628,824
Total Revenues	59,226,093	444,353	42,433,903	102,104,349
EXPENDITURES				
Current:				
General government	27,230,032	2,660,623	897,230	30,787,885
Public safety	28,942,174	62,602	4,146,105	33,150,881
Public works	-	9,643,320	25,486,878	35,130,198
Health and welfare	897,859	-	2,232,245	3,130,104
Culture and recreation	243,573	-	1,703,317	1,946,890
Conservation of natural resources	326,532	-	-	326,532
Economic development and assistance	94,169	-	1,005,669	1,099,838
Debt service:				
Principal	184,251	-	1,698,830	1,883,081
Interest	101,773	-	2,484,342	2,586,115
Bond issuance costs	-	1,242,185	175,422	1,417,607
Total Expenditures	58,020,363	13,608,730	39,830,038	111,459,131
Excess of Revenues Over (Under) Expenditures	1,205,730	(13,164,377)	2,603,865	(9,354,782)

HINDS COUNTY, MISSISSIPPI

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (Continued)
For the Year Ended September 30, 2018

	Major Funds		Other	Total
	General	Series 2017 General Obligation	Governmental	Governmental
	Fund	Bond Fund	Funds	Funds
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued	\$ -	\$ 40,000,000	\$ -	\$ 40,000,000
Refunding bonds issued	-	-	8,649,000	8,649,000
Proceeds from sale of capital assets	15,295	-	-	15,295
Premium on bond issuance	-	5,464,017	-	5,464,017
Proceeds of insurance recoveries	33,617	-	3,554	37,171
Transfers in	31,640	-	585,806	617,446
Transfers out	(540,489)	-	(76,957)	(617,446)
Payment to bond refunding escrow agent	-	-	(8,473,578)	(8,473,578)
Total Other Financing Sources (Uses)	(459,937)	45,464,017	687,825	45,691,905
Net Change in Fund Balances	745,793	32,299,640	3,291,690	36,337,123
Fund Balances - Beginning	13,048,461	-	13,710,140	26,758,601
Fund Balances - Ending	\$ 13,794,254	\$ 32,299,640	\$ 17,001,830	\$ 63,095,724

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, 2018

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 36,337,123
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 \$35,272,677 exceeded depreciation of \$6,644,596 and net adjustments/transfers of \$2,544,393 in the current period.	26,083,688
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 \$15,295 and the net loss from the sale or disposal of capital assets in the amount of \$65,969 in the current period.	(81,264)
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.	(149,863)
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 \$49,101,197 (net of flow through debt) exceeded repayments and bond refundings of \$10,062,842.	(39,038,355)
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 current year pension expense and contributions	(2,593,582)
The amount of increase in claims and judgments payable	(247,116)
The amount of increase in compensated absences	(41,425)
The amortization of deferred charge on bond refunding	(54,164)
The deferred bond premium	(5,464,017)
The amortization of deferred bond premium	260,022
The amount of decrease in total other postemployment benefit liability	(274,770)
The amount of increase in accrued interest payable	(526,915)
Other	(23,940)
Change in Net Position of Governmental Activities	<u>\$ 14,185,422</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, 2018

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 876,913
Other receivables	153,031
Intergovernmental receivables	712,829
Total Assets	<u>\$ 1,742,773</u>
LIABILITIES	
Other liabilities	<u>\$ 1,742,773</u>
Total Liabilities	<u>\$ 1,742,773</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, 2018

(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 Board of Supervisors sets the tax millage rates for the Authority, which create a fiscal accountability relationship. The County provided \$1,068,166 of funds to the Authority for operations during the fiscal year ended September 30, 2018, 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 Board of Supervisors sets the tax millage rates for the Commission, which create a fiscal accountability relationship. The County provided \$1,298,307 of funds to the Commission for operations during the County's fiscal year ended September 30, 2018, 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, 2017, are included in the government-wide financial statements. Financial statements for the Commission can be obtained from 3450 Highway 80 West, Jackson, Mississippi 39209.

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

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

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 constitutes 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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year-end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues and deferred 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 2017 General Obligation Bond Fund - This fund is used to account for all activities associated with the issuance of the Series 2017 General Obligation Bonds.

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, 2018

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, deferred outflows of resources, 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.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets for governmental activities.

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 Outflows/Inflows of Resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Outflows Related to Pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 17 for additional details.

Deferred Outflows Related to Other Postemployment Benefits (OPEB) - This amount represents the County's deferred outflows of resources reported by the OPEB plan in which the County participates. See Note 10 for additional details.

Deferred Amount on Refunding - For current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

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 Reporting Period/Unavailable Revenue - Property Taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue 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 County reports a deferred inflow of resources until such time as the revenue comes available.

Deferred Inflows Related to Pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 17 for additional details.

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 outflows 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.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

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:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

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

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

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

Assigned - Amounts intended to be used by the County for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. The County has no fund balance classified as assigned at September 30, 2018.

Unassigned - The residual classification for the General Fund and includes all amounts not contained in the other classifications. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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Notes to Financial Statements
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The County considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance are 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 if measurable and available. 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 deferred inflows of resources and recognized as revenue in the year after the levy. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition, because the lien and due date cannot be established until the date of original purchase occurs.

O. Intergovernmental Revenues in Governmental Funds.

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

P. Compensated Absences.

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

Q. Future Effective Accounting Pronouncements.

Governmental Accounting Standard Board (GASB) Statement No. 83 - *Certain Asset Retirement Obligations*: This statement addresses issues in accounting and financial reporting for certain asset retirement obligations (AROs), including establishing criteria for determining the timing and

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement is effective for periods beginning after June 15, 2018, with earlier application encouraged. The County has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 84 - *Fiduciary Activities*: This statement provides for greater consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. This statement is effective for periods beginning after December 15, 2018, with earlier application encouraged. The County has not yet determined the potential impact, if any, that this statement could have on its financial statements.

GASB Statement No. 87 - *Leases*: This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources and outflows of resources based on the payment provision of the contract. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement is effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

GASB Statement No. 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*: This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established and requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement is effective for reporting periods beginning after June 15, 2018, with earlier application encouraged.

R. Adoption of New Accounting Standards

During 2018, the County adopted and implemented GASB Statement No. 75 - *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (see Note 1.U.).

During 2018, the County adopted and implemented GASB Statement No. 85 - *Omnibus 2017*. This statement addresses practice issues that have been identified during implementation and application of certain GASB standards and addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and postemployment benefits. Adoption of GASB Statement No. 85 had no effect on the County's financial statements.

During 2018, the County adopted and implemented GASB Statement No. 86 - *Certain Debt Extinguishment Issues*: This statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. Adoption of GASB Statement No. 86 had no effect on the County's financial statements.

HINDS COUNTY, MISSISSIPPI
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S. Operating Leases.

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

T. Prior Period Adjustment - Component Unit

The Hinds County Mental Health Commission had a prior period adjustment for a correction of cash. This adjustment affected Exhibit 2 - Statement of Activities as an increase to net position in the amount of \$100,878.

U. Change in Accounting Principle

During 2018, the County adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this statement is to improve accounting and financial reporting for postemployment benefits other than pensions (other postemployment benefits or OPEB). This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. GASB Statement No. 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expense based on the County's defined benefit plan. The County's total OPEB liability, OPEB expense and deferred inflows and outflows of resources related to OPEB have been recognized in the accompanying financial statements.

Adoption of this statement resulted in an increase to the beginning net position as of October 1, 2017, to recognize the cumulative effect of applying this statement to beginning net position as follows:

Net position, beginning of year, as previously reported	\$ 24,397,628
Cumulative effect of change in accounting principle	<u>592,354</u>
Net position, beginning of year, as restated	<u><u>\$ 24,989,982</u></u>

(2) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$68,282,497 (including Agency Funds and excluding petty cash of \$19,205), and the bank balance was \$76,890,062, 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).

At September 30, 2018, the County held cash restricted for debt service of \$3,918,561 and restricted for capital projects of \$39,868,556.

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For the Year Ended September 30, 2018

The carrying amount of the discretely presented component unit's, Hinds County Economic Development Authority, total deposits with financial institutions at September 30, 2018, was \$2,737,112, and the bank balance was \$2,835,825, of which all were 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, 2017, was \$2,086,617, and the bank balance was \$2,371,191, of which all were 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:

Neither the County nor its discretely presented component units held investments at the fiscal year-end.

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

The following is a summary of interfund balances at September 30, 2018.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 324,438

The receivables represent the tax revenue collected in September 2018, but not settled until October 2018. All interfund balances are expected to be repaid within one year from the date of the financial statements.

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 1,267,000

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.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 31,640
Other Governmental Funds	General Fund	540,489
Other Governmental Funds	Other Governmental Funds	<u>45,317</u>
Total		<u><u>\$ 617,446</u></u>

The principal purposes of interfund transfers were to provide funds for grant matches, to provide funds as budgeted for operations, to provide funds to pay for capital outlays or to provide funds to pay for debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2018, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 982,768
Public safety grants	273,848
Public works grants	3,095,728
Other	<u>356,599</u>
Total governmental activities	<u><u>\$ 4,708,943</u></u>

(5) Loan Receivable.

The County's loan receivable balance, which is recorded as other receivables in the accompanying Statement of Net Position and Balance Sheet at September 30, 2018, is as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
King Edward Revitalization Company - CDBG Loan (A)	05/05/09	1.00%	11/01/30	\$ 2,165,393
Westin Hotel (B)	04/21/14	3.25%	08/01/33	<u>18,589,340</u>
				<u><u>\$ 20,754,733</u></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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

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:

Wyndale Industrial Center (formerly J. C. "Sonny" McDonald Industrial Center)

At the October 26, 2017 board meeting, the J. C. "Sonny" McDonald Industrial Center was changed to Wyndale 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.

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, 2018.

Land	\$ 792,015
Land development costs	<u>4,060,839</u>
	<u><u>\$ 4,852,854</u></u>

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

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

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(7) Capital Assets.

Primary Government:

The following is a summary of capital assets activity for the year ended September 30, 2018.

	Balance 10/01/17	Additions	Deletions	Transfers/ Adjustments*	Balance 09/30/18
<u>Nondepreciable capital assets:</u>					
Land	\$ 938,282	\$ 390,582	\$ -	\$ -	\$ 1,328,864
Construction in progress	30,667,247	19,608,229	-	(5,569,426)	44,706,050
Total nondepreciable capital assets	31,605,529	19,998,811	-	(5,569,426)	46,034,914
<u>Depreciable capital assets:</u>					
Infrastructure	95,682,376	9,505,802	-	2,415,960	107,604,138
Buildings	55,439,278	203,153	-	-	55,642,431
Improvements other than buildings	14,549,199	-	-	611,054	15,160,253
Mobile equipment	20,506,075	3,282,385	(387,833)	-	23,400,627
Furniture and equipment	18,122,123	1,875,039	(152,219)	9,000,000	28,844,943
Leased property under capital leases	15,322,077	407,487	-	(9,000,000)	6,729,564
Total depreciable capital assets	219,621,128	15,273,866	(540,052)	3,027,014	237,381,956
<u>Less accumulated depreciation for:</u>					
Infrastructure	(54,295,147)	(1,727,093)	-	(1,981)	(56,024,221)
Buildings	(22,418,484)	(955,627)	-	-	(23,374,111)
Improvements other than buildings	(7,620,880)	(500,400)	-	-	(8,121,280)
Mobile equipment	(15,460,341)	(1,471,393)	318,918	-	(16,612,816)
Furniture and equipment	(13,288,594)	(1,087,726)	139,870	(2,314,286)	(16,550,736)
Leased property under capital leases	(3,603,572)	(902,357)	-	2,314,286	(2,191,643)
Total accumulated depreciation	(116,687,018)	(6,644,596)	458,788	(1,981)	(122,874,807)
Total depreciable capital assets, net	102,934,110	8,629,270	(81,264)	3,025,033	114,507,149
Governmental activities capital assets, net	\$ 134,539,639	\$ 28,628,081	\$ (81,264)	\$ (2,544,393)	\$ 160,542,063

* Transfers/adjustments represent construction-in-progress costs of \$2,121,436 transferred to other governments or private industries, \$3,027,014 placed in service due to project completion and an adjustment of \$422,957 during the year ended September 30, 2018. Transfers/adjustments also represented \$6,685,714 of leased property under capital leases, net of accumulated depreciation, that were transferred to other categories at the expiration of the capital lease.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 741,801
Public safety	3,140,119
Public works	2,615,248
Health and welfare	104,470
Culture and recreation	<u>42,958</u>
 Total governmental activities depreciation expense	 <u><u>\$ 6,644,596</u></u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Hinds Parkway (Engineering Section 2)	\$ 625,566	07/31/2019
Hinds Parkway (Construction Section 2)	6,218,938	12/31/2019
Hinds Parkway (ROW)	73,189	12/31/2019
Hinds Parkway (ROW Services)	59,810	09/30/2019
Hinds Parkway (Design Engineering)	117,721	09/30/2019
John Bell Williams Airport	89,425	09/30/2019
Haley Road Bridge	7,193	06/30/2019
Johnson Line Road Bridge	371,776	09/30/2019
Owens Road Bridge	359,598	09/30/2019
Lorance Road Bridge	176,556	09/30/2019
Low Water Bridge	341,626	09/30/2019
Clinton Tinnin Road Bridge	665,521	09/30/2019
Thigpen Road Bridge	47,093	12/01/2018
Morrison Road Bridge #32	26,500	09/30/2019
Duke Road Bridge #365	315,977	09/30/2019
Champion Hill/Bolton Industrial Parkway	2,130	09/30/2019
Edwards Drainage/Ashcot/Nelson	1,416	09/30/2019
Duke/Cayuga/McLean	41,202	09/30/2019
Midway Road (Engineering)	38,896	06/30/2019
Midway Road (Construction)	54,577	06/30/2019
Dupree/Ratliff Road	54,731	10/31/2018
Palestine Road	24,086	10/31/2018
McDonald Material Lease (Waggoner Engineers, Inc.)	44,198	12/31/2019
Hinds County Courthouse Elevator Modernization Phase II (Waggoner Engineers, Inc.)	11,155	12/31/2018
Fire Station Architectural Services	11,950	12/31/2020
EOC Facility Assessment	25,000	12/31/2020
Raymond Detention Center Sewage Pumping Station (Planning)	15,323	12/31/2018
Raymond Detention Center Sewage Pumping Station (Design)	55,480	09/30/2019
Willowood Community Center (IMS)	232	09/30/2019
JBHM Arch - HYJJC Facility Analysis Engineering	1	09/30/2019
JBHM Arch - RDC - Booking Area Conversion Engineering	5,084	09/30/2019
JBHM Arch - JDC - Booking Area Conversion Engineering	4	09/30/2019
	<u>\$ 9,881,954</u>	

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

Component Units:

The component units' capital asset balances are as follows:

	12/31/17	09/30/18	
	Mental Health Commission	Economic Development Authority	Total
Building	\$ 5,803,500	\$ 398,158	\$ 6,201,658
Land	1,019,322	65,000	1,084,322
Construction in progress	-	5,507,157	5,507,157
Automobiles	206,291	-	206,291
Furniture and equipment	1,033,259	200,232	1,233,491
Leasehold improvements	1,048,408	-	1,048,408
Software	201,323	-	201,323
	9,312,103	6,170,547	15,482,650
Less accumulated depreciation and amortization	(2,643,348)	(284,957)	(2,928,305)
Component unit capital assets, net	\$ 6,668,755	\$ 5,885,590	\$ 12,554,345

(8) Claims and Judgments.

Risk Financing:

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident with an annual deductible of \$750,000 and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention provided by Safety National Casualty Corporation, effective January 1, 2018 through January 1, 2019. 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 through the Mississippi Association of Supervisors Insurance Trust (MASIT) with commercial insurance coverage of \$500,000 to \$1,000,000 and retention deductibles ranging from \$0 to \$100,000.

Settled claims did not exceed insurance coverage for the fiscal years ended September 30, 2016, September 30, 2017 or September 30, 2018. The Government-wide Statement of Net Position as of September 30, 2018, presents a liability of \$572,116, 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 approximately \$270,000 in excess of the amount accrued.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(9) Capital Leases.

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2018.

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 6,027,157
Nonmobile equipment	<u>702,407</u>
	6,729,564
Less accumulated depreciation	<u>(2,191,643)</u>
Leased property under capital leases	<u><u>\$ 4,537,921</u></u>

The following is a schedule by years of the total payments due as of September 30, 2018.

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 573,420	\$ 121,617
2020	589,504	109,174
2021	606,041	96,388
2022	485,188	83,251
2023	482,623	70,112
2024-2028	<u>2,066,913</u>	<u>144,027</u>
Total	<u><u>\$ 4,803,689</u></u>	<u><u>\$ 624,569</u></u>

(10) Postemployment Benefits Other Than Pensions.

A. Plan Description.

The County administers a single-employer defined benefit OPEB health care plan for retirees (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. The Plan is administered by the Board of Supervisors. The Plan does not issue a public available financial report. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. Benefits Provided.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

The employees covered by the benefit terms at September 30, 2018 are:

Active employees with coverage	684
Inactive employees currently receiving benefit payments	<u>9</u>
	<u><u>693</u></u>

C. Actuarial Assumptions

The total OPEB liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.0%	
Discount rate	2.89%	(Using S&P Municipal Bond 20-year High Grade Rate Index)
Salary increases	2.0%	Average, including inflation
Health care cost trend rates	8.0%	For 2018, decreasing 0.75% per year to an ultimate rate of 5.0% for 2024 and later years

The mortality table used was the Projection Scale MP-2016.

D. Annual OPEB Cost and Net OPEB Obligation.

The County's total OPEB liability of \$2,132,228 was measured as of September 30, 2017, and was determined by an actuarial valuation as of October 1, 2017.

Changes in the total OPEB liability are:

Total OPEB liability, beginning of year	\$ 1,852,181
Changes for the year:	
Service cost	261,067
Interest	61,702
Benefit payments	<u>(42,722)</u>
Net changes	<u>280,047</u>
Total OPEB liability, end of year	<u><u>\$ 2,132,228</u></u>

HINDS COUNTY, MISSISSIPPI
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E. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates

The total OPEB liability of the County has been calculated using a discount rate of 2.89%. The following presents the total OPEB liability using a discount rate 1% higher and 1% lower than the current discount rate.

		1% Decrease 1.89%	Current Discount Rate 2.89%	1% Increase 3.89%
Total OPEB liability	\$	2,273,133	\$ 2,132,228	\$ 2,057,653

The total OPEB liability of the County has been calculated using health care cost trend rates of 8% decreasing to 5% over six years. The following presents the total OPEB liability using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

		1% Decrease (7% Decreasing to 4%)	Current Health Care Cost Trend Rates	1% Increase (9% Decreasing to 6%)
Total OPEB liability	\$	2,049,959	\$ 2,132,228	\$ 2,267,487

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the County recognized OPEB expense of \$280,046. At September 30, 2018, the County reported Deferred Outflows of Resources related to payments subsequent to the measurement date of \$47,999 which will reduce the total OPEB liability in the year ending September 30, 2019.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(11) Long-term Debt.

Debt outstanding as of September 30, 2018, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Mississippi Development Bank Special Obligation Bonds, Series 2016A	\$ 5,855,000	2.00% to 4.00%	10/01/36
Mississippi Development Bank Special Obligation Bonds, Series 2016B (Hinds County, Mississippi General Obligation Refunding Bond Project)	2,190,000	1.2% to 1.65%	10/01/36
Mississippi Development Bank Special Obligation Bonds, Series 2017A (Hinds County, Mississippi General Obligation Public Improvements and Refunding Bond Project)	8,260,000	2.00% to 4.00%	08/01/36
Mississippi Development General Obligation Refunding Bonds, Series 2017A	8,649,000	2.00% to 4.00%	08/01/36
Mississippi Development Bank Special Obligation Bonds, Series 2017 (Hinds County, Mississippi General Obligation Public Bond Project)	40,000,000	2.00% to 5.00%	08/01/36
Mississippi Development Bank Special Obligation Taxable Bonds, Series 2007B (Hinds County, Mississippi General Obligation Public Parking Project)	11,005,000	5.46%	10/01/36
Mississippi Development Special Obligation Bonds, Series 2010	235,000	3.00% to 4.25%	06/01/30
Mississippi Development General Obligation Refunding Bonds, Series 2015	9,745,000	2.00% to 4.00%	10/01/36
Total General Obligation Bonds	<u>\$ 85,939,000</u>		
B. Capital Leases:			
2017 Public Works Lease Purchase	\$ 4,354,269	2.75%	01/15/27
2018 Vehicles	381,404	2.95%	04/26/21
2018 Vehicle	68,016	3.11%	07/23/22
Total Capital Leases	<u>\$ 4,803,689</u>		
C. Other Loan:			
2015 Trustmark Bank Note	<u>\$ 85,133</u>	2.53%	09/01/19

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

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	
	Principal	Interest
2019	\$ 4,038,000	\$ 3,452,823
2020	3,879,000	3,346,590
2021	4,841,000	3,227,049
2022	4,439,000	3,072,564
2023	4,628,000	2,899,672
2024 - 2028	24,399,000	11,524,471
2029 - 2033	22,580,000	6,324,825
2034 - 2038	10,250,000	2,164,736
2039 - 2043	3,125,000	980,500
2044 - 2048	3,760,000	338,275
Total	<u>\$ 85,939,000</u>	<u>\$ 37,331,505</u>

Year Ending September 30	Other Loans	
	Principal	Interest
2019	\$ 85,133	\$ 2,154
Total	<u>\$ 85,133</u>	<u>\$ 2,154</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, 2018, the amount of outstanding debt was equal to 4.38% of the latest property assessments.

Issuance of Debt - During 2018, the County issued \$45,464,017 (with a par of \$40,000,000 and including premium of \$5,464,017 and payment of \$1,242,185 in underwriting fees and other issuance costs) in General Obligation Bonds, with an average interest rate of 4.21%. The proceeds are designated for use on capital improvement projects.

Current Refunding of Debt - During 2018, the County issued \$8,649,000 in General Obligation Refunding Bonds, with an average interest rate of 2.93%. The proceeds were used to advance refund the 2015 E-911 MSWin Radio System capital lease with an average interest rate of 3.59%.

The County refunded these bonds to increase its total debt service payments over the next 10 years by approximately \$375,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$31,000.

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, 2018

County's financial statements. On September 30, 2018, \$1,460,000 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, 2018.

	Balance 10/1/2017	Additions	Reductions	Balance 09/30/18	Amount Due Within One Year
Governmental Activities:					
Compensated absences	\$ 2,740,700	\$ 41,425	\$ -	\$ 2,782,125	\$ 276,551
Claims and judgments payable	325,000	247,116	-	572,116	572,116
General obligation bonds	38,370,000	48,649,000	(1,080,000)	85,939,000	4,038,000
Premium on bonds	1,793,126	5,464,017	(260,022)	6,997,121	-
Limited obligation bonds	75,000	-	(75,000)	-	-
Capital leases	13,149,333	452,197	(8,797,841)	4,803,689	573,420
Other loans	195,133	-	(110,000)	85,133	85,133
Total	<u>\$ 56,648,292</u>	<u>\$ 54,853,755</u>	<u>\$ (10,322,863)</u>	<u>\$ 101,179,184</u>	<u>\$ 5,545,220</u>

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

Component Unit:

The debt outstanding at December 31, 2017 for the Hinds County Mental Health Commission (the 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. Other Loans:			
Real estate loan payable	\$ 4,513,110	4.25%	05/01/27
Loan payable	<u>686,861</u>	3.55%	08/01/32
Total other loans	<u>\$ 5,199,971</u>		

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

Annual debt service requirements to maturity at December 31, 2017 for the following debt reported in the Commission's Statement of Net Position are as follows:

Year Ending	Other Loans	
	Principal	Interest
2018	\$ 406,732	\$ 218,377
2019	424,001	201,108
2020	441,562	183,548
2021	460,757	164,353
2022	480,325	144,784
2023-2027	2,725,306	400,240
2028-2032	261,288	23,804
Total	<u>\$ 5,199,971</u>	<u>\$ 1,336,214</u>

The following is a summary of changes in long-term liabilities and obligations for the year ended December 31, 2017 for the Commission.

	Balance 01/01/17	Additions	Reductions	Balance 12/31/17	Amount Due Within One Year
Other loans	\$ 5,593,004	\$ -	\$ (393,033)	\$ 5,199,971	\$ 406,732
Compensated absences	364,059	70,878	(53,166)	381,771	308,824
Total	<u>\$ 5,957,063</u>	<u>\$ 70,878</u>	<u>\$ (446,199)</u>	<u>\$ 5,581,742</u>	<u>\$ 715,556</u>

(12) 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.

Consent Decree - The County is party to a consent decree with the United States Department of Justice related to the County's detention centers. There have been no penalties associated with the consent decree assessed in 2018.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

(13) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net deficit amount of \$80,261,891 includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$1,272,094, resulting from County contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. The \$678,769 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$2,006,338 balance of the deferred inflows of resources related to pension at September 30, 2018, will be recognized in pension expense over the next four years.

The governmental activities' unrestricted net deficit amount of \$80,261,891 includes the effect of deferred inflows/outflows of resources related to other postemployment benefits. A portion of the deferred outflow of resources related to other postemployment benefits in the amount of \$47,999, resulting from County contributions subsequent to the measurement date, will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019.

The governmental activities' unrestricted net deficit amount of \$80,261,891 includes the effect of deferring the recognition of expenditures resulting from an advance refunding of County debt. \$983,379 of the \$2,982,241 balance of deferred outflows of resources at September 30, 2018, will be recognized as an expense and will decrease in the unrestricted net position over the next 20 years.

(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 \$25,000 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 \$1,955,290 in 2018. Complete financial statements for the Jackson-Hinds Library System can be obtained from 400 North State Street, Jackson, Mississippi 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 percentage of CMPDD's total revenues. The County appropriated \$45,088 for support of CMPDD in fiscal year 2018.

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

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

15 members of the College's board of trustees. The County levies an annual tax pursuant to Sections 37-29-141 and 27-39-329 Miss. Code Ann. (1972) to support the College. The tax provided \$10,394,584 for maintenance and support of the College in fiscal year 2018.

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 \$77,164 for support of the Agency in fiscal year 2018.

(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. PERS provides retirement and disability benefits, annual cost-of-living adjustments and defined benefits to plan members and beneficiaries. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' board of trustees. If approved, membership for the entity's employees is a condition of employment, and eligibility is granted to those who qualify upon hiring. Code Section 25-11-1, Miss. Code Ann. (1972, as amended) grants the authority for general administration and proper operation of PERS to the PERS Board of Trustees (PERS Board) and may only be amended by the State of Mississippi Legislature. PERS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at www.pers.ms.gov.

Benefits Provided - Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.00% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.50% for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years, or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of 8 years of membership service (4 years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary. Benefit provisions are established by Section 25-11-1 et seq., Miss. Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3% of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3% compounded for each fiscal year thereafter.

Contributions - Per Chapter 11 of Title 25, Miss. Code Ann. (1972), contribution requirements of plan members and their employers are established and may be amended only by the PERS Board. The adequacy of these rates is assessed annually by actuarial valuation. For the year ended September 30, 2018, member employees were required to contribute 9.00% of their annual pay, while the County's required contribution rate was 15.75% of annual covered payroll. The County's employer contributions to PERS for the years

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

ended September 30, 2018, 2017 and 2016 were \$4,978,695, \$4,833,590, and \$4,919,376, respectively. The contributions for each year met the required contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2018, the County reported a liability of \$81,404,920 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's employer contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2018, the County's proportion was 0.49%, which was an increase of .01% in its proportion measured as of June 30, 2017.

For the year ended September 30, 2018, the County recognized pension expense of \$7,649,508. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 356,874	\$ 343,160
Changes of assumptions	48,042	44,958
Net difference between projected and actual earnings on pension plan investments	-	1,618,220
Changes in the County's proportion and differences between the County's contributions and proportionate share of contributions	273,853	-
County contributions subsequent to the measurement date	1,272,094	-
	<u>\$ 1,950,863</u>	<u>\$ 2,006,338</u>

The amount of \$1,272,094 reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending September 30</u>	
2019	\$ 565,408
2020	(112,154)
2021	(1,414,744)
2022	(366,079)
	<u>\$ (1,327,569)</u>

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

Actuarial Assumptions - The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00%
Salary increases	3.25% - 18.50%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022 with male rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	1.00	-
	<hr/>	
Total	100.00 %	
	<hr/>	

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%), and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

Sensitivity of the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75%) or one-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 107,186,921	\$ 81,404,920	\$ 59,976,674

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS CAFR, publicly available at www.pers.ms.gov.

Payable to the Pension Plan - At September 30, 2018, the County had no amounts payable for outstanding contributions to the pension plan required for the year then ended.

(18) Tax Abatements.

For the year beginning October 1, 2016, the County implemented GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires governmental entities to disclose the reduction in tax revenues resulting from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenue to which they are otherwise entitled and (b) the individual or entity promises to take special action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Hinds County Board of Supervisors, through the Hinds County Economic Development Authority, negotiate property tax abatements on an individual basis. Abatements can be up to a maximum of ten years and are for economic development purposes. The County has tax abatement agreements with twenty-one entities, with some entities having more than one expansion eligible for tax abatement, as of September 30, 2018.

The County had various types of abatement, most of which were only partial abatements of General Fund millage/taxes. However, one abatement was 100%, including school and state tax levies.

Sections 27-31-101 and 27-31-105, Miss. Code (Ann.) 1972 - All allowable property tax levies Designated number of General Fund mills/revenues (11.84, 15.00, 19.00, 19.165, 20.00, 21.55, 22.00, 23.84, 24.00, 26.175, 38.33)

There are 21 companies that have tax abatements under these statutes.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

Sections 27-31-104, Miss Code (Ann.) 1972

Payment in lieu of taxes

There is one entity that has tax abatement under this statute. The County has entered into other agreements under this statute, but these have future abatement periods.

<u>Category</u>	<u>% of Taxes Abated During the Fiscal Year</u>	<u>Amount of Taxes Abated During the Fiscal Year</u>
Construction and expansion of a manufacturing facility	38.70%	\$107,159
Construction and expansion of a storage facility	63.81%	\$13,697
Operation Center/Headquarters/ Other Commercial Enterprises	53.10%	\$78,552
Freeport – Transit Exemptions	100.00%	\$ -

Some companies were not required to comply with any special provisions to receive tax abatement. However, other companies were required to comply with special provisions, such as covered payroll, number of employees or claw back provisions. The County made no commitments as part of the agreements other than to reduce taxes for the current fiscal year.

(19) Mississippi Office of the State Auditor Compliance Audit

The Mississippi Office of the State Auditor (OSA) has elected to perform limited procedures in relation to purchasing and compliance with state laws. This report should be viewed in conjunction with the report from OSA in order to gain a comprehensive understanding of the County's operations. This report and OSA's report will be available on OSA's website at <http://www.osa.ms.gov/reports>. OSA's report will include a Purchasing Report, Limited Compliance Review Report and Schedule of Surety Bonds..

(20) 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 October 31, 2019, which is the date the financial statements were available to be issued and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

The County issued the following debt after year-end:

- Lease purchase from bank for \$150,000 in December 2018, at an interest rate of 3.50% for the purchase of vehicles.
- Lease purchase from bank for \$574,980 in February 2019, at an interest rate of 2.94% for the purchase of fire apparatus.

HINDS COUNTY, MISSISSIPPI
Notes to Financial Statements
For the Year Ended September 30, 2018

In July 2018, the Board of Trustees of PERS voted to increase the Employer contribution from 15.75% of payroll to 17.40% effective July 1, 2019.

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, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 47,321,686	\$ 48,011,686	\$ 48,598,603	\$ 586,917
Licenses, commissions and other	3,400,756	3,701,036	4,109,053	408,017
Fines and forfeitures	1,266,000	1,771,000	1,647,216	(123,784)
Intergovernmental	3,199,743	3,464,737	5,017,097	1,552,360
Charges for services	2,076,985	2,742,290	1,595,378	(1,146,912)
Interest income	48,765	48,765	63,980	15,215
Miscellaneous	298,000	298,000	339,057	41,057
Total Revenues	<u>57,611,935</u>	<u>60,037,514</u>	<u>61,370,384</u>	<u>1,332,870</u>
EXPENDITURES				
Current:				
General government	30,433,604	31,163,013	29,088,144	2,074,869
Public safety	29,448,920	29,985,907	28,955,439	1,030,468
Public works	261,000	269,234	269,331	(97)
Health and welfare	937,533	962,051	942,985	19,066
Culture and recreation	208,826	275,627	246,960	28,667
Conservation of natural resources	304,211	309,729	309,722	7
Economic development and assistance	125,513	133,091	73,163	59,928
Debt service:				
Principal	218,319	332,807	184,251	148,556
Interest	3,660	10,508	2,338	8,170
Total Expenditures	<u>61,941,586</u>	<u>63,441,967</u>	<u>60,072,333</u>	<u>3,369,634</u>
Excess of Expenditures (Over) Under Revenues	<u>(4,329,651)</u>	<u>(3,404,453)</u>	<u>1,298,051</u>	<u>4,702,504</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	10,000	20,497	-	(20,497)
Premiums on bonds issued	-	-	15,295	15,295
Compensation for loss of capital assets	25,000	25,000	33,617	8,617
Transfers in	2,373,765	2,321,330	2,292,687	(28,643)
Transfers out	(2,671,844)	(2,972,351)	(2,956,926)	15,425
Total Other Financing Sources (Uses)	<u>(263,079)</u>	<u>(605,524)</u>	<u>(615,327)</u>	<u>(9,803)</u>
Net change in Fund Balance	<u>\$ (4,592,730)</u>	<u>\$ (4,009,977)</u>	682,724	<u>\$ 4,692,701</u>
FUND BALANCES				
Beginning of year			13,064,838	
End of year			<u>\$ 13,747,562</u>	

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

HINDS COUNTY, MISSISSIPPI
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Series 2017 General Obligation Bond Fund
 For the Year Ended September 30, 2018

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ -	\$ 151,955	\$ 444,353	\$ 292,398
Total Revenues	-	151,955	444,353	292,398
EXPENDITURES				
Current:				
General government	-	2,685,423	2,660,623	24,800
Public safety	-	152,283	62,602	89,681
Public works	-	34,140,103	9,643,320	24,496,783
Bond issue costs	-	1,242,185	1,242,185	-
Total Expenditures	-	38,219,994	13,608,730	24,611,264
Excess of Revenues Over (Under) Expenditures	-	(38,068,039)	(13,164,377)	24,903,662
OTHER FINANCING SOURCES				
General obligation bonds issued	-	40,000,000	40,000,000	-
Premiums on bonds issued	-	5,464,017	5,464,017	-
Total Other Financing Sources	-	45,464,017	45,464,017	-
Net Change in Fund Balance		7,395,978	32,299,640	24,903,662
FUND BALANCES	-	-	-	-
Beginning of year				
End of year	\$ -	\$ 7,395,978	\$ 32,299,640	\$ 24,903,662

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, 2018

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 for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure and the unencumbered cash and investment balances. When, during the fiscal year, it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

Note B - Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (non-GAAP basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and the major fund, Series 2017 General Obligation Bond Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplementary information.

Note C - Budget/GAAP Reconciliation.

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

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

HINDS COUNTY, MISSISSIPPI
Notes to the Budgetary Comparison Schedule (Continued)
For the Year Ended September 30, 2018

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

	Governmental <u>Fund Type</u> General <u>Fund</u>	<u>Governmental Fund Type</u> Series 2017 General Obligation <u>Bond Fund</u>
Budget (Cash Basis)	\$ 682,724	\$ 32,299,640
Increase (Decrease)		
Net adjustments for revenue accruals	(2,144,291)	-
Net adjustments for expenditure accruals	2,051,970	-
Net adjustment for other financing sources and uses accruals	<u>155,390</u>	<u>-</u>
GAAP Basis	<u><u>\$ 745,793</u></u>	<u><u>\$ 32,299,640</u></u>

HINDS COUNTY, MISSISSIPPI
Schedule of Changes in the County's Total OPEB Liability and Related Ratios
For the Year Ended September 30, 2018

Total OPEB Liability	
Service cost	\$ 261,067
Interest	61,702
Benefit payments	<u>(42,722)</u>
Net Change in Total OPEB Liability	280,047
County's Total OPEB Liability - Beginning	<u>1,852,181</u>
County's Total OPEB Liability - Ending	<u><u>\$ 2,132,228</u></u>
Covered-Employee Payroll	\$ 29,134,042
County's Total OPEB Liability as a Percentage of Covered-Employee Payroll	7.3%

Notes to Schedule:

Changes of assumptions:

2018

There were no significant assumption changes.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The information presented in this schedule has been determined as of the measurement date in accordance with GASB Statement No. 75.

HINDS COUNTY, MISSISSIPPI
Schedule of the County's Proportionate Share of the Net Pension Liability
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability	0.49%	0.48%	0.50%	0.49%	0.49%
County's proportionate share of the net pension liability	\$ 81,404,920	\$ 79,164,429	\$ 89,332,494	\$ 76,053,502	\$ 59,622,689
County's covered payroll	\$ 30,784,879	\$ 30,208,623	\$ 31,598,220	\$ 30,228,877	\$ 29,669,707
County's proportionate share of the net pension liability as a percentage of its covered payroll	264.43%	262.06%	282.71%	251.59%	200.95%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

Notes to Schedule:

The average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) at the beginning of the measurement period decreased from 3.72 for 2015 to 3.48 for 2016 to 3.37 for 2017 and increase to 3.90 for 2018.

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The information presented in this schedule has been determined as of the measurement date in accordance with GASB No. 68.

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

HINDS COUNTY, MISSISSIPPI
Schedule of the County's Pension Contributions
For the Year Ended September 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 4,978,695	\$ 4,833,590	\$ 4,919,376	\$ 4,922,141	\$ 4,744,612
Contributions in relation to the contractually required contribution	<u>4,978,695</u>	<u>4,833,590</u>	<u>4,919,376</u>	<u>4,922,141</u>	<u>4,744,612</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered payroll	\$ 31,610,759	\$ 30,683,111	\$ 31,239,897	\$ 31,251,689	\$ 30,124,521
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%	15.75%

Notes to Schedule:

This schedule is intended to show a 10-year trend. Additional years will be reported as they become available. The information presented in this schedule has been determined as of the employer's fiscal year-end in accordance with GASB No. 68.

Changes of Assumptions:

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate-of-return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively. The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives. The wage inflation assumption was reduced from 3.75% to 3.25%. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

Changes in Benefit Provisions:

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by *The Wall Street Journal* on December 31 of each preceding year, with a minimum rate of 1% and a maximum rate of 5%.

HINDS COUNTY, MISSISSIPPI
Schedule of the County's Pension Contributions (Continued)
For the Year Ended September 30, 2018

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule.

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	36.6 years
Asset valuation method	5-year smoothed market
Price inflation	3.00%
Salary increase	3.75% to 19%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

HINDS COUNTY, MISSISSIPPI

SUPPLEMENTARY INFORMATION

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total 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 (2) B	\$ -	\$ 7,389
Highway Planning and Construction	20.205	MS 024 125 (4) B	-	11,145,990
Highway Planning and Construction	20.205	BR-NBIS(083)B, BRIS-25(83)	-	45,450
Total Highway Planning and Construction			-	11,198,829
Total U.S. Department of Transportation			-	11,198,829
Total Expenditures of Major Federal Awards			-	11,198,829
OTHER FEDERAL AWARDS				
U.S. Department of Agriculture				
Passed through the Mississippi Department of Education				
Child Nutrition Cluster				
National School Lunch Program	10.555	5MS300326	-	32,673
Total U.S. Department of Agriculture			-	32,673
U.S. Department of Housing and Urban Development				
Passed through Mississippi Development Authority				
Community Development Block Grant	14.228	1129-12-025-PF-01	-	10,000
Community Development Block Grant	14.228	1129-12-025-PF-02	-	137,056
Total U.S. Department of Housing and Urban Development			-	147,056
U.S. Department of Justice				
Direct				
Federal Equitable Sharing	16.922		-	6,958
Public Safety Partnership and Community Policing Grants	16.710		-	162,370
Criminal and Juvenile Justice and Mental Health				
Collaboration Grant	16.745			38,020
Passed through the Mississippi Department of Public Safety				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-MU-BX-0179	-	66,321
Passed through the City of Jackson, Mississippi				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-H1786-MS-DJ	-	28,740
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-H4441-MS-DJ	-	10,001
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-H3548-MS-DJ	-	22,921
Total Edward Byrne Memorial Justice Assistance Grant Program			-	61,662
Total Edward Byrne Memorial Justice Assistance Grant Program			-	127,983
Passed through the Mississippi Department of Public Safety				
Juvenile Accountability Block Grants	16.523	13-JB-125-2	-	13,500
Passed through Mississippi Department of Health				
Stop Violence Against Women	16.588	2017-WF-AX-0047	-	9,971
Stop Violence Against Women	16.588	2016-STOP-036	-	31,087
Total Stop Violence Against Women			-	41,058
Passed through Mississippi Department of Health				
Crime Victim Assistance	16.575	2015-VA-GX-4038 / 2017-VA-GX	-	22,106
Crime Victim Assistance	16.575	2016-VA-036	-	70,321
Total U. S. Department of Justice			-	92,427
Total U. S. Department of Justice			-	482,316

The accompanying notes are an integral part of this schedule.

HINDS COUNTY, MISSISSIPPI
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
OTHER FEDERAL AWARDS (Continued)				
U.S. Department of Transportation				
Passed through the Mississippi Department of Public Safety				
Highway Safety Cluster				
Occupant Protection Grant	20.600	OP-2018-OP-12-51	\$ -	\$ 3,085
State and Community Highway Safety Grant	20.616	M5X-2018-MD-12-51	-	108,547
Total U.S. Department of Transportation			-	111,632
U.S. Environmental Protection Agency				
Direct				
Congressionally Mandated Projects	66.202		-	10,608
Total U.S. Environmental Protection Agency			-	10,608
U. S. Department of Health and Human Services				
Passed through the Mississippi Department of Human Services/ Central Mississippi Planning and Development District, Inc.				
Aging Cluster				
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	1036-21	-	26,821
Passed through the Mississippi Department of Human Services				
Child Support Enforcement	93.563	93.UN	-	53,295
Passed through the Mississippi Department of Human Services				
Access and Visitation Programs	93.597	6014978	-	44,726
Direct				
Comprehensive Community Mental Health Services For Children with Serious Emotional Disturbances (SED)	93.104		387,018	561,060
Total U.S. Department of Health and Human Services			387,018	685,902
Executive Office of the President				
Passed through the Gulf Coast HIDTA				
High Intensity Drug Trafficking Area Program	95.001	G17GC0003A	-	56,368
Total Executive Office of the President			-	56,368
U.S. Department of Homeland Security				
Passed through the Mississippi Emergency Management Agency				
Emergency Management Performance Grant	97.042	EMW-2015-EP-0031-S01	-	164,799
			-	164,799
Total U. S. Department of Homeland Security			-	164,799
Total Expenditures of Other Federal Awards			387,018	1,691,354
Total Expenditures of Federal Awards			\$ 387,018	\$ 12,890,183

The accompanying notes are an integral part of this schedule.

HINDS COUNTY, MISSISSIPPI
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2018

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hinds County, Mississippi (the County) under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position or changes in net position for the County.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The County has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note B - Outstanding Loans

At September 30, 2018, there were \$2,165,393 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, 2018.

HINDS COUNTY, MISSISSIPPI

SPECIAL REPORTS

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

Independent Auditor's Report

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, basic 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, 2018, and the related notes to the basic financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 31, 2019, which contained a reference to the reports of other auditors and an emphasis of matter paragraph regarding a change in accounting principle. 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

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we consider 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*.

The County's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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. However, this report is a matter of public record and its distribution is not limited.

BKD, LLP

Jackson, Mississippi
October 31, 2019

**Report on Compliance for the 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 the Major Federal Program

We have audited Hinds County, Mississippi's (the County) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2018. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. The County's basic financial statements include the operations of the Hinds County Mental Health Commission, a discretely presented component unit, which expended \$1,860,522 in federal awards which is not included on the County's schedule of expenditures of federal awards during the year ended September 30, 2018. Our audit, described below, did not include the operations of the Hinds County Mental Health Commission because the organizational unit engaged other auditors to perform an audit of compliance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the 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 its major federal program for the year ended September 30, 2018.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

BKD, LLP

Jackson, Mississippi
October 31, 2019

HINDS COUNTY, MISSISSIPPI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

HINDS COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018

Section 1: Summary of Auditor's Results

Financial Statements

1. The type of reports the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) were:

Government-wide Activities	Unmodified
General Fund	Unmodified
Series 2017 General Obligations Bond 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 disclosed:

- | | |
|---|---------------|
| a. Significant deficiencies identified? | None Reported |
| b. Material weaknesses identified? | Yes |

3. Noncompliance considered material to the financial statements noted? No

Federal Awards

4. Internal control over compliance for major federal awards programs:

- | | |
|---|---------------|
| a. Significant deficiencies identified? | None Reported |
| b. Material weaknesses identified? | No |

5. Type of independent auditor's report issued on compliance for the major federal award program Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) No

7. Identification of major federal program:

- | | |
|--|--------|
| a. Highway Planning and Construction Cluster | |
| Highway Planning and Construction | 20.205 |

8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9. The County qualified as a low-risk auditee? No

HINDS COUNTY, MISSISSIPPI
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2018

Section 2: Financial Statement Findings

Reference Number	Finding
2018-001	<p style="text-align: center;">Design Deficiency – Monitoring (Material Weakness)</p> <p>Criteria or Specific Requirement - The County is responsible for establishing and maintaining effective internal control over financial reporting.</p> <p>Condition - The County's current record keeping system and accounting processes/procedures for capital assets do not allow for timely and accurate reconciliation of capital asset additions to construction in process and recognition of assets in the proper period. Errors were identified in the capital asset schedules that were not detected by management.</p> <p>Cause - There are no procedures in place to reconcile construction in process to ensure current year additions were not previously included in the construction in progress. Additionally, the process and timeline for the preparation of capital asset schedules does not provide for timely review, approval and identification of potential errors.</p> <p>Effect - The financial statements could be materially misstated, and the errors would not be detected by management. Further, multiple revisions to the capital asset schedules were required, which caused delays in the close out of the capital asset accounts.</p> <p>Recommendation - The County should regularly track, record and reconcile costs intended to be capitalized. We further recommend capital asset records should be updated timely to facilitate a review and approval process.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The County will continue to require the Public Work's Director and/or Engineering Firm to send the State Aid report when signed, detailing the reimbursement request for every project to the Budget and Finance Department and Chancery Clerk's office for recording. Additionally, Mr. James Ingram, Inventory Director, will record and reconcile the cost intended to be capitalized monthly from the data report received from the Information Technology department. The fixed assets report will be prepared timely by Lure Berry, Budget Director, for review and comment by Greta Lovell, Deputy Chancery Clerk. The action plan will be placed into effect immediately.</p>

Section 3: Federal Award Findings and Questioned Costs

No matters are reportable.

HINDS COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

HINDS COUNTY, MISSISSIPPI
Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2018

Reference Number	Summary of Finding	Status
2017-001	<i>Criteria or Specific Requirement</i> - The County is responsible for establishing and maintaining effective internal control over financial reporting. The County's current record keeping system and accounting processes/procedures for capital assets do not allow for reconciliation of fixed asset additions to construction in process and recognition of assets in the proper period.	Not corrected. Repeated as 2018-001

HINDS COUNTY, MISSISSIPPI

CORRECTIVE ACTION PLAN

ROBERT GRAHAM
District 1

DARREL D. McQUIRTER
District 2

PEGGY HOBSON CALHOUN
District 3
President



MIKE MORGAN
District 4

BOBBY "BOBCAT" McGOWAN
District 5
Vice President

CARMEN Y. DAVIS
County Administrator

FINANCIAL AUDIT FINDING

August 16, 2019

Mr. Wil Crawford, CPA
BKD LLP
190 E. Capitol Street, Suite 500
Jackson, Mississippi 39201-2190

Dear Mr. Crawford,

We are responding to the Audit Finding for FY 2018. It is as follows:

Reference Number
2018-001

Finding and Recommendation

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

Condition – The County's current record keeping system and accounting processes/procedures for capital assets do not allow for timely and accurate reconciliation of fixed asset additions to construction in process and recognition of assets in the proper period.

Cause – There are no procedures in place to reconcile the additions to construction in progress to ensure additions were not previously included in the construction in progress. Additionally, the process and timeline for the preparation of capital asset schedules does not provide for timely review, approval and identification of errors.

Effect – The financial statements could be materially misstated, and the errors would not be detected by management. Further, multiple revisions to the capital asset schedules are required, which caused delays in the close out of the capital asset accounts.

Page 2
Financial Audit Finding

Recommendation – The County should regularly track, record, and reconcile cost intended to be capitalized. We further recommend capital assets should be updated and prepared timely to facilitate a review and approval process.

Corrective Action Plan – The County will continue to require that the Public Work's Director and/or the Engineering Firm to send the State Aid report when signed detailing the reimbursement request for every project to the Chancery Clerk's office for recording. Additionally, Mr. James Ingram, Inventory Director will record and reconcile the cost intended to be capitalized monthly from the data report received from the Information Technology department. The fixed assets report will be prepared timely by Lure Berry, Budget Director, for review and comment by Greta Lovell, Deputy Chancery Clerk. The action plan will be placed into effect immediately.

Sincerely,



Carmen Y. Davis
County Administrator