

# CALHOUN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2013

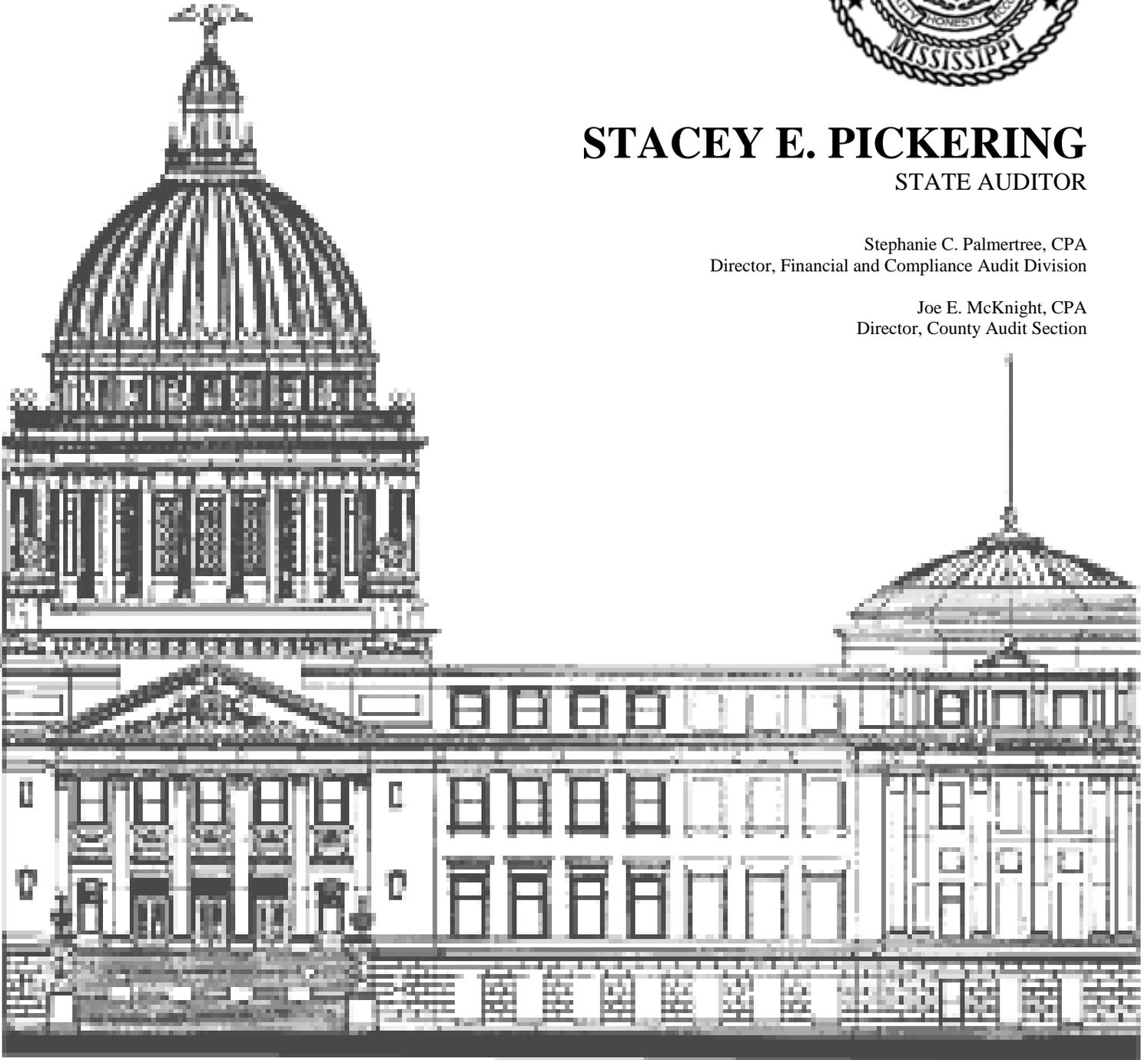


## STACEY E. PICKERING

STATE AUDITOR

Stephanie C. Palmertree, CPA  
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**STACEY E. PICKERING**  
AUDITOR

September 26, 2016

Members of the Board of Supervisors  
Calhoun County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Calhoun County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed 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.

I appreciate the cooperation and courtesy extended by the officials and employees of Calhoun County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Calhoun County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a large initial "S" and "P".

Stacey E. Pickering  
State Auditor



CALHOUN COUNTY

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CALHOUN COUNTY

FINANCIAL SECTION

CALHOUN COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Calhoun County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Calhoun County, Mississippi, (the County) as of and for the year ended September 30, 2013, 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 Calhoun County Health Services component unit, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those 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 the aforementioned component unit, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Calhoun County, Mississippi, as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, be presented to supplement the basic financial statements. Such information, although not a 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.

### **Omission of Required Supplementary Information**

Calhoun County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards have 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2016, on our consideration of Calhoun County, Mississippi'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 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 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 Calhoun County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Joe E. Mcknight". The signature is written in a cursive style with a large, sweeping initial "J" and "M".

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

September 26, 2016

CALHOUN COUNTY

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CALHOUN COUNTY

FINANCIAL STATEMENTS

CALHOUN COUNTY

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CALHOUN COUNTY  
Statement of Net Position  
September 30, 2013

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Calhoun County Health Services
<b>ASSETS</b>				
Cash	\$ 3,916,639	177,542	4,094,181	970,063
Cash - patient funds held by facility				41,586
Investments				5,485,903
Property tax receivable	4,257,567		4,257,567	
Accounts receivable (net of allowance for uncollectibles of \$300,285)		78,110	78,110	
Patient accounts receivable (net of allowance for uncollectibles of \$1,739,713)				2,972,349
Fines receivable (net of allowance for uncollectibles of \$976,085 )	523,048		523,048	
Intergovernmental receivables	342,180		342,180	
Other receivables	51,382	57,317	108,699	314,127
Internal balances	57,900	(57,900)		
Estimated third-party payor settlements				609,850
Prepaid items				225,491
Inventories				253,594
Deferred charges - bond issuance costs	25,756		25,756	
Restricted assets				59,309
Other assets				252,932
Capital assets:				
Land and construction in progress	4,033,492	44,883	4,078,375	24,800
Other capital assets, net	14,501,289	251,108	14,752,397	1,902,438
<b>Total Assets</b>	<b>27,709,253</b>	<b>551,060</b>	<b>28,260,313</b>	<b>13,112,442</b>
<b>LIABILITIES</b>				
Claims payable	589,222	58,228	647,450	1,497,862
Intergovernmental payables	156,327	221	156,548	
Accrued interest payable	49,682		49,682	
Deferred revenue	4,257,567		4,257,567	
Unearned revenue	870,000	51,010	921,010	
Amounts held in custody for others	10,218		10,218	129,193
Claims and judgments payable	105,345		105,345	
Long-term liabilities				
Due within one year:				
Capital debt	365,454	54,567	420,021	82,204
Due in more than one year:				
Capital debt	4,857,733	34,950	4,892,683	177,361
Non-capital debt	105,147	19,280	124,427	
<b>Total Liabilities</b>	<b>11,366,695</b>	<b>218,256</b>	<b>11,584,951</b>	<b>1,886,620</b>
<b>NET POSITION</b>				
Net investment in capital assets	13,311,594	206,474	13,518,068	1,667,673
Restricted for:				
Expendable:				
General government	105,743		105,743	
Public safety	16,830		16,830	
Public works	1,146,706	126,330	1,273,036	
Culture and recreation	18,043		18,043	
Economic development and assistance	23,424		23,424	
Debt service	71,786		71,786	
Unrestricted	1,648,432		1,648,432	9,558,149
<b>Total Net Position</b>	<b>\$ 16,342,558</b>	<b>332,804</b>	<b>16,675,362</b>	<b>11,225,822</b>

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

CALHOUN COUNTY  
Statement of Activities  
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Calhoun County Health Services
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 3,171,726	297,084	18,533	26,895	(2,829,214)		(2,829,214)	
Public safety	1,270,940	204,353	75,478		(991,109)		(991,109)	
Public works	2,712,526		1,374,588	2,229,719	891,781		891,781	
Health and welfare	214,064		65,298		(148,766)		(148,766)	
Culture and recreation	33,019				(33,019)		(33,019)	
Conservation of natural resources	81,756				(81,756)		(81,756)	
Economic development and assistance	54,170				(54,170)		(54,170)	
Interest on long-term debt	218,952				(218,952)		(218,952)	
Total Governmental Activities	<u>7,757,153</u>	<u>501,437</u>	<u>1,533,897</u>	<u>2,256,614</u>	<u>(3,465,205)</u>		<u>(3,465,205)</u>	
Business-type activities:								
Solid Waste	<u>765,767</u>	<u>737,085</u>	<u>10,876</u>			<u>(17,806)</u>	<u>(17,806)</u>	
Total Business-type Activities	<u>765,767</u>	<u>737,085</u>	<u>10,876</u>	<u>0</u>		<u>(17,806)</u>	<u>(17,806)</u>	
Total Primary Government	<u>\$ 8,522,920</u>	<u>1,238,522</u>	<u>1,544,773</u>	<u>2,256,614</u>	<u>(3,465,205)</u>	<u>(17,806)</u>	<u>(3,483,011)</u>	
Component unit:								
Calhoun County Health Services	\$ 18,794,064	20,882,801						<u>2,088,737</u>
Total Component Unit	<u>\$ 18,794,064</u>	<u>20,882,801</u>	<u>0</u>	<u>0</u>				<u>2,088,737</u>

CALHOUN COUNTY  
Statement of Activities  
For the Year Ended September 30, 2013

Exhibit 2

Functions/Programs	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>			Component Unit Calhoun County Health Services
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	<u>Primary Government</u>			
					Governmental Activities	Business-type Activities	Total	
General revenues:								
Property taxes					\$ 4,628,198		4,628,198	
Road & bridge privilege taxes					197,365		197,365	
Grants and contributions not restricted to specific programs					427,207		427,207	
Unrestricted interest income					5,248	222	5,470	
Miscellaneous					155,428	555	155,983	1,351
Total General Revenues					<u>5,413,446</u>	<u>777</u>	<u>5,414,223</u>	<u>1,351</u>
Changes in Net Position					<u>1,948,241</u>	<u>(17,029)</u>	<u>1,931,212</u>	<u>2,090,088</u>
Net Position - Beginning					14,508,902	349,833	14,858,735	9,135,734
Prior period adjustments					<u>(114,585)</u>		<u>(114,585)</u>	
Net Position - Beginning, as restated					<u>14,394,317</u>	<u>349,833</u>	<u>14,744,150</u>	<u>9,135,734</u>
Net Position - Ending					<u>\$ 16,342,558</u>	<u>332,804</u>	<u>16,675,362</u>	<u>11,225,822</u>

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

CALHOUN COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2013

Exhibit 3

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	State Aid Fund	\$900,000 HUD Grant Fund		
<b>ASSETS</b>					
Cash	\$ 1,402,817	50,562	901,588	1,561,672	3,916,639
Property tax receivable	2,564,231			1,693,336	4,257,567
Fines receivable (net of allowance for uncollectibles of \$ 976,085)	523,048				523,048
Intergovernmental receivables	84,905	18,642		238,633	342,180
Other receivables	33,398			17,984	51,382
Due from other funds	28,889			68,631	97,520
Advances to other funds	59,011				59,011
Total Assets	<u>\$ 4,696,299</u>	<u>69,204</u>	<u>901,588</u>	<u>3,580,256</u>	<u>9,247,347</u>
<b>LIABILITIES</b>					
Liabilities:					
Claims payable	\$ 74,078	34,718		480,426	589,222
Intergovernmental payables	151,910			4,417	156,327
Due to other funds	62,694		10,000	5,937	78,631
Advances from other funds			20,000		20,000
Deferred revenue	3,087,279			1,693,336	4,780,615
Unearned revenue			870,000		870,000
Amounts held in custody for others	10,218				10,218
Claims and judgments payable	105,345				105,345
Total Liabilities	<u>3,491,524</u>	<u>34,718</u>	<u>900,000</u>	<u>2,184,116</u>	<u>6,610,358</u>
Fund balances:					
Nonspendable:					
Advances	59,011				59,011
Restricted for:					
General government			1,588	104,155	105,743
Public safety				16,830	16,830
Public works		34,486		1,112,220	1,146,706
Culture and recreation				18,043	18,043
Economic development and assistance				23,424	23,424
Debt service				121,468	121,468
Unassigned	1,145,764				1,145,764
Total Fund Balances	<u>1,204,775</u>	<u>34,486</u>	<u>1,588</u>	<u>1,396,140</u>	<u>2,636,989</u>
Total Liabilities and Fund Balances	<u>\$ 4,696,299</u>	<u>69,204</u>	<u>901,588</u>	<u>3,580,256</u>	<u>9,247,347</u>

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

CALHOUN COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,636,989
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 \$6,378,628.	18,534,781
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	523,048
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,328,334)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(49,682)
Deferred charges - bond issuance costs	<u>25,756</u>
Total Net Position - Governmental Activities	\$ <u><u>16,342,558</u></u>

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

## CALHOUN COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2013

	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	State Aid Fund	\$900,000 HUD Grant Fund		
<b>REVENUES</b>					
Property taxes	\$ 2,904,149			1,724,049	4,628,198
Road and bridge privilege taxes				197,365	197,365
Licenses, commissions and other revenue	41,726			11,024	52,750
Fines and forfeitures	311,536			16,549	328,085
Intergovernmental revenues	437,043	2,472,958	10,000	1,297,716	4,217,717
Charges for services	33,678			145,612	179,290
Interest income	2,204		1,588	1,456	5,248
Miscellaneous revenues	86,215			69,213	155,428
Total Revenues	<u>3,816,551</u>	<u>2,472,958</u>	<u>11,588</u>	<u>3,462,984</u>	<u>9,764,081</u>
<b>EXPENDITURES</b>					
Current:					
General government	2,758,547			271,352	3,029,899
Public safety	826,616			579,817	1,406,433
Public works		2,477,711		2,201,792	4,679,503
Health and welfare	148,312		10,000		158,312
Culture and recreation				22,729	22,729
Conservation of natural resources	77,981			3,775	81,756
Economic development and assistance	18,086			36,084	54,170
Debt service:					
Principal				474,439	474,439
Interest				214,652	214,652
Total Expenditures	<u>3,829,542</u>	<u>2,477,711</u>	<u>10,000</u>	<u>3,804,640</u>	<u>10,121,893</u>
Excess of Revenues over (under) Expenditures	<u>(12,991)</u>	<u>(4,753)</u>	<u>1,588</u>	<u>(341,656)</u>	<u>(357,812)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term capital debt issued				72,268	72,268
Proceeds from sale of capital assets	1			11,350	11,351
Transfers in	8,200			194,400	202,600
Transfers out	(194,400)			(8,200)	(202,600)
Total Other Financing Sources and Uses	<u>(186,199)</u>	<u>0</u>	<u>0</u>	<u>269,818</u>	<u>83,619</u>
Net Changes in Fund Balances	<u>(199,190)</u>	<u>(4,753)</u>	<u>1,588</u>	<u>(71,838)</u>	<u>(274,193)</u>
Fund Balances - Beginning	1,394,012	39,239		1,465,178	2,898,429
Prior period adjustments	9,953			2,800	12,753
Fund Balances - Beginning, as restated	<u>1,403,965</u>	<u>39,239</u>	<u>0</u>	<u>1,467,978</u>	<u>2,911,182</u>
Fund Balances - Ending	<u>\$ 1,204,775</u>	<u>34,486</u>	<u>1,588</u>	<u>1,396,140</u>	<u>2,636,989</u>

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

CALHOUN COUNTY

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, 2013

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (274,193)
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 \$2,543,756 exceeded depreciation of \$621,122 in the current period.	1,922,634
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 the net loss of \$16,509 and the proceeds from the sale of \$ 11,351 in the current period.	(27,860)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(58,688)
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 debt repayments of \$474,439 exceeded debt proceeds of \$72,268.	402,171
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:	
Increase in accrued interest payable	(4,300)
Increase in compensated absences	(10,137)
Decrease in bond issuance costs, net of amortization	<u>(1,386)</u>
Change in Net Position of Governmental Activities	<u>\$ 1,948,241</u>

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

CALHOUN COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2013

Exhibit 5

	Business-type Activities- Enterprise Fund <u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 177,542
Accounts receivable (net of allowance for uncollectibles of \$300,285)	78,110
Other receivables	57,317
Total Current Assets	<u>312,969</u>
Noncurrent assets:	
Capital assets:	
Construction in progress	44,883
Other capital assets, net	251,108
Total Noncurrent Assets	<u>295,991</u>
Total Assets	<u>608,960</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	58,228
Intergovernmental payables	221
Due to other funds	18,889
Advances from other funds	39,011
Unearned revenue	51,010
Capital debt:	
Capital leases payable	54,567
Total Current Liabilities	<u>221,926</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	34,950
Non-capital debt:	
Compensated absences payable	19,280
Total Noncurrent Liabilities	<u>54,230</u>
Total Assets	<u>276,156</u>
<b>NET POSITION</b>	
Net investment in capital assets	206,474
Restricted for:	
Public works	126,330
Total Net Position	<u>\$ 332,804</u>

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

CALHOUN COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2013

	Business-type Activities - Enterprise Fund <u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 737,085
Miscellaneous	11,431
Total Operating Revenues	<u>748,516</u>
Operating Expenses	
Personal services	265,373
Contractual services	222,495
Materials and supplies	217,624
Depreciation expense	37,953
Indirect administrative cost	18,889
Total Operating Expenses	<u>762,334</u>
Operating Income (Loss)	<u>(13,818)</u>
Nonoperating Revenues (Expenses)	
Interest income	222
Interest expense	(3,433)
Net Nonoperating Revenue (Expenses)	<u>(3,211)</u>
Net Income (Loss)	(17,029)
Net Position - Beginning	<u>349,833</u>
Net Position - Ending	<u>\$ 332,804</u>

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

CALHOUN COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2013

Exhibit 7

	Business-type Activities- Enterprise Fund Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 735,918
Payments to suppliers	(446,154)
Payments to employees	(262,098)
Other operating cash receipts	11,431
Net Cash Provided (Used) by Operating Activities	<u>39,097</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(50,359)
Principal paid on long-term debt	(58,971)
Interest paid on debt	(3,619)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(112,949)</u>
Cash Flows From Investing Activities	
Interest on deposits	222
Net Cash Provided (Used) by Investing Activities	<u>222</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(73,630)
Cash and Cash Equivalents at Beginning of Year	<u>251,172</u>
Cash and Cash Equivalents at End of Year	<u>\$ 177,542</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (13,818)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	37,953
Provision for uncollectible accounts	19,476
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(20,655)
(Increase) decrease in other receivables	(225)
Increase (decrease) in claims payable	(734)
Increase (decrease) in compensated absences liability	(2,246)
Increase (decrease) in unearned revenue	237
Increase (decrease) in intergovernmental payables	221
Increase (decrease) in interfund payables	18,889
Rounding	(1)
Total Adjustments	<u>52,915</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 39,097</u>

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

CALHOUN COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2013

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 77,648
Total Assets	\$ <u>77,648</u>
<b>LIABILITIES</b>	
Other liabilities	\$ 10,583
Intergovernmental payables	67,065
Total Liabilities	\$ <u>77,648</u>

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

CALHOUN COUNTY

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CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Calhoun 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 Calhoun County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

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

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

B. Individual Component Unit Disclosures.

Discretely Presented Component Unit

The component unit column, in the financial statements, includes the financial data of the following component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County. A majority of the members of the governing body of this component unit are appointed by the County Board of Supervisors.

Calhoun County Health Services – It was created on October 1, 2000, with the combination of Calhoun County Nursing Home which was owned by Calhoun County, Mississippi, and Hillcrest Hospital which was owned by Calhoun City, Mississippi. The facility is governed by a Board of Trustees appointed by the Board of Supervisors of Calhoun County, Mississippi, and the Board of Alderman of Calhoun City, Mississippi.

C. 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, fund financial statements and accompanying note disclosures 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 its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from certain 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 and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a

## CALHOUN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

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

#### Fund Financial Statements:

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

#### D. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) 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.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

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

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

State Aid Fund - This fund accounts for monies from specific revenue sources that are restricted for state aid projects.

\$900,000 HUD Grant Fund - This fund accounts for the HUD resources to be used for the construction of the new county courthouse.

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

The County reports the following major Enterprise Fund:

Solid Waste Fund - This fund is used to account for the County's activities of disposal of solid waste within the County.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

PROPRIETARY FUND TYPE

Enterprise Funds - These funds are used to account for those operations that are financed and operated in a manner similar to private business enterprises or where the county has decided that periodic determination of revenues earned, expenses incurred and/or net income is necessary for management accountability.

FIDUCIARY FUND TYPE

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.

E. 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.

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.

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

G. Receivables.

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

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

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 offset by a nonspendable fund balance account in the General Fund, if applicable, to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Calhoun County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capital assets acquired or constructed for Proprietary Fund operations are capitalized at cost in the respective funds in which they are utilized. No interest is capitalized on self-constructed assets because noncapitalization of interest does not have a material effect on the County's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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 statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. 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:

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

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

J. 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 and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position.

K. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in three 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.

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.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

*Nonspendable fund balance* includes amounts that cannot be spent. This includes amounts that are either not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. 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.

## CALHOUN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

#### L. 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 to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

#### M. 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.

#### N. 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 and Proprietary Funds 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.

#### O. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*; GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The provisions of these standards have been incorporated into the financial statements and the notes.

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows:

**Exhibit 2 - Statement of Activities.**

<u>Explanation</u>	<u>Amount</u>
To correct juror fund balance.	\$ 9,953
To remove prior year revenue.	2,800
To correct prior year other loans payable.	984
To correct prior year balance of capital assets.	<u>(128,322)</u>
Total prior period adjustments	<u>\$ (114,585)</u>

**Exhibit 4 - Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.**

<u>Explanation</u>	<u>Amount</u>
To correct juror fund balance.	\$ 9,953
To remove prior year revenue.	<u>2,800</u>
Total prior period adjustments	<u>\$ 12,753</u>

(3) Deposits and Investments.

**Governmental Activities**

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$4,171,829, and the bank balance was \$4,320,132. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

**Component Unit: Calhoun County Health Services**

Deposits:

Calhoun County Health Services deposits funds in financial institutions selected by the Board of Trustees and invests excess funds in investment securities that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes.

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

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).

Investments:

Calhoun County Health Services participates in the Mississippi Hospital Associates pool investment program. The funds are invested for the benefit of the facility by a third-party investment company which is responsible for the management of the pool. A summary of the investments at September 30, 2013 follows:

MHA Investment Pool	\$	5,660,112
Unrealized loss on investments		(174,209)
Net Investment	\$	<u>5,485,903</u>
MHA Investment Pool – Restricted	\$	61,192
Unrealized loss on investments		(1,883)
Net Investment – Restricted	\$	<u>59,309</u>

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2013:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 18,889
General Fund	\$900,000 HUD Grant	10,000
Other Governmental Funds	General Fund	62,694
Other Governmental Funds	Other Governmental Funds	<u>5,937</u>
Total		\$ <u>97,520</u>

The receivables represent indirect cost, the correction of a posting error and the tax revenue collected in September, 2013, but not settled until October, 2013. 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	Solid Waste Fund	\$ 39,011
General Fund	\$900,000 HUD Grant Fund	<u>20,000</u>
Total		\$ <u>59,011</u>

The advances represent prior year indirect administrative cost and prior year grant administrative cost.

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 8,200
Other Governmental Funds	General Fund	<u>194,400</u>
Total		<u>\$ 202,600</u>

The principal purpose of interfund transfers was to cover negative cash balances. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2013, consisted of the following:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 67,228
State aid road reimbursement	112,046
Airport improvement program	101,400
Motor vehicle fuel tax	19,960
Truck & bus privilege	13,764
Emergency management performance grant	11,286
Reimbursement for housing prisoners	6,100
Transportation grant	4,924
Welfare reimbursement	2,810
Youth court grant	1,042
Timber severance tax	889
Other	<u>731</u>
Total Governmental Activities	<u>\$ 342,180</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2013:

**Governmental activities:**

	<u>Balance</u>				<u>Balance</u>
	<u>Oct. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Sept. 30, 2013</u>
<b>Non-depreciable capital assets:</b>					
Land	\$ 593,687				593,687
Construction in progress	<u>6,563,358</u>	<u>2,229,719</u>		<u>(5,353,272)</u>	<u>3,439,805</u>
Total non-depreciable capital assets	<u>7,157,045</u>	<u>2,229,719</u>		<u>(5,353,272)</u>	<u>4,033,492</u>
<b>Depreciable capital assets:</b>					
Infrastructure	5,706,438				5,706,438
Buildings	4,818,501			5,353,272	10,171,773
Improvements other than buildings	414,442				414,442
Mobile equipment	3,485,603	57,636	179,132	79,806	3,443,913
Furniture and equipment	341,931	184,133	99,491		426,573
Leased property under capital leases	<u>975,839</u>	<u>72,268</u>		<u>(331,329)</u>	<u>716,778</u>
Total depreciable capital assets	<u>15,742,754</u>	<u>314,037</u>	<u>278,623</u>	<u>5,101,749</u>	<u>20,879,917</u>

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

	Balance <u>Oct. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	Balance <u>Sept. 30, 2013</u>
<b><u>Less accumulated depreciation for:</u></b>					
Infrastructure	625,595	185,897			811,492
Buildings	2,183,519	203,434			2,386,953
Improvements other than buildings	94,358	16,577			110,935
Mobile equipment	2,729,493	118,979	161,221	19,393	2,706,644
Furniture and equipment	306,035	31,725	89,542	(35,150)	213,068
Leased property under capital leases	192,470	64,510		(107,444)	149,536
Total accumulated depreciation	<u>6,131,470</u>	<u>621,122</u>	<u>250,763</u>	<u>(123,201)</u>	<u>6,378,628</u>
 Total depreciable capital assets, net	 <u>9,611,284</u>	 <u>(307,085)</u>	 <u>27,860</u>	 <u>5,224,950</u>	 <u>14,501,289</u>
 Governmental activities capital assets, net	 \$ <u>16,768,329</u>	 <u>1,922,634</u>	 <u>27,860</u>	 <u>(128,322)</u>	 <u>18,534,781</u>
 <b>Business-type activities:</b>					
	Balance <u>Oct. 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	Balance <u>Sept. 30, 2013</u>
<b><u>Non-depreciable capital assets:</u></b>					
Construction in progress	\$	44,883			44,883
Total non-depreciable capital assets		<u>44,883</u>			<u>44,883</u>
 <b><u>Depreciable capital assets:</u></b>					
Mobile equipment	487,941	5,476			493,417
Furniture and equipment	29,000				29,000
Leased property under capital leases	267,576				267,576
Total depreciable capital assets	<u>784,517</u>	<u>5,476</u>			<u>789,993</u>
 <b><u>Less accumulated depreciation for:</u></b>					
Mobile equipment	422,867	10,141			433,008
Furniture and equipment	7,457	3,729			11,186
Leased property under capital leases	70,608	24,083			94,691
Total accumulated depreciation	<u>500,932</u>	<u>37,953</u>			<u>538,885</u>
 Total depreciable capital assets, net	 <u>283,585</u>	 <u>(32,477)</u>			 <u>251,108</u>
 Business-type activities capital assets, net	 \$ <u>283,585</u>	 <u>12,406</u>	 <u>0</u>	 <u>0</u>	 <u>295,991</u>

\*The adjustments made to capital assets consisted of reclassifying completed construction in progress to the proper asset category, reclassifying paid-off capital leases to the proper asset category, and the prior period adjustment described in Note 2 to the financial statements.

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

**Component unit: Calhoun County Health Services**

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 24,800				24,800
Construction in progress	38,660		38,660		0
Total non-depreciable capital assets	63,460	0	38,660	0	24,800
<u>Depreciable capital assets:</u>					
Land improvements	285,875	1,600			287,475
Buildings and improvements	4,105,777	480,422			4,586,199
Fixed equipment	466,464	187,681			654,145
Major moveable equipment:					
Under capital lease	393,684	90,277	393,684		90,277
Other	2,226,991	455,238			2,682,229
Minor equipment	2,849				2,849
Automobiles:					
Under capital lease	178,125				178,125
Other	215,111				215,111
Total depreciable capital assets	7,874,876	1,215,218	393,684	0	8,696,410
<u>Less accumulated depreciation for:</u>					
Land improvements	282,424	804			283,228
Buildings and improvements	3,118,190	142,578			3,260,768
Fixed equipment	436,260	10,538			446,798
Major moveable equipment:					
Under capital lease	268,642	6,018	268,641		6,019
Other	1,963,481	412,135			2,375,616
Minor equipment					
Automobiles:					
Under capital lease	80,990	35,725			116,715
Other	304,828				304,828
Total accumulated depreciation	6,454,815	607,798	268,641	0	6,793,972
Total depreciable capital assets, net	1,420,061	607,420	125,043	0	1,902,438
Component unit capital assets, net	\$ 1,483,521	607,420	163,703	0	1,927,238

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental Activities:</b>	
General government	\$ 120,181
Public safety	61,140
Public works	375,145
Health and welfare	54,366
Culture and recreation	10,290
Total governmental activities depreciation expense	\$ 621,122
<b>Business-type activities:</b>	
Solid waste	\$ 37,953

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

Commitments with respect to unfinished capital projects at September 30, 2013, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
BR-0812(10)B Bridge and approaches	\$ 391,501	May 2015
SAP-07(73) Bridge and approaches	284,143	May 2015
SAP-07(74) Box culvert and approaches	43,724	January 2014
(3) Airport hangers	151,823	July 2015

(7) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis. The County has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$35,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2012 and 2013:

	2012	2013
Unpaid Claims, Beginning of Fiscal Year	\$ 134,912	124,958
Plus: Incurred Claims (Including IBNRs)	985,989	1,272,193
Less: Claims Payments	(995,943)	(1,291,806)
Unpaid Claims, End of Fiscal Year	\$ 124,958	105,345

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

(8) Operating Leases.

As Lessee:

On November 22, 2011, Calhoun County entered into an operating lease with Three Rivers Planning Development District, Inc. for the lease of a computer system and operating software owned by Three Rivers Planning Development District for the purpose of maintaining county records. The operating lease stipulated the lessee would pay \$12,000 per year in lease payments commencing October 1, 2011 for a term of 5 years. Total costs for said lease was \$12,000 for the year ended September 30, 2013. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2014	\$ 12,000
2015	12,000
2016	<u>12,000</u>
Total Minimum Payments Required	<u>\$ 36,000</u>

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2013:

<u>Classes of Property</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Mobile equipment	\$ 716,778	267,576
Less: Accumulated depreciation	<u>(149,536)</u>	<u>(94,691)</u>
Leased Property Under Capital Leases	<u>\$ 567,242</u>	<u>172,885</u>

The following is a schedule by years of the total payments due as of September 30, 2013:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 153,276	9,883	54,567	1,790
2015	118,718	6,270	24,528	658
2016	111,631	3,162	10,422	72
2017	<u>65,397</u>	<u>591</u>	<u>          </u>	<u>          </u>
Total	<u>\$ 449,022</u>	<u>19,906</u>	<u>89,517</u>	<u>2,520</u>

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

(10) Long-term Debt.

Debt outstanding as of September 30, 2013, consisted of the following:

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
Road bonds, series 2008	\$ 115,000	3.30%	02/2018
Public improvement bonds, series 2009	1,740,000	4.00-5.50%	03/2029
Building bonds, series 2012	<u>2,903,113</u>	3.875%	05/2032
Total General Obligation Bonds	\$ <u>4,758,113</u>		
B. Capital Leases:			
Case tractor with backhoe	\$ 11,049	3.27%	07/2014
2011 Mack truck	27,590	2.99%	09/2014
2011 John Deere 6115D tractor	27,656	2.29%	02/2016
2 Caterpillar 12M motorgraders	259,211	2.69%	04/2017
Case 580SN backhoe	57,260	2.21%	05/2017
John Deere tractor	19,491	4.30%	05/2016
John Deere tractor	<u>46,765</u>	2.17%	07/2017
Total Capital Leases	\$ <u>449,022</u>		
C. Other Loans (CAP Loans):			
Feeder pig facility #2	\$ 10,672	4.95%	07/2014
Horse arena	<u>5,380</u>	3.00%	07/2014
Total Other Loans	\$ <u>16,052</u>		
<b>Business-type Activities:</b>			
A. Capital Leases:			
2009 Mack garbage truck	\$ 30,708	3.27%	07/2014
2011 Isuzu garbage truck	<u>58,809</u>	2.77%	02/2016
Total Capital Leases	\$ <u>89,517</u>		

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

**Governmental Activities:**

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 196,126	196,249	16,052	215
2015	205,550	187,447		
2016	215,168	178,295		
2017	219,988	168,880		
2018	235,019	159,010		
2019 – 2023	1,208,603	649,619		
2024 – 2028	1,506,811	375,638		
2029 – 2033	<u>970,848</u>	<u>84,785</u>		
Total	\$ <u>4,758,113</u>	<u>1,999,923</u>	<u>16,052</u>	<u>215</u>

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

**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, 2013, the amount of outstanding debt was equal to 5.86% of the latest property assessments.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept. 30, 2013	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 95,010	10,137			105,147	
General obligation bonds	4,945,000		186,887		4,758,113	196,126
Capital leases	635,954	72,268	259,200		449,022	153,276
Other loans	45,388		28,352	(984)	16,052	16,052
Total	\$ 5,721,352	82,405	474,439	(984)	5,328,334	365,454
<b>Business-type Activities:</b>						
Compensated absences	\$ 21,526		2,246		19,280	
Capital leases	148,488		58,971		89,517	54,567
Total	\$ 170,014		61,217		108,797	54,567
<b>Component Unit: Calhoun County Health Services</b>						
Revenue bonds	\$ 152,305		40,181		112,124	42,237
Capital leases	209,693	90,277	152,529		147,441	39,967
Total	\$ 361,998	90,277	192,710		259,565	82,204

\*The adjustment made to other loans is to correct prior year error.

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, Road Maintenance Funds, Calhoun Transportation Services, Youth Court, Reappraisal, Volunteer Fire, Emergency Management and Solid Waste Fund.

(11) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances at September 30, 2013:

Fund	Deficit Amount
Airport Grant Fund	\$ 14,637
County Airport Maintenance Fund	285
E-911 Fund	138,671
Law Library Fund	3,215

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

Countywide Road Fund 427  
(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 have a material adverse effect on the financial condition of the County.

Solid Waste Revenue Refunding Bonds – In 1998, Solid Waste Revenue Refunding Bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In 2011, Three Rivers Solid Waste Management Authority issued \$4,235,000 of Solid Waste Revenue Bonds to refund the 1998 bonds and to finance other landfill projects. As part of the solid waste disposal service agreement between Calhoun County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.02%) of the \$4,235,000 refunding bonds balance at September 30, 2013, is \$232,071.

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

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

Description	Balance at Sept. 30, 2013
Nursing home notes	\$ <u>112,124</u>

(14) Related Organizations.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosacoona 1 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosacoona 2 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Topashaw Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 20 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Yalobusha Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 13 cent per acre tax for the district.

## CALHOUN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2013

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Persimmon Creek Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 25 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Otoucalofa Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

(15) Joint Venture.

The County participates in the following joint venture:

Calhoun County is a participant with Chickasaw and Pontotoc Counties in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The Regional Library is governed by a five-member board appointed by the Board of Supervisors: two from the Library Board of Calhoun County, one from the Library Board of Chickasaw County, and two from the Library Board of Pontotoc County. The County appropriated \$72,976 for the joint venture in fiscal year 2013. Complete financial statements for the Dixie Regional Library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi 38863.

(16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints five of the 40 members of the board of directors. The County appropriated \$19,730 for support of the district in fiscal year 2013.

Communicare operates in a district composed of the Counties of Calhoun, Lafayette, Marshall, Panola, Tate and Yalobusha. The Calhoun County Board of Supervisors appoints one of the six members of the board of commissioners. The County appropriated \$25,057 for Communicare in fiscal year 2013.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Calhoun County Board of Supervisors appoints two of the 23 members of the college board of trustees. The County appropriated \$146,312 for maintenance and support of the college in fiscal year 2013.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints one of the seven members of the board. The County did not appropriate any monies for support of the authority in fiscal year 2013. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited.

(17) Defined Benefit Pension Plan.

Plan Description. Calhoun County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

CALHOUN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2013

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$313,532, \$269,227 and \$252,325, respectively, equal to the required contributions for each year.

(18) Subsequent Events.

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 Calhoun County evaluated the activity of the County through September 26, 2016, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2013, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
10/10/2013	1.91%	\$	154,109	Capital lease	Charges for services
11/01/2013	2.07%		68,383	Capital lease	Charges for services
07/09/2014	1.91%		161,850	Capital lease	Charges for services
08/15/2014	2.09%		24,388	Capital lease	Ad valorem tax
12/12/2014	2.39%		137,788	Capital lease	Ad valorem tax
07/10/2015	2.00%		2,250,000	Other loan	Ad valorem tax
04/04/2016	1.72%		113,366	Capital lease	Ad valorem tax
08/01/2016	1.96%		36,674	Capital lease	Ad valorem tax
08/04/2016	1.99%		63,995	Capital lease	Ad valorem tax
08/04/2016	1.99%		388,543	Capital lease	Ad valorem tax
08/04/2016	1.99%		137,268	Capital lease	Ad valorem tax

On July 5, 2016, the Calhoun County Board of Supervisors approved a resolution to execute the lease of Calhoun Health Services to Baptist Memorial Hospital-Calhoun, Inc. and Baptist Nursing Home-Calhoun, Inc. The initial lease term is for 30 years, with the option to extend the lease for two consecutive ten year terms for a maximum lease of 50 years. The lease commencement date will be October 1, 2016.

CALHOUN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY

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CALHOUN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2013  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,571,496	2,571,496	2,903,406	331,910
Licenses, commissions and other revenue	51,000	51,000	43,411	(7,589)
Fines and forfeitures	280,000	280,000	304,826	24,826
Intergovernmental revenues	450,000	475,000	614,510	139,510
Charges for services	25,000		31,953	31,953
Interest income	7,000	7,000	2,200	(4,800)
Miscellaneous revenues	37,000	37,000	145,836	108,836
Total Revenues	<u>3,421,496</u>	<u>3,421,496</u>	<u>4,046,142</u>	<u>624,646</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,952,943	2,884,234	2,866,564	17,670
Public safety	845,701	839,158	835,988	3,170
Health and welfare	160,651	155,328	147,843	7,485
Culture and recreation	1,000			
Education	219,000	223,256	223,256	
Conservation of natural resources	72,471	79,787	79,320	467
Economic development and assistance	19,730	19,730	19,730	
Total Expenditures	<u>4,271,496</u>	<u>4,201,493</u>	<u>4,172,701</u>	<u>28,792</u>
Excess of Revenues over (under) Expenditures	<u>(850,000)</u>	<u>(779,997)</u>	<u>(126,559)</u>	<u>653,438</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in		14,863	14,863	
Transfers out		(70,000)	(194,400)	(124,400)
Total Other Financing Sources and Uses	<u>0</u>	<u>(55,137)</u>	<u>(179,537)</u>	<u>(124,400)</u>
Net Change in Fund Balance	(850,000)	(835,134)	(306,096)	529,038
Fund Balances - Beginning	<u>850,000</u>	<u>850,000</u>	<u>1,572,406</u>	<u>722,406</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>14,866</u>	<u>1,266,310</u>	<u>1,251,444</u>

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

CALHOUN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 State Aid Fund  
 For the Year Ended September 30, 2013  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental revenues	\$ 45,000	207,489	218,812	11,323
Total Revenues	<u>45,000</u>	<u>207,489</u>	<u>218,812</u>	<u>11,323</u>
<b>EXPENDITURES</b>				
Current:				
Public works	45,000	207,489	207,489	
Total Expenditures	<u>45,000</u>	<u>207,489</u>	<u>207,489</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>0</u>	<u>0</u>	<u>11,323</u>	<u>11,323</u>
Net Change in Fund Balance	0	0	11,323	11,323
Fund Balances - Beginning	<u>          </u>	<u>          </u>	<u>39,239</u>	<u>39,239</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>50,562</u>	<u>50,562</u>

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

CALHOUN COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2013  
UNAUDITED

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

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).

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

	Governmental Fund Types	
	General Fund	State Aid Fund
Budget (Cash Basis)	\$ (306,096)	11,323
Increase (Decrease)		
Net adjustments for revenue accruals	(236,253)	2,254,146
Net adjustments for expenditure accruals	343,159	(2,270,222)
GAAP Basis	\$ <u>(199,190)</u>	<u>(4,753)</u>

CALHOUN COUNTY

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CALHOUN COUNTY

SUPPLEMENTAL INFORMATION

CALHOUN COUNTY

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Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture/Rural Development ARRA - Community facilities loans and grants (Community Programs) (Direct)	10.780	N/A	\$ 16,895
U.S. Department of Agriculture/Natural Resources Conservation Service ARRA - Emergency watershed protection program (Direct)	10.923	N/A	<u>66,548</u>
Total U.S. Department of Agriculture			<u>83,443</u>
U.S. Department of Defense/Department of the Army Office of the Chief of Engineers Passed-through the Mississippi Office of the State Treasurer Payments to States in lieu of real estate taxes	12.112	N/A	<u>79,109</u>
U.S. Department of Housing and Urban Development/ Office of Community Planning and Development Economic development initiative - special project, neighborhood initiative and miscellaneous grants (Direct)*	14.251	N/A	** <u>61,164</u>
U.S. Department of Transportation/Federal Aviation Administration Airport improvement program (Direct)*	20.106	N/A	184,836
Airport improvement program (Direct)*	20.106	N/A	<u>109,063</u>
Subtotal			<u>293,899</u>
U.S. Department of Transportation/Federal Highway Administration Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 078 B(07)	<u>34,780</u>
Total U.S. Department of Transportation			<u>328,679</u>
U.S. Department of Health and Human Services/Administration for Children and Families Passed-through the Mississippi Department of Human Services Passed-through Three Rivers Planning and Development District Social services block grant	93.667	13-CALH-XX-TR	<u>31,350</u>
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Emergency management performance grants	97.042	N/A	<u>11,286</u>
Total Expenditures of Federal Awards			\$ <u><u>595,031</u></u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

\* Denotes major federal award program

\*\* This amount includes \$61,164 in expenditures that were not recognized in the County's financial statements.

CALHOUN COUNTY

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CALHOUN COUNTY

OTHER INFORMATION

CALHOUN COUNTY

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CALHOUN COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2013

Name	Position	Company	Bond
Earnest M. Fox	Supervisor District 1	Western Surety Company	\$100,000
James Brooks Rogers, Jr.	Supervisor District 2	FCCI Insurance Company	\$125,000
David Gwin Longest	Supervisor District 3	FCCI Insurance Company	\$100,000
Barney J. Wade	Supervisor District 4	Western Surety Company	\$100,000
Tony Morgan	Supervisor District 5	Western Surety Company	\$100,000
Ramona Tillman	Chancery Clerk	Western Surety Company	\$100,000
Sheryl Flemming	Purchase Clerk	Western Surety Company	\$75,000
Patricia Patterson	Receiving Clerk	Western Surety Company	\$10,000
Charles W. Jones	Receiving Clerk	Western Surety Company	\$10,000
Tony Moore	Receiving Clerk	RLI Insurance Company	\$10,000
Graig Gillis	Receiving Clerk	RLI Insurance Company	\$10,000
Barney McFall	Receiving Clerk	Western Surety Company	\$10,000
Larry D. Bailey	Receiving Clerk	Western Surety Company	\$10,000
Cassie F. Bryant	Inventory Control Clerk	Western Surety Company	\$75,000
Benny R. Langford	Constable	Western Surety Company	\$25,000
James Vanlandingham	Constable	FCCI Insurance Company	\$25,000
Carlton Baker	Circuit Clerk	State Farm	\$100,000
L. Sinatra Cruthirds	Deputy Circuit Clerk	Western Surety Company	\$75,000
Penny D. Nichols	Deputy Circuit Clerk	Western Surety Company	\$75,000
Deborah Harrelson	Deputy Circuit Clerk	Western Surety Company	\$75,000
Dominique Shaw	Deputy Circuit Clerk	Western Surety Company	\$75,000
Greg Pollan	Sheriff	Western Surety Company	\$100,000
Jim Vance	Justice Court Judge	Western Surety Company	\$10,000
Markial Scott Ferguson	Justice Court Judge	Western Surety Company	\$10,000
Tracie McGuirt	Justice Court Clerk	Western Surety Company	\$50,000
Teresa Warner	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Billy K. Malone	Tax Collector-Assessor	Travelers	\$100,000
Shelia Winter	Deputy Tax Collector/Assessor	Western Surety Company	\$10,000
Sherry Hardin White	Deputy Tax Collector/Assessor	Western Surety Company	\$50,000
Peggy Neese	Deputy Tax Collector/Assessor	Western Surety Company	\$50,000
Wanda Harrison	Deputy Tax Collector/Assessor	Western Surety Company	\$50,000

CALHOUN COUNTY

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CALHOUN COUNTY

SPECIAL REPORTS

CALHOUN COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Calhoun County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Calhoun County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 26, 2016. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Calhoun County Health Services, as described in our audit on Calhoun County, Mississippi's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Calhoun County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency in internal control that we consider to be a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-001, 2013-003, 2013-004, 2013-005, 2013-006, 2013-007 and 2013-008 to be material weaknesses.

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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-002 to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Calhoun County, Mississippi's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003.

We also noted certain matters which we have reported to the management of Calhoun County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated September 26, 2016, included within this document.

## **Calhoun County's Responses to Findings**

Calhoun County's responses to the findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Calhoun County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity'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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

September 26, 2016



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Calhoun County, Mississippi

**Report on Compliance for Each Major Federal Program**

We have audited Calhoun County, Mississippi's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013. Calhoun County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

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

**Basis for Qualified Opinion on Airport Improvement Program – CFDA #20.106**

As described in the accompanying Schedule of Findings and Questioned Costs, Calhoun County, Mississippi, did not comply with compliance requirements regarding Cash Management, Davis Bacon Act, and Procurement and Suspension and Debarment that are applicable to its Airport Improvement Program federal program as described in items 2013-009, 2013-010 and 2013-011. Compliance with such requirements is necessary, in our opinion, for Calhoun County, Mississippi, to comply with the requirements applicable to that program.

## **Qualified Opinion on Airport Improvement Program – CFDA #20.106**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Calhoun County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Airport Improvement Program federal program for the year ended September 30, 2013.

## **Basis for Adverse Opinion on Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants – CFDA #14.251**

As described in the accompanying Schedule of Findings and Questioned Costs, Calhoun County, Mississippi, did not comply with compliance requirements regarding Allowable Costs/Cost Principles, Cash Management, and Reporting that are applicable to its Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants federal program as described in items 2013-012, 2013-013 and 2013-014. Compliance with such requirements is necessary, in our opinion, for Calhoun County, Mississippi, to comply with the requirements applicable to that program.

## **Adverse Opinion on Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants – CFDA #14.251**

In our opinion, because of the significance of the effects of the noncompliance described in the Basis for Adverse Opinion paragraph, Calhoun County, Mississippi, did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect the Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants federal program for the year ended September 30, 2013.

## **Report on Internal Control Over Compliance**

Management of Calhoun County, Mississippi, 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 Calhoun County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and another deficiency in internal control over compliance that we consider to be a significant deficiency.

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 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2013-010, 2013-011, 2013-012, 2013-013 and 2013-014 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-009 to be a significant deficiency.

Calhoun County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Auditee's Corrective Action Plan. Calhoun County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

A handwritten signature in black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

September 26, 2016

CALHOUN COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors  
Calhoun County, Mississippi

We have examined Calhoun County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Calhoun County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Purchase Clerk.

1. The Purchase Clerk shall be responsible for the maintenance of the central purchasing system of the County.

Finding

Section 31-7-103, Miss. Code Ann. (1972) requires the Purchase Clerk to maintain the central purchasing system of the County. Purchasing guidelines require board approval for purchases that require quotes. During the audit, the following exceptions were noted:

- a. A purchase was noted to have been initiated by verbal order of the Sheriff, one and a half months prior to the date of the purchase order.
- b. A purchase for security cameras/equipment was approved by the Board; however, the actual purchase exceeded the approved amount by \$598.
- c. Purchase documentation for a piece of equipment show it was purchased on state contract, however, the state contract containing the item could not be verified.
- d. Vendor invoices for equipment repair were dated before the purchase requisition and purchase orders.
- e. Several instances of vendor invoices and related purchasing documentation for equipment repair were noted to show too little information as to what repair work was performed.
- f. A purchase made from a quote that was not the lowest quote was not listed on the Purchase Clerk Schedule of Purchases Not Made from the Lowest Bidder.

The failure to follow state purchasing laws and guidelines could result in the loss or misappropriation of public funds.

#### Recommendation

The Purchase Clerk should ensure that purchasing documents are in the proper order and that state contract items are on state contract and have a state contract number to authorize any such purchase.

#### Purchase Clerk's Response

I will comply.

Board of Supervisors and Purchase Clerk.

2. Purchases over \$5,000 but not over \$50,000 require two quote bids and documentation of the lowest and best bid.

#### Finding

Section 31-7-13(b), Miss Code Ann. (1972), states that purchases which involve an expenditure of more than \$5,000, but not more than \$50,000, exclusive of freight and shipping charges, may be made from the lowest and best bidder without publishing or posting advertisement for bids, provided at least two competitive written bids have been obtained. During our audit, the following deficiencies were noted:

- a. A purchase of \$7,500 was made by the county for a 2004 Chevy Suburban with two quotes. However, both quotes were faxed to the County from the same vendor and there was no board approval noted.
- b. A purchase of \$9,355 was made by the County for communications equipment with two quotes attached. However, the quotes, which appear to have originated from the same source, are dated after the date of the purchase order. Origin of the questionable quote could not be verified.
- c. A purchase of \$5,600 was made by the County for a 2000 Chevy truck with two quotes. However, both quotes were faxed to the County from the same vendor and there was no board approval noted.
- d. A purchase of \$15,737 was made by the County for road equipment with two quotes. However, both quotes appear to have originated from the same vendor. Origin of the questionable quote could not be verified.
- e. A purchase of fuel valued greater than \$10,000, was made by the County with only one quote and no board approval noted.

The failure to obtain at least two competitive written bids for purchases over \$5,000, but not over \$50,000, could result in excess costs to the County and misappropriation of public funds.

Recommendation

The Purchase Clerk should ensure that purchases over \$5,000, but not over \$50,000, be made from the lowest and best bidder of at least two competitive written bids.

Board of Supervisors' Response

We will comply.

Purchase Clerk's Response

I will comply.

Receiving Clerks.

3. Receiving reports were not completed in a timely manner.

Finding

Section 31-7-109, Miss. Code Ann. (1972), states that the Receiving Clerk or assistant receiving clerks, shall upon proper delivery of equipment, heavy equipment, machinery, supplies, commodities, materials or services, acknowledge receipt of goods in accordance with the receipting system. During our examination of the central purchasing system, we noted numerous instances of unreasonable receiving report dates. The failure to acknowledge receipts of goods in a timely manner could result in the loss of county assets and/or supplies.

Recommendation

The Receiving Clerks should ensure that receiving reports are complete at the time the County takes possession of an item or within three days of receipt of the item.

Receiving Clerks' Response

We will comply.

4. Official bonds for Receiving Clerks were not in compliance with applicable statutes.

Finding

Section 31-7-124, Miss. Code Ann. (1972), requires the Receiving Clerks to execute a bond for \$75,000 to be payable, conditioned and approved as provided by law. Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. As reported in the prior year's audit report, the Receiving Clerks were bonded for \$10,000. The Receiving Clerks' bonds are renewed each year with a continuation certificate or for an indefinite term rather than written for the term. Furthermore, one Receiving Clerk was not bonded. The failure to bond the Receiving Clerks for the required amount and required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Receiving Clerks should obtain bonds for \$75,000 every four years concurrent with the election cycle of the Board of Supervisors.

Receiving Clerks' Response

We will comply.

Inventory Control Clerk.

5. Inadequate controls exist over the inventory control system.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include description of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process. As reported in the prior year's audit report, deficiencies were reported in the capital asset records:

- a. A 2006 Chevrolet Van was disposed of by the County without proper authorization spread upon the minutes.
- b. A Bush Hog cutter was deleted in error, in place of a similar asset.
- c. A new E-911 system was purchased and placed in service during the fiscal year 2013. However, the related capital lease was not executed until after fiscal year 2013. Therefore, a reclassification was required to report the asset in the correct category on the schedule of capital assets.
- d. The old E-911 system was not deleted from inventory when it was replaced.
- e. An addition of a 2000 Chevy truck was erroneously entered into the inventory system from a quote faxed to the County from a vendor; it was not a true purchase. This addition was correctly left off of the summary of capital assets and was deleted from the County's inventory system in fiscal year 2014.
- f. The County does not maintain a depreciation schedule within their inventory system. The following discrepancies were noted between the County's inventory system and the depreciation schedule provided to auditors:
  1. Construction in progress is not maintained on the County's inventory system.
  2. Infrastructure is not maintained on the County's inventory system.
  3. Improvements are not maintained on the County's inventory system.
  4. Several items listed on the depreciation schedule are not listed on the County's inventory system.
  5. Several items are listed on the County's inventory system, but are not listed on the depreciation schedule. These assets are still in use by the County.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval. The failure to maintain adequate subsidiary inventory records could result in the financial statements being materially misstated, as well as, the loss or misuse of public funds and assets.

Recommendation

The Inventory Control Clerk should implement appropriate control procedures to ensure adequate inventory records are maintained for all county assets and related depreciation.

Inventory Control Clerk's Response

I will comply.

In our opinion, because of the noncompliance referred to in the preceding paragraph, Calhoun County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

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

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

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

September 26, 2016

CALHOUN COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2013

Date	Item Purchased	Bid Accepted	Vendor	Lowest Bid	Reason for Accepting Other Than the Lowest Bid
03/12/2013	5,000 gallons of diesel fuel	\$3.399/gallon	Calhoun County Oil Company	\$3.249/gallon	Lower bidder could not deliver for two days and tank was empty.

CALHOUN COUNTY  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases.

CALHOUN COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source  
For the Year Ended September 30, 2013

<u>Date</u>	<u>Item Purchased</u>		<u>Amount Paid</u>	<u>Vendor</u>
06/26/2013	Packer weldment	\$	5,475.78	Hol-Mac



**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Calhoun County, Mississippi

In planning and performing our audit of the financial statements of Calhoun County, Mississippi (the County) for the year ended September 30, 2013, we considered Calhoun County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Calhoun County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 26, 2016, on the financial statements of Calhoun County, Mississippi.

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

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

Board of Supervisors.

1. Board of Supervisors' bonds should be for the term of office.

Finding

Section 25-1-15, Miss. Code Ann. (1972), states a new bond in the amount required by law shall be secured at the beginning of each new term of office or every four years, whichever is less. As reported in the prior year's audit report, one board member's bond is written for a continuous period rather than the term. Failure to bond the members of the Board of Supervisors for the required term would limit the amount available for recovery if a loss occurred.

Recommendation

Each member of the Board of Supervisors should obtain a bond every four years concurrent with the election cycle of the Board of Supervisors.

### Board of Supervisors' Response

We will comply.

2. The County should establish and test a disaster recovery process.

#### Finding

During our review of the information systems controls of the County, we noted that the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to recreate.

The County is currently creating back-up files, but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

#### Recommendation

We recommend that the County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. In order to do this it will be necessary to gain an understanding from vendors involved in the backup process of the types of backups that should be created, on what frequency these backups should be created, the processes necessary to create the various types of backups and the responsibilities of the various parties involved, including county personnel and vendor personnel. Furthermore, these procedures and responsibilities should be documented and agreed upon by all parties involved.

We also recommend that the County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be stored in a safe, accessible location and updated when needed in order to maintain readiness for a disaster scenario.

### Board of Supervisors' Response

The County is coordinating the disaster recovery plan with Three Rivers Planning and Development District.

3. The County should perform a network security assessment.

#### Finding

Factors noted during the Information Technology General Control (ITGC) assessment at the County indicate a network assessment is warranted.

Best business practices as well as standards for information technology provide various guidelines for frequency and criteria for performing network reviews. The Mississippi Enterprise Security Policy requires network reviews be performed at minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets. Examples of such change criteria would be:

- A major change in the network topology

- Implementation of new financial applications
- Length of time since the last network access review
- Recent network penetration or malware infection (and possible data loss) due to the activity of unauthorized parties
- Changes in support levels for hardware and software
- Lack of security event monitoring
- Insufficient anti-virus

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems.

Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment. Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

#### Recommendation

It is recommended that the County perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data assets should be considered when determining the exact scope of the network access review to be performed. This review should consist of risk assessments, vulnerability scans and penetration tests. These type tests should be conducted by qualified personnel that specialize in such assessments.

#### Board of Supervisors' Response

The County will comply.

#### 4. The County should implement a formal Information Security Policy.

#### Finding

The County has not adopted a formal Information Security Policy or Enterprise Security Plan. The lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security application and internet protocol.

#### Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

- Acceptable Use
- Portable Computing
- Change Management
- Encryption
- Security Incident Response
- Risk Management
- Backup and Recovery
- Business Continuity / Disaster Recovery

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by County Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response

The County will comply.

5. The County should perform periodic access reviews.

Finding

We noted during our review, that the County does not have a formal process for removing logical access for terminated employees. We also noted that the County does not periodically review the levels of access that active users have and determine if the access is appropriate.

Recommendation

We recommend that the County implement a periodic review of logical access for all individual users.

Board of Supervisors' Response

The County will comply.

6. The County should remove generic IDs on its information assets.

Finding

The County currently allows access to data assets by using generic IDs.

Recommendation

The County should assign a unique user ID and a complex password for each user needing to access to data assets.

Board of Supervisors' Response

These generic IDs are used for public search and contains no information that is not public record.

Tax Assessor-Collector.

7. The Tax Assessor-Collector should settle collections timely.

Finding

Section 27-29-11, Miss. Code Ann. (1972) requires the tax collector to make reports in writing, verified by his affidavit, on the first day of each month or within twenty (20) days thereafter, to the clerk of the board of supervisors, of all taxes collected by him during the preceding month for the county; and if he has collected none, the report shall be made out and state that fact. The Tax Collector did not settle nine months of collections within 20 days after the end of the month in which they were collected. The failure to settle all collections in a timely manner could result in the loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should settle all collections on the first day of each month or within twenty (20) days thereafter.

Tax Assessor-Collector's Response

I will comply.

Deputy Tax Assessors/Collectors.

8. Official bonds for Deputy Tax Assessors/Collectors should be for four years concurrent with the election cycle.

Finding

Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. As reported in the prior year's audit report, the Deputy Tax Assessors/Collectors' bonds are renewed each year with a continuation certificate rather than written for the term. The failure to bond the Deputy Tax Assessors/Collectors for the required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Deputy Tax Assessors/Collectors should obtain a bond every four years concurrent with the election cycle of the Board of Supervisors.

Deputy Tax Assessors/Collectors' Response

We will comply.

Deputy Circuit Clerks.

9. Official bonds for Deputy Circuit Clerks should be for four years concurrent with the election cycle.

Finding

Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. As reported in the prior year's audit report, the Deputy Circuit Clerks' bonds were written for a continuous or indefinite time period rather than the term. The failure to bond the Deputy Circuit Clerks for the required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Deputy Circuit Clerks should obtain a bond every four (4) years concurrent with the election cycle of the board of supervisors.

Deputy Circuit Clerks' Response

This item will be addressed to comply with recommendation of the Auditor's office.

Justice Court.

10. Justice Court Judges were not sufficiently bonded.

Finding

Section 9-11-7, Miss. Code Ann. (1972), states every person elected a Justice Court Judge shall, before he enters on the duties of the office, take the oath of office prescribed by Section 155 of the Constitution, and give bond, with sufficient surety, to be payable, conditioned and approved as provided by law and in the same manner as other county officers, in a penalty not less than Fifty Thousand Dollars (\$50,000.00). As reported in the prior year's audit report, the Justice Court Judges were bonded for \$10,000. Failure to bond the Justice Court Judges for the required amount would limit the amount available for recovery if a loss occurred.

Recommendation

The Justice Court Judges should obtain bonds for \$50,000, as required by law.

Justice Court Judges' Response

This problem will be corrected.

Constables.

11. Constables' bonds were not in compliance with applicable statutes.

Finding

Section 19-19-3, Miss. Code Ann. (1972), states Constables shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law and in the same manner as other county officials, in a penalty not less than \$50,000. Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. As reported in the prior year's audit report, the Constables were bonded for \$25,000. The Constables' bonds are renewed each year with a continuation certificate rather than written for the term. The failure to bond the Constables for the required amount and required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Constables should obtain bonds for \$50,000 every four years concurrent with the election cycle of the board of supervisors.

Constables' Response

We spoke with bond agent. He stated there will be a temporary bond issued for \$50,000 until the renewal date, at that point there will be a set four year term bond issued.

Purchase Clerk.

12. Purchase Clerk's bond should be for four years concurrent with the election cycle.

Finding

Section 25-1-15, Miss. Code Ann. (1972), states a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four (4) years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. As reported in the prior year's audit report, the Purchase Clerk's bond is renewed each year with a continuation certificate rather than written for the term. The failure to bond the Purchase Clerk for the required term would limit the amount available for recovery if a loss occurred.

Recommendation

The Purchase Clerk should obtain a bond every four years concurrent with the election cycle of the Board of Supervisors.

Purchase Clerk's Response

I will comply.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exception and disposition are as follows:

Exception Issued On:

Tax Assessor-Collector

Nature of Exception:

See Tax Assessor-Collector Finding #2013-006 described in the Schedule of Findings and Questioned Costs.

Amount of Exception:

\$22,135

Disposition of Exception:

This matter has been turned over to the Investigative Division of the Office of the State Auditor.

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

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



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

September 26, 2016

CALHOUN COUNTY

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CALHOUN COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CALHOUN COUNTY

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CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting:                   |            |
|    | a. Material weaknesses identified?                           | Yes        |
|    | b. Significant deficiency identified?                        | Yes        |
| 3. | Noncompliance material to the financial statements noted?    | Yes        |

***Federal Awards:***

- |    |  |           |
|----|--|-----------|
| 4. | Internal control over major programs:  |           |
|    | a. Material weaknesses identified?   | Yes       |
|    | b. Significant deficiencies identified?  | Yes       |
| 5. | Type of auditor's report issued on compliance for major federal programs:  |           |
|    | CFDA #14.251, Economic Development Initiative – Special Project,<br>Neighborhood Initiative and Miscellaneous Grants           | Adverse   |
|    | CFDA #20.106, Airport Improvement Program  | Qualified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with<br>Section __.510(a) of OMB Circular A-133? | Yes       |
| 7. | Identification of major programs:  |           |
|    | a. CFDA #14.251, Economic Development Initiative – Special Project,<br>Neighborhood Initiative and Miscellaneous Grants        |           |
|    | b. CFDA #20.106, Airport Improvement Program   |           |
| 8. | The dollar threshold used to distinguish between type A and type B programs:   | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee?   | No        |

CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. Controls over federal revenues and expenditures should be strengthened.

Finding

An effective system of internal control over federal grants should include adequate subsidiary records documenting all revenues and expenditures of each federal grant received. As reported in the prior year's audit report, the County did not have adequate controls in place to ensure it reported the correct federal grant expenditures on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2013. As a result, corrections were proposed by the auditor and made by the County to the Schedule of Expenditures of Federal Awards. The failure to properly complete the Schedule of Federal Expenditures of Federal Awards increases the possibility of reporting incorrect amounts of federal expenditures, as well as the possibility of omitting a federal grant on the Schedule of Federal Awards.

Recommendation

The County should implement controls to ensure it properly maintains adequate subsidiary records documenting all revenues and expenditures relating to each federal grant received.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Significant Deficiency

2013-002. The County should replace obsolete computer hardware and software.

Finding

The County is running operating systems as well as applications on some of its personal computers (PCs) that might not be supported by vendors. Due to the lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation

We recommend that the County develop a plan to replace the operating systems, applications, and hardware where necessary that is no longer supported by vendors as soon as possible. Computers that originally included operating systems or applications that are no longer supported by vendors will have hardware that most likely cannot run the newest operating systems or applications, thereby requiring replacement of hardware.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

Material Weakness  
Material Noncompliance

2013-003. The County should implement controls to ensure tax levies are within statutorily-imposed limits.

Finding

Section 19-9-109, Mississippi Code Ann. (1972), states that in order to fund such expenditures as may arise pursuant to the authority granted by Section 19-5-97 to boards of supervisors of any county to purchase, operate, and maintain fire trucks and other firefighting equipment, such boards of supervisors are empowered to levy an annual ad valorem tax not to exceed one-fourth (1/4) of one mill tax levy. The tax levy adopted by the Board of Supervisors for fiscal year 2013 included a 1.00 mill tax levy for fire protection services under the authority of the above referenced state statute. The adoption of the 1.00 mill tax levy resulted in the collection of \$42,001 of ad valorem taxes in excess of the statutory limit and places the County in violation of the state statute.

Recommendation

The Board of Supervisors should establish internal controls to ensure all tax levies are within prescribed statutory limits.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Chancery Clerk.

Material Weakness

2013-004. Controls over cash collections and disbursements in the Chancery Clerk's office should be strengthened.

Finding

An effective system of internal controls should include an adequate segregation of duties. As reported in the prior year's audit report, the cash collection and disbursement functions in the Chancery Clerk's office were not adequately segregated for effective internal controls. The bookkeeper receipts monies, reconciles bank statements, sets up new vendors, enters claims, performs check runs, prints checks with an electronic signature, and maintains possession of the blank check stock and a signature plate. Lack of adequate segregation of duties could result in the loss of public funds.

Recommendation

The Chancery Clerk should take steps to ensure that there is adequate segregation of duties in the collection and disbursement functions in the Chancery Clerk's office or that there is external oversight over the operations of the Chancery Clerk's office.

Chancery Clerk's Response

See Auditee's Corrective Action Plan.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

Material Weakness

2013-005. Processing of payroll and other payroll duties should be adequately segregated.

Finding

An effective system of internal controls should include an adequate segregation of duties for payroll preparation. As reported in the prior year's audit report, the payroll clerk sets up new employees, makes changes to existing employees' master data, runs the payroll, prints checks with an electronic signature, maintains possession of the signature plate and blank check stock, and prepares the checks for distribution. Failure to have an adequate segregation of duties for payroll preparation could result in the loss of public funds.

Recommendation

The Chancery Clerk should take steps to ensure that there is adequate segregation of duties in the processing of payroll.

Chancery Clerk's Response

See Auditee's Corrective Action Plan.

Tax Assessor-Collector.

Material Weakness.

2013-006. Controls over cash collections and disbursements in the Tax Assessor/Collector's office should be strengthened.

Finding

An effective system of internal control over cash should include an adequate segregation of duties. During test work, it was noted that cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately segregated for effective internal control and therefore, controls over cash are inadequate. The following deficiencies were noted:

- a. The bookkeeper adds the receipts to check-up the daily collections, prepares the deposit slip and takes the deposit to the bank.
- b. The bookkeeper posts receipts to the computer for real, personal, mobile homes, public utility and garbage collections from manual receipts prepared by the Tax Assessor-Collector and deputy tax collectors after reconciling cash to the daily sheets.
- c. Daily collections are given to the bookkeeper at 5 pm each day and the money is locked in a filing cabinet until the deposit is made.
- d. Deposits are not made on a daily basis.
- e. The bookkeeper posts all transactions, daily collections and settlements, to the manual cash journal.
- f. The bookkeeper prepares the settlements and posts them to the cash journal. The Tax Assessor-Collector usually signs the checks for the settlements, but the bookkeeper is also an authorized signor on the bank account.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

- g. The bookkeeper reconciles the bank statements.
- h. The Tax Assessor-Collector's cash journal is reporting an unidentified cash shortage of \$22,135 as of September 30, 2013.
- i. The cash count performed on October 1, 2015 resulted in a shortage of \$39,961.46.
- j. The bookkeeper reconciles the land sale listing from the computer to the real property receipts for the land sale in August.
- k. The bookkeeper writes the receipts, collects the money and posts the receipts to the computer for the land sale in August.
- l. The legislative tax credit is not properly posted to the cash journal.
- m. Some real property tax collections are not listed on the daily manual cash sheet, recorded in the cash journal, deposited in bank account or included on the monthly settlement report. The auditor tested real property tax collections from copies of issued receipts maintained in a bound pre-numbered receipt book to receipts that were recorded on the manual daily sheet, recorded in the cash journal, deposited in the bank account and included on the monthly settlement report. Fifty-six percent (56%) of the real property tax collections tested for a two month period could not be traced to the manual daily sheets, cash journal, bank deposits or monthly settlement reports. The Tax Assessor-Collector and bookkeeper could not provide any documentation to account for these collections.

The failure to implement controls over cash in the Tax Assessor-Collector's office could result in the loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should ensure that there is an adequate segregation of duties in the receipting/collecting, recording and settlement functions, as well as implement a system to properly safeguard cash collections. The Tax Assessor-Collector should pay the amount of the shortage noted in the cash journal as of September 30, 2013.

Tax Assessor-Collector's Response

See Auditee's Corrective Action Plan.

Auditor's Note

This matter has been referred to the Investigative Division of the Office of the State Auditor.

Justice Court Clerk.

Material Weakness

2013-007. The Justice Court Clerk should establish adequate segregation of duties.

Finding

An effective system of internal control over cash should include an adequate segregation of duties. During the test work, it was noted that controls were inadequate over cash. The Justice Court Clerk receipts funds, prepares all bank deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements and disburses all funds.

## CALHOUN COUNTY

### Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

The failure to implement adequate controls over cash in the Justice Court Clerk's office could result in the loss or misappropriation of public funds.

#### Recommendation

The Justice Court Clerk should ensure that there is an adequate segregation of duties in the collecting, recording and settlement functions.

#### Justice Court Clerk's Response

See Auditee's Corrective Action Plan.

Inventory Control Clerk.

Material Weakness

2013-008. Inadequate controls exist over the inventory control system.

#### Finding

An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include description of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process. As reported in the prior year's audit report, deficiencies were noted in the capital asset records:

- a. A 2006 Chevrolet Van was disposed of by the County without proper authorization spread upon the minutes.
- b. A Bush Hog cutter was deleted in error, in place of a similar asset.
- c. A new E-911 system was purchased and placed in service during the fiscal year 2013. However, the related capital lease was not executed until after fiscal year 2013. Therefore, a reclassification was required to report the asset in the correct category on the schedule of capital assets.
- d. The old E-911 system was not deleted from inventory when it was replaced.
- e. An addition of a 2000 Chevy truck was erroneously entered into the inventory system from a quote faxed to the County from a vendor; it was not a true purchase. This addition was correctly left off of the summary of capital assets and was deleted from the County's inventory system in fiscal year 2014.
- f. The County does not maintain a depreciation schedule within their inventory system. The following discrepancies were noted between the County's inventory system and the depreciation schedule provided to auditors:
  1. Construction in progress is not maintained on the County's inventory system.
  2. Infrastructure is not maintained on the County's inventory system.
  3. Improvements are not maintained on the County's inventory system.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

4. Several items listed on the depreciation schedule are not listed on the County's inventory system.
5. Several items are listed on the County's inventory system, but are not listed on the depreciation schedule. These assets are still in use by the County.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management's approval. The failure to maintain adequate subsidiary inventory records could result in the financial statements being materially misstated, as well as, the loss or misuse of public funds and assets.

Recommendation

The Inventory Control Clerk should implement appropriate control procedures to ensure adequate inventory records are maintained for all county assets and related depreciation.

Inventory Control Clerk's Response

See Auditee's Corrective Action Plan.

Section 3: Federal Award Findings and Questioned Costs

Board of Supervisors.

Significant Deficiency

2013-009. The County should establish controls to ensure the Cash Management compliance requirement is met.

Finding

Program: Airport Improvement Program, CFDA# 20.106  
U.S. Department of Transportation, Federal Aviation Administration

Compliance Requirement: Cash Management

The Code of Federal Regulations (CFR), Title 49, Section 18.21(b), requires grantees and subgrantees to utilize methods and procedures for payment to minimize the time elapsing between the receipt and disbursement of federal funds by the grantee or subgrantee, in accordance with Treasury regulations. During our test work, we noted that as many as fourteen (14) workdays elapsed between the receipt and disbursement of federal funds. The failure to minimize the amount of time elapsing between the receipt and disbursement of federal funds could adversely affect the County's ability to obtain federal awards in the future.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The County should implement internal controls to ensure the amount of time elapsing between the receipt and disbursement of federal funds is kept to a minimum.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

Material Weakness  
Material Noncompliance

2013-010. The County should establish controls to ensure the Davis-Bacon Act compliance requirement is met.

Finding

Program: Airport Improvement Program, CFDA# 20.106  
U.S. Department of Transportation, Federal Aviation Administration

Compliance Requirement: Davis-Bacon Act

The 2013 OMB Circular A-133 Compliance Supplement and the Code of Federal Regulations (CFR), Title 49, Section 18.36, specifies that grantees' and subgrantees' contracts, in excess of two thousand dollars (\$2,000), should contain provisions requiring compliance with the Davis-Bacon Act as supplemented by Department of Labor regulations. Although the required provisions were included in the construction contract executed by the County, documentation of certified payrolls were not submitted by the contractor to demonstrate compliance with the Davis-Bacon Act. With respect to the Davis-Bacon compliance requirement, no effective internal controls were found to be in place. Failure to adequately document and maintain payroll records resulted in the expenditures being reported as questioned costs and could result in the County being required to repay these funds to the federal government.

Questioned Costs: \$293,899

Recommendation

The Board of Supervisors should take steps to ensure that all amounts charged to federal programs are adequately documented and maintained.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Material Weakness

2013-011. The County should establish controls to ensure the Procurement and Suspension and Debarment compliance requirement is met.

Finding

Program: Airport Improvement Program, CFDA# 20.106  
U.S. Department of Transportation, Federal Aviation Administration

Compliance Requirement: Procurement and Suspension and Debarment

The Code of Federal Regulations, Title 49, Section 18.36, specifies that the County should use qualifications-based selection procedures in the selection and engagement of architectural, engineering, and planning consultants. Furthermore, qualifications-based procedures require that a contract for architectural/engineering services be awarded pursuant to a fair and open selection process based on the qualifications of the firms. During the performance of audit procedures, we noted that no solicitation of qualifications for planning and engineering services was published before procuring such services for the project.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

However, it was noted that the County Engineer had been awarded the job. The failure to adhere to the terms of the grant agreement could result in the County being required to repay the federal funds involved and could adversely affect the county's ability to obtain future awards.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The County should implement internal controls to ensure the terms of the grant agreements are adhered to relative to procurement for project services.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Material Weakness  
Material Noncompliance

2013-012. Internal controls over allowable costs/cost principles should be strengthened.

Finding

Program: Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants, CFDA #14.251  
U.S. Department of Housing and Urban Development/Office of Community Planning and Development

Compliance Requirement: Allowable Costs/Cost Principles

OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, Attachment A, Section C – Basic Guidelines, Part 3 – Allocable Costs, item c. states, "Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons." As reported in the prior year's audit report, internal controls were not in place to ensure that federal funds were drawn down in accordance with federal cost principle requirements. The expenditures submitted as supporting documentation for the drawdown of funds for this HUD grant in the amount of \$51,164 were the same expenditures that had already been submitted for drawdown of funds for the USDA Rural Development – ARRA Community Facilities Loans and Grants (Community Programs), CFDA #10.780, and received by the County. Funds drawn down for this HUD grant were not in compliance with OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, Attachment A, Section C – Basic Guidelines, Part 3 – Allocable Costs, item c.

Questioned Costs: \$51,164

Recommendation

Internal controls should be put in place to ensure that drawdowns of federal funds are prepared and submitted in accordance with the provisions of OMB Circular A-87. Proper timely resolution of this issue with HUD officials should be pursued by county government officials.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

Material Weakness  
Material Noncompliance

2013-013. Internal controls over cash management should be strengthened.

Finding

Program: Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants, CFDA #14.251  
U.S. Department of Housing and Urban Development/Office of Community Planning and Development

Compliance Requirement: Cash Management

OMB Circular A-110 (2 CFR section 215.22) states payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205. As reported in the prior year's audit report, internal controls were not in place to ensure that federal funds were expended timely. Audit procedures indicated no HUD grant federal funds were expended. All federal funds received by the County remained in cash in the bank at September 30, 2013. These funds have been in the bank for over eight months. Funds drawn for this HUD grant were not in compliance with the cash management compliance requirement.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors should implement procedures to minimize the time elapsing between the receipt of federal funds and their disbursement.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

Material Weakness  
Material Noncompliance

2013-014. Controls over reporting should be strengthened.

Finding

Program: Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants CFDA #14.251  
U.S. Department of Housing and Urban Development/Office of Community Planning and Development

Compliance Requirement: Reporting

Per the grant agreement with the U.S. Department of Housing and Urban Development, all requests submitted for federal reimbursement should be complete, accurate and appropriately supported. As reported in the prior year's audit report, during audit test work the following instances were noted indicating the requests for reimbursement were not accurate:

CALHOUN COUNTY

Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2013

- a. The request for cash indicated cash balance on hand was \$0; however, according to the County's records there is cash on hand of \$901,588, which includes \$1,588 in interest.
- b. The request for cash indicated that the County made expenditures totaling \$900,000; however, according to the County's records there were no expenditures.
- c. Both requests for cash indicated incorrect amounts for expenditures.

Requests submitted for federal reimbursement should be complete, accurate and appropriately supported. Failure to submit accurate reports could result in the loss of federal funds.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors should implement procedures to ensure request for reimbursement are complete, accurate and appropriately supported.

Board of Supervisors' Response

See Auditee's Corrective Action Plan.

CALHOUN COUNTY

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CALHOUN COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

CALHOUN COUNTY

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**Board of Supervisors  
Calhoun County, Mississippi**

**CHANCERY CLERK**  
Romona Tillman

**P.O. Box 36  
Pittsboro, Mississippi 38951**

**ATTORNEY**  
Sonny Clanton

Earnest Fox, Dist. 1, Vice President  
J.B. Rogers, Jr., Dist. 2  
Gwin Longest, Dist. 3  
Barney Wade, Dist. 4, President  
Tony Morgan, Dist. 5  
Sheryl Fleming, Purchasing Agent

**CORRECTIVE ACTION PLAN**

Fiscal Year Ending September 30, 2013

Office of the State Auditor  
P. O. Box 956  
Jackson, MS 39205

Gentlemen:

Calhoun County respectfully submits the following corrective action plan for the year ended September 30, 2013.

The findings from the Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section 1: Summary of Auditor's Results, does not include findings and is not addressed.

**SECTION 2: FINANCIAL STATEMENT FINDINGS**

**13-1 Corrective Action Planned:**

The Board of Supervisors shall implement the system of internal control as recommended.

Anticipated Completion Date:

60 days from the date of this response.

Name of Contact Person Responsible for Corrective Action:

Romona Tillman - Chancery Clerk

**13-2 Corrective Action Planned:**

County has been replacing these assets as budget allows and will continue to do so.

Anticipated Completion Date:

Name of Contact Person Responsible for Corrective Action:

Romona Tillman - Chancery Clerk

13-3 Corrective Action Planned:

Acknowledged. The statute that was cited was erroneous. The tax that was levied was actually that allowed under Section 83-1-39 (County Volunteer Fire Department Fund) as was intended by the Board of Supervisors. This erroneous cite was corrected for the current budget.

Anticipated Completion Date:

Name of Contact Person Responsible for Corrective Action:

Romona Tillman

13-4 Corrective Action Planned:

I will work to ensure there is oversight over operations in the Chancery Clerk's office in the future.

Anticipated Completion Date:

September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Romona Tillman - Chancery Clerk

13-5 Corrective Action Planned:

I will work to ensure there is oversight over operations of payroll in the future.

Anticipated Completion Date:

September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Romona Tillman - Chancery Clerk

13-6 Corrective Action Planned:

Tax Assessor/Collector will comply.

Anticipated Completion Date:

September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Bill Malone - Tax Assessor

13-7 Corrective Action Planned:

The Justice Court Clerk will comply.

Anticipated Completion Date:

September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Tracy McGuirt - Justice Court Clerk

13-8 Corrective Action Planned:

The inventory control clerk will comply.

Anticipated Completion Date:

September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Cassie Ferguson - Inventory Control Clerk

13-9 Corrective Action Planned:

The County will comply.

Anticipated Completion Date:

September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Romona Tillman - Chancery Clerk

13-10 Corrective Action Planned:

The County will comply. Currently we are using either the County Engineer or Architect on construction projects to insure Davis-Bacon Act requirements are met.

Anticipated Completion Date:

September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Barney Wade - Board President

13-11 Corrective Action Planned:

Currently the County is using the proper selection procedures to engage architectural, engineering, and planning consultants. Solicitation of

qualifications are advertised for and the qualifications of the applicants are reviewed by the Board of Supervisors.

Anticipated Completion Date:

September 30, 2014

Name of Contact Person Responsible for Corrective Action:

Barney Wade - Board President

13-11-2 Corrective Action Planned:

CURRENT STATUS: Prior to obtaining federal funds in the future Calhoun County will establish internal controls for the purpose of insuring compliance with OMB Circular A-87. By letter dated April 10, 2014 (copy included in responses to the prior year audit). Calhoun County requested the assistance of Senator Cochran's office in resolving the audit issue with HUD. Senator Cochran's office provided the County's letter to HUD, provided additional information by e-mail (copies of e-mails included in responses to the prior year audit) and discussed the matter with representatives of HUD. On April 29, 2014, HUD responded by e-mail as follows:

"The FY 2010 Neighborhood Initiative grant for Calhoun County, number B-10-N1-MS-0001, in the amount of \$900,000, was fully disbursed as of January 18, 2013. The fully executed Closeout Package, closing out this award, was forwarded to your organization on November 13, 2013. As of this date, the Department does not require you, as the grantee, to submit any further documents unless it is related to the disposition of real property associated with the award.

In response to your question below and per your conversation on April 24, 2014 with Ms. Pam Abhyankar in the HUD Congressional Grants Division regarding your organization's internal accounting of the reimbursement of the grant award funds, please note that under the Grant Agreement signed between your

organization and the Department, it is allowable to first use county funds and then seek reimbursement under the award. The way in which your organization accounts for these funds on the grantee end is a matter of your internal accounting policy."

Calhoun County also requested advice concerning the finding from Jones Walker LLP, which served as bond counsel for the General Obligation Building Bond, Series 2012 in the principal amount of \$3,000,000 (the "Series 2012 Bond"), which was purchased by the United States Department of Agriculture, Rural Development. Jones Walker LLP recommended to the County that any remaining project related funds not required to pay remaining obligations and contingent obligations relating to the County's courthouse restoration and construction project should be used to reduce the principal amount of the Series 2012 Bond. Pursuant to this recommendation, the Board of Supervisors adopted the resolution at its October 6th, 2014 meeting (included in the response to the prior year audit).

Anticipated Completion Date:

The Board of Supervisors has already resolved this issue with HUD and has received its consent and approval thereof.

Name of Contact Person Responsible for Corrective Action:

Barney Wade - Board President

13-12 Corrective Action Planned:

Currently, the aforesaid funds have been expended.

Anticipated Completion Date:

Name of Contact Person Responsible for Corrective Action:

Barney Wade - Board President

13-13 Corrective Action Planned:

The Board of Supervisors will implement procedures to ensure applications for reimbursement are complete and accurate and evidenced.

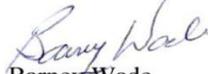
Anticipated Completion Date:

Prior to receipt of any future Federal funds.

Name of Contact Person Responsible for Corrective Action:

Barney Wade - Board President

Sincerely yours,



Barney Wade  
Board President  
662-983-0056

CALHOUN COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

CALHOUN COUNTY

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**Board of Supervisors  
Calhoun County, Mississippi**

CHANCERY CLERK  
Romona Tillman

**P.O. Box 36  
Pittsboro, Mississippi 38951**

ATTORNEY  
Sonny Clanton

Earnest Fox, Dist. 1, Vice President  
J.B. Rogers, Jr., Dist. 2  
Gwin Longest, Dist. 3  
Barney Wade, Dist. 4, President  
Tony Morgan, Dist. 5  
Sheryl Fleming, Purchasing Agent

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**For Year ended September 30, 2013**

Office of the State Auditor  
P. O. Box 956  
Jackson, MS 39205

Gentlemen,

Calhoun County respectfully submits the following summary schedule of prior audit findings relative to federal awards.

**SECTION 3: FEDERAL AWARD FINDINGS**

2012 - Finding No. 12-8      U.S. Department of Agriculture/Rural Development, CFDA  
#10.780 ARRA - Community Facilities Loans and Grants  
(Community Programs)

**Condition:** Section 1606 of the Recovery Act requires that all laborers and mechanics employed by contractors and subcontractors for the project will be paid wages at rates not less than those prevailing on projects of a character similar in the locality where this project will occur as determined by the Secretary of Labor in accordance with Subchapter IV of Chapter 31 of Title 40, United States Code. Audit procedures indicated there was no formal process in place to directly monitor compliance with Davis-Bacon Act requirements and it was noted that numerous

employees were not paid according to the applicable wage scales. Failure to monitor wage scales resulted in the underpayment of wages to employees.

**Questioned Costs:** This finding did not result in any questioned costs.

**Recommendation**

The Board of Supervisors should establish policies and procedures to ensure that appropriate compliance monitoring measures are in place with respect to Davis-Bacon Act wage requirements.

**Current Status:**

The Board of Supervisors will use either the County Engineer or the Architect on any construction project to insure Davis-Bacon Act requirements are met.

2012 - Finding No. 12-9

U.S. Department of Agriculture/Rural Development, CFDA #10.780 ARRA - Community Facilities Loans and Grants (Community Programs)

**Condition:** Item #5b in the Letter of Conditions, agreed to by the County in Form RD 1942-46, "Letter of Intent to Meet Conditions" requires the County to establish a separate bank account, to be known and hereafter referred to as the Construction Account, with a participating 31 CFR Part 202 collateral depository, federal agency, or Federal Reserve Bank acting as a fiscal agent in the United States. All project funds are required to be deposited into this account. The account shall be used solely for the purpose of paying authorized costs of the project as outlined in the project budget. Audit procedures indicated these funds were deposited into the general depository bank account instead of a separate bank account as required by the Letter of Conditions.

**Questioned Costs:** This finding did not result in any questioned costs.

**Recommendation**

In the future, the Board of Supervisors should take steps to establish a separate bank account as required by the Letters of Conditions from USDA-Rural Development - ARRA - Community Facilities Loans and Grants - Recovery Act.

Current Status:

The Board of Supervisors will open a separate bank account as may be required by a Letter of Condition on any future projects from which to make proper expenditures.

2012 - Finding No. 12-10

U.S. Department of Agriculture/Rural Development, CFDA #10.780 ARRA - Community Facilities Loans and Grants (Community Programs)

Condition: Buy America Act, "Title XVI, Section 1605 of ARRA requires the use of American-made steel, iron and manufactured goods for the construction, alteration, maintenance, or repair of public buildings or public works." Based on audit test work, there was no documentation to support the County's compliance with the Buy American Act. Controls were not in place to ensure American-made steel, iron and manufactured goods were used. Lack of documentation and controls over federal grant activity resulted in noncompliance and could result in a loss of public funds.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors should ensure there is documentation and controls in place to oversee the compliance of federal grant activity in the future.

Current Status:

The Board of Supervisors will employ a professional who is duly qualified to monitor compliance of each separate Federal grant prior to any expenditure.

2012 - Finding No. 12-11

U.S. Department of Agriculture/Rural Development, CFDA #10.780 ARRA - Community Facilities Loans and Grants (Community Programs)

Condition: Item #5a in the Letter of Conditions as agreed to by the County in Form RD 1942-46, "Letter of Intent to Meet Conditions" specifies that the applicant's contributions in the amount of \$2,450,000 will be considered as the first funds expended. After providing for all authorized cost and change orders, any remaining Rural Development loan funds will be refunded to Rural

Development. Audit procedures indicated the County only expended \$2,352,680 prior to RD funds being expended

Questioned Costs: \$97,320

Recommendation

In the future the Board of Supervisors should take steps to ensure County funds are expended prior to federal funds being expended when required.

Current Status:

The Board of Supervisors will monitor the expenditure of funds to ensure that the proper order of expenditures is followed.

2012 - Finding No. 12-12

U. S. Department of Housing and Urban Development/  
Office of Community Planning and Development, CFDA  
#14.251  
Economic Development Initiative — Special Projects,  
Neighborhood Initiative and Miscellaneous Grants

Condition: OMB Circular A—87 Cost Principles for State, Local and Indian Tribal Governments, Attachment A, Section C — Basic Guidelines, Part 3 — Allocable Costs, item c. states, “Any cost allocable to a particular Federal award or cost objective under the principles provided for in this Circular may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by law or terms of the Federal awards, or for other reasons.” Internal controls were not in place to ensure that federal funds were drawn down in accordance with federal cost principle requirements. The expenditures submitted as supporting documentation for the drawdown of funds for this HUD grant in the amount of \$516,777 were the same expenditures that had already been submitted for drawdown of funds for the USDA Rural Development — ARRA Community Facilities Loans and Grants (Community Programs), CFDA #10.780, and received by the County. Funds drawn for this HUD grant were not in compliance with OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, Attachment A, Section C — Basic Guidelines, Part 3 - Allocable Costs, item c.

Questioned Costs: \$516,777

Recommendation

Internal controls should be put in place to ensure that drawdowns of federal funds are prepared and submitted in accordance with the provisions of OMB Circular A—87. Proper timely resolution of this issue with HUD officials should be pursued by county government officials.

Current Status:

The Board of Supervisors has established internal controls to ensure that drawdowns of federal funds are prepared and submitted in accordance with the provision of the OMB Circular A-87.

The Board of Supervisors have already resolved this issue with HUD and has received their consent and approval thereof.

2012 - Finding No. 12-13

U. S. Department of Housing and Urban Development/  
Office of Community Planning and Development, CFDA  
#14.251  
Economic Development Initiative — Special Projects,  
Neighborhood Initiative and Miscellaneous Grants

Condition: OMB Circular A- 110 (2 CFR section 215.22) states payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients. Payment methods of State agencies or instrumentalities shall be consistent with Treasury-State CMIA agreements or default procedures codified at 31 CFR part 205. Internal controls were not in place to ensure that federal funds were expended timely. Audit procedures indicated no HUD grant federal funds were expended. All federal funds received by the County remained in cash in the bank at September 30, 2012. These funds have been in the bank for over 10 months. Funds drawn for this HUD grant were not in compliance with the cash management compliance requirement.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors' should implement procedures to minimize the time elapsing between the receipt of federal

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funds and their disbursement.

Current Status:

The Board of Supervisors has implemented procedures to timely disburse any future Federal funds after the receipt thereof and to minimize the time elapsing between the receipt and the disbursement thereof.

2012 - Finding No. 12-14

U. S. Department of Housing and Urban Development/  
Office of Community Planning and Development, CFDA  
#14.251  
Economic Development Initiative — Special Projects,  
Neighborhood Initiative and Miscellaneous Grants

Condition: Per the grant agreement with the U.S. Department of Housing and Urban Development, all requests submitted for federal reimbursement should be complete, accurate and appropriately supported. During audit test work the following instances were noted indicating the requests for reimbursement were not accurate.

- a. The request for cash indicated cash balance on hand was \$0; however, according to the County's records there is cash on hand of \$839,528 including \$692 in interest.
- b. The request for cash indicated that the County made expenditures totaling \$838,836; however according to the County's records there were no expenditures.
- c. All six requests for cash indicated incorrect amounts for expenditures.

Requests submitted for federal reimbursement should be complete, accurate and appropriately supported. Failure to submit accurate reports could result in the loss of federal funds.

Questioned Costs: This finding did not result in any questioned costs.

Recommendation

The Board of Supervisors should implement procedures to ensure request for reimbursement are complete, accurate and appropriately supported.

**Current Status:**

**The Board of Supervisors has implemented procedures to ensure applications for reimbursement are complete, accurate and evidenced.**

Sincerely,

A handwritten signature in black ink that reads "Barney Wade". The signature is written in a cursive style with a large initial 'B'.

**Barney Wade  
Board President  
662-983-0056**