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MONROE COUNTY, MISSISSIPPI

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

MONROE COUNTY
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MONROE COUNTY

FINANCIAL SECTION

Windham and Lacey, PLLC

Certified Public Accountants

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Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Monroe County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe County, Mississippi, as of and for the year ended September 30, 2013, which collectively comprise the basic financial statements of the county's primary government 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. These financial statements are the responsibility of the county's management.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe 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 conformity 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 Management's Discussion and Analysis and the Budgetary Comparison Schedules 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

Monroe 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.

Supplemental and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monroe 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 March 24, 2014, on our consideration of Monroe 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 Monroe County, Mississippi's internal control over financial reporting and compliance.



Windham and Lacey, PLLC
March 24, 2014

MONROE COUNTY

FINANCIAL STATEMENTS

MONROE COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-type Activities | |
| ASSETS | | | |
| Cash | \$ 18,451,348 | 832,162 | 19,283,510 |
| Accrued interest receivable | 3,644 | 205 | 3,849 |
| Property tax receivable | 10,240,812 | 134,050 | 10,374,862 |
| Accounts receivable (net of allowance for uncollectibles of \$565,259) | | 394,664 | 394,664 |
| Fines receivable (net of allowance for uncollectibles of \$1,033,601) | 237,753 | | 237,753 |
| Loans receivable | 147,375 | | 147,375 |
| Capital leases receivable | 3,378,911 | | 3,378,911 |
| Intergovernmental receivables | 1,243,847 | | 1,243,847 |
| Other receivables | 12,485 | | 12,485 |
| Internal balances | (1,921) | 1,921 | |
| Deferred charges - debt service costs | 386,925 | | 386,925 |
| Deferred charges - bond issuance costs | 157,750 | | 157,750 |
| Restricted assets-Investments | 877,558 | | 877,558 |
| Capital assets: | | | |
| Land and construction in progress | 1,817,960 | 27,211 | 1,845,171 |
| Other capital assets, net | 56,770,024 | 549,753 | 57,319,777 |
| Total Assets | <u>93,724,471</u> | <u>1,939,966</u> | <u>95,664,437</u> |
| LIABILITIES | | | |
| Claims payable | 1,848,208 | 59,888 | 1,908,096 |
| Intergovernmental payables | 303,859 | | 303,859 |
| Accrued interest payable | 130,543 | | 130,543 |
| Unearned revenue | 10,689,684 | 242,378 | 10,932,062 |
| Amounts held in custody for others | 629,159 | | 629,159 |
| Claims and judgments payable | 125,730 | | 125,730 |
| Compensated absences | 403,937 | 38,749 | 442,686 |
| Long-term liabilities | | | |
| Due within one year: | | | |
| Capital debt | 1,922,645 | 251,272 | 2,173,917 |
| Non-capital debt | 220,000 | | 220,000 |
| Due in more than one year: | | | |
| Capital debt | 12,409,878 | 163,050 | 12,572,928 |
| Non-capital debt | 3,485,000 | | 3,485,000 |
| Total Liabilities | <u>32,168,643</u> | <u>755,337</u> | <u>32,923,980</u> |

(Continued)

MONROE COUNTY
Statement of Net Position
September 30, 2013

(Exhibit 1)

| | Primary Government | | Total |
|----------------------------------|-------------------------|--------------------------|------------|
| | Governmental Activities | Business-type Activities | |
| NET POSITION | | | |
| Net investment in capital assets | 44,255,461 | 162,642 | 44,418,103 |
| Restricted for: | | | |
| Expendable: | | | |
| General government | 1,436,108 | | 1,436,108 |
| Debt service | 4,679,589 | | 4,679,589 |
| Public safety | 1,252,061 | | 1,252,061 |
| Public works | 1,722,280 | 1,021,987 | 2,744,267 |
| Health and welfare | 162,010 | | 162,010 |
| Economic development | 4,037,650 | | 4,037,650 |
| Unemployment compensation | 30,155 | | 30,155 |
| Medical claims | 297,252 | | 297,252 |
| Nonexpendable | 490,829 | | 490,829 |
| Unrestricted | 3,192,433 | | 3,192,433 |
| Total Net Position | \$ 61,555,828 | 1,184,629 | 62,740,457 |

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

MONROE 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 | | | |
|--|------------------|----------------------|------------------------------------|---|---------------------------------|--------------------------|--------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Governmental Activities | Business-type Activities | Total |
| Primary government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General government | \$ 5,026,642 | 1,191,800 | 31,613 | | (3,803,229) | | (3,803,229) |
| Public safety | 5,822,301 | 1,062,231 | 449,558 | | (4,310,512) | | (4,310,512) |
| Public works | 7,124,375 | 247,785 | 862,562 | 481,090 | (5,532,938) | | (5,532,938) |
| Health and welfare | 393,219 | | 129,952 | | (263,267) | | (263,267) |
| Culture and recreation | 138,372 | | | 349,170 | (138,372) | | (138,372) |
| Education | 352,250 | | | | (3,080) | | (3,080) |
| Conservation of natural resources | 219,900 | | | | (219,900) | | (219,900) |
| Economic development and assistance | 325,263 | | | 94,218 | (231,045) | | (231,045) |
| Interest on long-term debt | 668,547 | | | | (668,547) | | (668,547) |
| Total Governmental Activities | 20,070,869 | 2,501,816 | 1,473,685 | 924,478 | (15,170,890) | 0 | (15,170,890) |
| Business-type activities: | | | | | | | |
| Solid waste | 1,942,708 | 1,556,766 | 190,468 | 0 | | (195,474) | (195,474) |
| Total Primary Government | \$ 22,013,577 | 4,058,582 | 1,664,153 | 924,478 | (15,170,890) | (195,474) | (15,366,364) |
| General revenues: | | | | | | | |
| Property taxes | | | | | \$ 12,035,215 | 162,067 | 12,197,282 |
| Road & bridge privilege taxes | | | | | 429,575 | | 429,575 |
| Grants and contributions not restricted to specific programs | | | | | 2,156,166 | | 2,156,166 |
| Unrestricted interest income | | | | | 108,342 | 1,718 | 110,060 |
| Miscellaneous | | | | | 589,434 | 60,762 | 650,196 |
| Transfers | | | | | (32,862) | 32,862 | |
| Total General Revenues and Transfers | | | | | 15,285,870 | 257,409 | 15,543,279 |
| Changes in Net Position | | | | | 114,980 | 61,935 | 176,915 |
| Net Position - Beginning | | | | | 60,971,239 | 1,122,694 | 62,093,933 |
| Prior period adjustment (Note 4) | | | | | 469,609 | | 469,609 |
| Net Position - Beginning, as restated | | | | | 61,440,848 | 1,122,694 | 62,563,542 |
| Net Position - Ending | | | | | \$ 61,555,828 | 1,184,629 | 62,740,457 |

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

MONROE COUNTY
 Balance Sheet - Governmental Funds
 September 30, 2013

Exhibit 3

| | Major Funds | | | Total Governmental Funds |
|---|----------------------|--|--------------------------------|--------------------------------|
| | General Fund | Countywide Road Maintenance Fund | Other Governmental Funds | |
| ASSETS | | | | |
| Cash | \$ 7,659,876 | 182,783 | 10,177,650 | 18,020,309 |
| Investments | | | 877,558 | 877,558 |
| Accrued interest receivable | 1,649 | | 1,995 | 3,644 |
| Property tax receivable | 5,084,456 | 2,944,516 | 2,211,840 | 10,240,812 |
| Fines receivable (net of allowance for uncollectibles of \$1,033,601) | 237,753 | | | 237,753 |
| Loans receivable | | | 147,375 | 147,375 |
| Capital lease receivable | | | 3,378,911 | 3,378,911 |
| Intergovernmental receivables | 1,218,175 | | 25,672 | 1,243,847 |
| Other receivables | 1,350 | | 11,135 | 12,485 |
| Due from other funds | 87,140 | 354,547 | 352,926 | 794,613 |
| Advances to other funds | 103,904 | | | 103,904 |
| Prepaid charges | | | 386,925 | 386,925 |
| Total Assets | \$ 14,394,303 | 3,481,846 | 17,571,987 | 35,448,136 |
| LIABILITIES | | | | |
| Liabilities: | | | | |
| Claims payable | \$ 1,329,876 | 440,725 | 77,607 | 1,848,208 |
| Intergovernmental payables | 285,811 | | | 285,811 |
| Due to other funds | 116,787 | 326,000 | 371,795 | 814,582 |
| Advances from other funds | | 95,847 | | 95,847 |
| Unearned revenue | 5,322,209 | 2,944,516 | 5,590,751 | 13,857,476 |
| Amounts held in custody for others | 629,159 | | | 629,159 |
| Total Liabilities | 7,683,842 | 3,807,088 | 6,040,153 | 17,531,083 |
| Fund balances: | | | | |
| Nonspendable: | | | | |
| Prepaid items | | | 386,925 | 386,925 |
| Advances | 103,904 | | | 103,904 |
| Restricted for: | | | | |
| General government | | | 1,526,580 | 1,526,580 |
| Public safety | | | 1,434,667 | 1,434,667 |
| Public works | | | 1,853,139 | 1,853,139 |
| Health and welfare | | | 162,010 | 162,010 |
| Economic development and assistance | | | 1,107,611 | 1,107,611 |
| Debt service | | | 4,810,132 | 4,810,132 |
| Unemployment compensation | | | 30,155 | 30,155 |
| Committed to: | | | | |
| Public safety | 350 | | | 350 |
| Public works | | | 178,855 | 178,855 |
| Culture and recreation | | | 105,988 | 105,988 |
| Unassigned | 6,606,207 | (325,242) | (64,228) | 6,216,737 |
| Total Fund Balances | 6,710,461 | (325,242) | 11,531,834 | 17,917,053 |
| Total Liabilities and Fund Balances | \$ 14,394,303 | 3,481,846 | 17,571,987 | 35,448,136 |

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

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

Exhibit 3-1

| | <u>Amount</u> |
|--|----------------------|
| Total Fund Balance - Governmental Funds | \$ 17,917,053 |
| 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 \$84,901,370. | 58,587,984 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 237,753 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (18,441,460) |
| Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds. | (130,543) |
| Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds. | 2,930,039 |
| Deferred charges - bond issuance costs | 157,750 |
| Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position. | <u>297,252</u> |
| Total Net Position - Governmental Activities | \$ <u>61,555,828</u> |

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

MONROE COUNTY

Exhibit 4

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

| | Major Funds | | | Total Governmental Funds |
|---|---------------------|--|--------------------------------|--------------------------------|
| | General Fund | Countywide Road Maintenance Fund | Other Governmental Funds | |
| REVENUES | | | | |
| Property taxes | \$ 6,234,905 | 3,309,281 | 2,491,029 | 12,035,215 |
| Road and bridge privilege taxes | | 429,575 | | 429,575 |
| Licenses, commissions and other revenue | 529,807 | | 39,196 | 569,003 |
| Fines and forfeitures | 684,463 | | 44,763 | 729,226 |
| Intergovernmental revenues | 2,583,602 | 1,147,685 | 823,042 | 4,554,329 |
| Charges for services | 575,962 | | 624,608 | 1,200,570 |
| Interest income | 11,102 | 278 | 96,962 | 108,342 |
| Miscellaneous revenues | 167,050 | 31,848 | 301,482 | 500,380 |
| Total Revenues | <u>10,786,891</u> | <u>4,918,667</u> | <u>4,421,082</u> | <u>20,126,640</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 4,803,129 | | 146,327 | 4,949,456 |
| Public safety | 4,962,438 | | 922,275 | 5,884,713 |
| Public works | 100,548 | 4,775,761 | 2,019,092 | 6,895,401 |
| Health and welfare | 335,978 | | 353,740 | 689,718 |
| Culture and recreation | 90,000 | | 48,370 | 138,370 |
| Education | 2,500 | | | 2,500 |
| Conservation of natural resources | 166,156 | | | 166,156 |
| Economic development and assistance | 211,437 | | 1,293,240 | 1,504,677 |
| Debt service: | | | | |
| Principal | 101,103 | 193,751 | 2,068,602 | 2,363,456 |
| Interest | 42,105 | 18,018 | 587,075 | 647,198 |
| Fiscal agent fees | | | 10,317 | 10,317 |
| Total Expenditures | <u>10,815,394</u> | <u>4,987,530</u> | <u>7,449,038</u> | <u>23,251,962</u> |
| Excess of Revenues over (under) Expenditures | <u>(28,503)</u> | <u>(68,863)</u> | <u>(3,027,956)</u> | <u>(3,125,322)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term capital debt issued | | 423,500 | 4,174,530 | 4,598,030 |
| Proceeds from sale of capital assets | | 106,004 | | 106,004 |
| Transfers in | 357,986 | 96,530 | 695,476 | 1,149,992 |
| Transfers out | (37,500) | | (732,534) | (770,034) |
| Lease principal payments | | | 750,074 | 750,074 |
| Total Other Financing Sources and Uses | <u>320,486</u> | <u>626,034</u> | <u>4,887,546</u> | <u>5,834,066</u> |
| Net Changes in Fund Balances | 291,983 | 557,171 | 1,859,590 | 2,708,744 |
| Fund Balances - Beginning | <u>6,418,478</u> | <u>(882,413)</u> | <u>9,672,244</u> | <u>15,208,309</u> |
| Fund Balances - Ending | <u>\$ 6,710,461</u> | <u>(325,242)</u> | <u>11,531,834</u> | <u>17,917,053</u> |

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

MONROE 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 | \$ 2,708,744 |
| 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 \$1,213,128 exceeded depreciation of \$1,558,173 in the current period. | (345,045) |
| 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 gain of \$71,266 and the proceeds from the sale of \$106,004 in the current period. | (34,738) |
| In the Statement of Activities, transfers of fixed assets from governmental activities to business-type activities are reported, where in the governmental funds, the proceeds increases financial resources. Thus, the change in net position differs from the change in fund balance by the net amount of the transfer. | (1,221) |
| Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting. | 20,806 |
| 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 proceeds of \$4,598,030, exceeded repayments of \$2,363,456 and amortization of bond discounts, premiums and refunding charges of \$27,720. | (2,262,294) |
| Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items: | |
| The decrease in compensated absences | 29,971 |
| The decrease in accrued interest payable | 6,371 |
| The decrease in bond issue costs | (19,250) |
| In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the proceeds of a new capital lease (\$1,174,530) and principal collections (\$750,074) on the capital leases. | 424,456 |
| An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities. | <u>(412,820)</u> |
| Change in Net Position of Governmental Activities | \$ <u>114,980</u> |

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

MONROE COUNTY
Statement of Net Position - Proprietary Funds
September 30, 2013

Exhibit 5

| | Business-type Activities | Governmental Activities |
|--|-----------------------------|----------------------------|
| | Enterprise Funds | Internal Service Fund |
| | Solid Waste Fund | Insurance Fund |
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 832,162 | 431,039 |
| Accrued interest receivable | 205 | |
| Property tax receivable | 134,050 | |
| Accounts receivable (net of allowance for uncollectibles of \$565,259) | 394,664 | |
| Due from other funds | 1,921 | |
| Advances to other funds | | 95,847 |
| Total Current Assets | <u>1,363,002</u> | <u>526,886</u> |
| Noncurrent assets: | | |
| Capital assets: | | |
| Land and construction in progress | 27,211 | |
| Other capital assets, net | 549,753 | |
| Total Noncurrent Assets | <u>576,964</u> | <u>0</u> |
| Total Assets | <u>1,939,966</u> | <u>526,886</u> |
| LIABILITIES | | |
| Current liabilities: | | |
| Claims payable | 59,888 | |
| Claims and judgments payable | | 125,730 |
| Advances from other funds | | 103,904 |
| Unearned revenue | 242,378 | |
| Capital debt: | | |
| Capital leases payable | 251,272 | |
| Non-capital debt: | | |
| Compensated absences payable | 38,749 | |
| Total Current Liabilities | <u>592,287</u> | <u>229,634</u> |
| Noncurrent liabilities: | | |
| Capital debt: | | |
| Capital leases payable | 163,050 | |
| Total Noncurrent Liabilities | <u>163,050</u> | <u>0</u> |
| NET POSITION | | |
| Net investment in capital assets | 162,642 | |
| Restricted for: | | |
| Medical claims | | 297,252 |
| Public works | 1,021,987 | |
| Total Net Position | <u>\$ 1,184,629</u> | <u>297,252</u> |

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

MONROE COUNTY

Exhibit 6

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

| | Business-type Activities | Governmental Activities |
|--|-----------------------------|----------------------------|
| | Enterprise Funds | Internal Service Fund |
| | Solid Waste Fund | Insurance Fund |
| Operating Revenues | | |
| Charges for services | \$ 1,556,766 | |
| Premiums | | 1,703,908 |
| Miscellaneous | 7,341 | 9,139 |
| Total Operating Revenues | <u>1,564,107</u> | <u>1,713,047</u> |
| Operating Expenses | | |
| Cost of sales | | |
| Personal services | 741,795 | |
| Contractual services | 565,278 | |
| Materials and supplies | 389,309 | |
| Depreciation expense | 214,735 | |
| Indirect administrative cost | 14,911 | |
| Claims payments | | 1,343,104 |
| Administrative | | 112,800 |
| Insurance premiums | | 257,728 |
| Total Operating Expenses | <u>1,926,028</u> | <u>1,713,632</u> |
| Operating Income (Loss) | <u>(361,921)</u> | <u>(585)</u> |
| Nonoperating Revenues (Expenses) | | |
| Property tax | 162,067 | |
| Interest income | 1,718 | 585 |
| Intergovernmental grants | 190,468 | |
| Interest expense | (16,680) | |
| Other income (expenses) | 53,421 | |
| Net Nonoperating Revenue (Expenses) | <u>390,994</u> | <u>585</u> |
| Net Income (Loss) Before Capital Contributions, Special and Extraordinary Items and Transfers | 29,073 | 0 |
| Transfers in | 32,862 | |
| Transfers out | | (412,820) |
| Changes in Net Position | <u>61,935</u> | <u>(412,820)</u> |
| Net Position - Beginning | <u>1,122,694</u> | <u>710,072</u> |
| Net Position - Ending | <u>\$ 1,184,629</u> | <u>297,252</u> |

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

MONROE COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2013

Exhibit 7

| | Business-type Activities | Governmental Activities |
|--|-----------------------------|----------------------------|
| | Enterprise Funds | Internal Service Fund |
| | Solid Waste Fund | Insurance Fund |
| Cash Flows From Operating Activities | | |
| Receipts from customers | \$ 1,658,741 | |
| Receipts for premiums | | 1,703,908 |
| Payments to suppliers | (945,927) | |
| Payments to employees | (742,225) | |
| Payments for claims | | (1,238,009) |
| Payments to administrator for services | | (112,800) |
| Payments for insurance premiums | | (257,728) |
| Payments to General Fund for indirect costs | (14,911) | |
| Other operating cash receipts | 7,341 | 9,139 |
| Net Cash Provided (Used) by Operating Activities | <u>(36,981)</u> | <u>104,510</u> |
| Cash Flows From Noncapital Financing Activities | | |
| Intergovernmental grants received | 190,468 | |
| Cash received from property taxes | 161,925 | |
| Cash received from other funds: | | |
| Operating transfers in | 32,862 | |
| Cash paid to other funds: | | |
| Operating transfers out | | (412,850) |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>385,255</u> | <u>(412,850)</u> |
| Cash Flows From Capital and Related Financing Activities | | |
| Proceeds of long-term debt | 107,949 | |
| Acquisition and construction of capital assets | (107,949) | |
| Principal paid on long-term debt | (356,538) | |
| Interest paid on debt | (16,680) | |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(373,218)</u> | <u>0</u> |
| Cash Flows From Investing Activities | | |
| Interest on deposits | 1,856 | 881 |
| Net Cash Provided (Used) by Investing Activities | <u>1,856</u> | <u>881</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (23,088) | (307,459) |
| Cash and Cash Equivalents at Beginning of Year | <u>855,250</u> | <u>738,468</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 832,162</u> | <u>431,009</u> |

(Continued)

MONROE COUNTY
Statement of Cash Flows - Proprietary Funds
For the Year Ended September 30, 2013

Exhibit 7

| | <u>Business-type Activities</u> | <u>Governmental Activities</u> |
|---|-------------------------------------|------------------------------------|
| | <u>Enterprise Funds</u> | <u>Internal Service Fund</u> |
| | <u>Solid Waste Fund</u> | <u>Insurance Fund</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | |
| Operating income (loss) | \$ (361,921) | (585) |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: | | |
| Depreciation expense | 214,735 | |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 99,837 | |
| Increase (decrease) in claims payable | 8,660 | |
| Increase (decrease) in claims and judgments liability | | 105,095 |
| Increase (decrease) in compensated absences liability | (430) | |
| Increase (decrease) in unearned revenue | 2,138 | |
| Total Adjustments | <u>324,940</u> | <u>105,095</u> |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (36,981)</u> | <u>104,510</u> |

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

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

Exhibit 8

| | <u>Agency Funds</u> |
|----------------------------|-------------------------|
| ASSETS | |
| Cash and investments | \$ 1,560 |
| Due from other funds | <u>18,048</u> |
| Total Assets | \$ <u>19,608</u> |
| LIABILITIES | \$ |
| Intergovernmental payables | <u>19,608</u> |
| Total Liabilities | \$ <u>19,608</u> |

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

MONROE COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Monroe 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 Monroe County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the county. There are no outside organizations that should be included as component units of the county's reporting entity.

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 statement:

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the county as a whole. The statements include all nonfiduciary activities of the primary government. 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. Additionally, taxes are levied for the support of the business-type activity.

MONROE COUNTY

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

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 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the county, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each 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 as Other Governmental Funds in a single column.

C. 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 fund 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.

MONROE COUNTY

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

The county reports the following major Governmental Funds:

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

Countywide Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

The county reports the following major Proprietary Funds:

Insurance Fund - This fund reports on self-insurance programs for employee medical benefits.

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 the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

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

Capital Projects Funds - These funds are used to account for resources that are to be used for the acquisition or construction of major capital facilities. Such resources are derived principally from proceeds of long-term debt and federal and state grants.

PROPRIETARY FUND TYPES

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.

Internal Service Funds - These funds are used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The county's internal service fund reports on self-insurance programs for employee medical benefits.

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.

D. Account Classifications.

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

MONROE COUNTY

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

E. 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, 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.

F. Receivables.

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

G. 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 applicable Governmental Funds 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. Outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

H. Restricted Assets.

Certain resources set aside for the repayment of the special obligation bonds associated with the Monroe County, Mississippi, Aberdeen-Monroe County Hospital project are classified as restricted assets because they are maintained in separate trust accounts and their use is limited by a trust indenture. The general accounts are used to report resources that have been accumulated to pay the upcoming principal and interest amounts. The debt service reserve accounts are used to report resources that have been accumulated to meet the debt service reserve requirement established by the trust indenture.

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. 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 the costs of capital assets, other than infrastructure, have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

MONROE COUNTY

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

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 non-capitalization 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 | | * | * |

* 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 in the 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.

MONROE COUNTY

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

Unrestricted net position - Consists of all other net assets 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 specific purposes for which amounts in those funds can be spent.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the county classifies governmental fund balances as follows:

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. The county currently has \$490,829 reported as non-spendable fund balance.

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The county currently has \$10,924,294 reported as restricted fund balance.

Committed fund balance includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the county's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes. The county currently has \$285,193 reported as committed fund balance.

Assigned fund balance includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. The county reports no assigned fund balances.

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.

The county uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the county would first use committed, then assigned and, lastly, unassigned amounts of unrestricted fund balance when expenditures are made.

MONROE COUNTY

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

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 collectability 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.

(2) Change in Accounting Standard.

For the fiscal year ended September 30, 2013, the county implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position.

(3) Beginning Fund Balance Adjustment.

For the year ended September 30, 2013, the Homestretch Interest and Sinking Fund was reclassified from a Major Governmental Fund to Other Governmental Funds. This resulted in a decrease to the Other Governmental Funds beginning fund balance of \$83,918.

MONROE COUNTY

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

(4) Prior Period Adjustment.

A summary of significant fund equity adjustment(s) is as follows:

Exhibit 2 - Statement of Activities.

| Explanation | Amount |
|--|-------------------|
| Record the addition of land and buildings and related depreciation acquired in prior years, financed from loans and grants, that had not been added to the financial statements. | \$ <u>469,609</u> |

(5) Deposits and Investments.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2013, was \$19,285,070, and the bank balance was \$19,547,648. 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.

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

Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the county are handled through a trust indenture related to special obligation bonds issued for the Monroe County, Mississippi, Aberdeen-Monroe County Hospital Project.

Investments balances at September 30, 2013, are as follows:

| Investment Type | Maturities | Fair Value | Rating |
|--|--------------------|------------|--------|
| Hancock Horizon Treasury Securities Money Market Mutual Funds | Less than one year | \$ 877,558 | AAAm |

Interest Rate Risk. The county does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972), limits the maturity period of any investment to no more than one year.

MONROE COUNTY

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

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The county does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the county will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. These investments are uninsured and unregistered. The investment in the Hancock Horizon Treasury Securities Money Market Mutual Funds is not backed by the full faith and credit of the federal government.

(6) Interfund Transactions and Balances.

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

A. Due To/From Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|-------------------|
| General Fund | Other Governmental | \$ 84,233 |
| General Fund | General Fund | 2,907 |
| Countywide Road Maintenance | General Fund | 66,985 |
| Countywide Road Maintenance | Other Governmental | 287,562 |
| Other Governmental Funds | Countywide Road Maintenance | 326,000 |
| Other Governmental Funds | General Fund | 26,926 |
| Solid Waste | General Fund | 1,921 |
| Agency Funds | General Fund | <u>18,048</u> |
| Total | | <u>\$ 814,582</u> |

Amounts listed are the tax revenues, Justice Court and Circuit Clerk fees collected September, 2013 and settled October, 2013, a temporary loan to cover debt payments in accordance with the leasing agreement, a loan to cover a cash deficit in the Countywide Road Maintenance Fund, and a loan from Countywide Road Maintenance Fund to Other Governmental Funds to reimburse for expenses incurred that should have been paid from an Other Governmental Fund.

B. Advances From/To Other Funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------------|-------------------|
| General Fund | Internal Service Fund | \$ 103,904 |
| Internal Service Fund | Countywide Road Maintenance | <u>95,847</u> |
| Total | | <u>\$ 199,751</u> |

This represents the amount owed by the Countywide Road Maintenance for its pro-rata share of medical claims expenses and the amount owed to the General Fund for start up costs.

MONROE 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 | \$ 93,042 |
| General Fund | Internal Service Fund | 264,944 |
| Countywide Road Maintenance | Internal Service Fund | 96,530 |
| Other Governmental Funds | General Fund | 37,500 |
| Other Governmental Funds | Internal Service Fund | 18,484 |
| Other Governmental Funds | Other Governmental Funds | 639,492 |
| Solid Waste Fund | Internal Service Fund | 32,862 |
| Total | | <u>\$ 1,182,854</u> |

The purpose of the transfers was to transfer tax collections to trustee accounts, provide matching funds for construction projects, move excess equity from internal service funds and to close special funds. The transfers were routine and consistent with the activities of the fund making the transfer.

(7) Intergovernmental Receivables.

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

| <u>Description</u> | <u>Amount</u> |
|--|---------------------|
| Reimbursement for housing prisoners - Amory | \$ 2,850 |
| Reimbursement for housing prisoners - State of Mississippi | 327,680 |
| Narcotic officer reimbursement - Tupelo | 2,125 |
| State of Mississippi - Legislative tag credit | 152,631 |
| State of Mississippi - CMRSB | 25,672 |
| State of Mississippi - MEMA | 731,133 |
| State of Mississippi - Homeland Security | 1,756 |
| Total | <u>\$ 1,243,847</u> |

(8) Loans Receivable.

Loans receivable balance at September 30, 2013, is as follows:

| <u>Description</u> | <u>Date of Loan</u> | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Balance Receivable</u> |
|-----------------------------|---------------------|----------------------|----------------------|---------------------------|
| Holley Performance Products | 11/21/2000 | 5.75% | 12/1/16 | <u>\$ 147,375</u> |

MONROE COUNTY

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

(9) Capital Assets.

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

| | Balance Oct. 1, 2012 | Increases | Decreases | Transfers | Adjustments | Balance Sept. 30, 2013 |
|--|-------------------------|------------------|------------------|-----------------|------------------|---------------------------|
| Governmental activities: | | | | | | |
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 1,659,035 | | | | 158,925 | 1,817,960 |
| Total capital assets, not being depreciated | <u>1,659,035</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>158,925</u> | <u>1,817,960</u> |
| Capital assets, being depreciated: | | | | | | |
| Buildings | 15,699,261 | | | | 1,209,907 | 16,909,168 |
| Improvements other than buildings | 2,261,554 | | | | | 2,261,554 |
| Mobile equipment | 6,756,948 | 440,384 | (272,149) | | | 6,925,183 |
| Furniture and equipment | 1,402,594 | 78,244 | (34,587) | 15,737 | | 1,461,988 |
| Property under capital leases | 738,810 | 423,500 | | (27,946) | | 1,134,364 |
| Infrastructure | 112,717,263 | 271,000 | (9,126) | | | 112,979,137 |
| Total capital assets being depreciated | <u>139,576,430</u> | <u>1,213,128</u> | <u>(315,862)</u> | <u>(12,209)</u> | <u>1,209,907</u> | <u>141,671,394</u> |
| Less: Accumulated depreciation for: | | | | | | |
| Buildings | 4,868,361 | 266,749 | | | 899,223 | 6,034,333 |
| Improvements other than buildings | 1,153,333 | 66,787 | | | | 1,220,120 |
| Mobile equipment | 5,572,856 | 277,993 | (243,953) | | | 5,606,896 |
| Furniture and equipment | 1,068,329 | 83,833 | (31,128) | 16,679 | | 1,137,713 |
| Property under capital leases | 154,269 | 102,092 | | (27,667) | | 228,694 |
| Infrastructure | 69,918,938 | 760,719 | (6,043) | | | 70,673,614 |
| Total accumulated depreciation | <u>82,736,086</u> | <u>1,558,173</u> | <u>(281,124)</u> | <u>(10,988)</u> | <u>899,223</u> | <u>84,901,370</u> |
| Total capital assets, being depreciated, net | <u>56,840,344</u> | <u>(345,045)</u> | <u>(34,738)</u> | <u>(1,221)</u> | <u>310,684</u> | <u>56,770,024</u> |
| Governmental activities capital assets, net | <u>\$ 58,499,379</u> | <u>(345,045)</u> | <u>(34,738)</u> | <u>(1,221)</u> | <u>469,609</u> | <u>58,587,984</u> |
| Business-type activities: | | | | | | |
| Capital assets, not being depreciated: | | | | | | |
| Land | \$ 27,211 | | | | | 27,211 |
| Total capital assets, not being depreciated | <u>27,211</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>27,211</u> |
| Capital assets, being depreciated: | | | | | | |
| Mobile equipment | 861,440 | | | | 81,560 | 943,000 |
| Furniture and equipment | | | | 12,209 | | 12,209 |
| Property under capital leases | 1,129,999 | 107,949 | | | | 1,237,948 |
| Total capital assets being depreciated | <u>1,991,439</u> | <u>107,949</u> | <u>0</u> | <u>12,209</u> | <u>81,560</u> | <u>2,193,157</u> |
| Less: Accumulated depreciation for: | | | | | | |
| Mobile equipment | 750,491 | 15,609 | | | 29,360 | 795,460 |
| Furniture and equipment | | | | 10,988 | | 10,988 |
| Property under capital leases | 637,830 | 199,126 | | | | 836,956 |
| Total accumulated depreciation | <u>1,388,321</u> | <u>214,735</u> | <u>0</u> | <u>10,988</u> | <u>29,360</u> | <u>1,643,404</u> |
| Total capital assets, being depreciated, net | <u>603,118</u> | <u>(106,786)</u> | <u>0</u> | <u>1,221</u> | <u>52,200</u> | <u>549,753</u> |
| Business-type activities capital assets, net | <u>\$ 630,329</u> | <u>(106,786)</u> | <u>0</u> | <u>1,221</u> | <u>52,200</u> | <u>576,964</u> |

MONROE COUNTY

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

Adjustments:

Governmental activities:

The county added land (\$158,925), buildings (\$1,209,907) and related depreciation (\$899,223) for assets purchased in previous years from proceeds of loans and grants.

Business-type activities:

The county put back into service a vehicle (\$81,560) and related depreciation (\$29,360) that had been disposed in the prior year due to being wrecked but was repaired in the current year.

Depreciation expense was charged to the following functions:

Governmental activities:

| | |
|----------------------|---------------|
| General government | \$ 103,322 |
| Public safety | 390,004 |
| Public works | 987,620 |
| Health and welfare | 38,006 |
| Economic development | <u>39,221</u> |

Total depreciation expense - governmental activities \$ 1,558,173

Business-type activities

| | |
|-------------|-------------------|
| Solid waste | \$ <u>214,735</u> |
|-------------|-------------------|

(10) 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 is exposed to risk of loss relating to employee health, accident and dental coverage. The county finances its exposure to these risks through a self-funded insurance plan. On July 1, 2012, Monroe County established a self-funded insurance plan for its employees. Under the plan, amounts payable to the risk management fund are based on actuarial estimates. The county pays the premium for its employees. Employees may purchase additional or dependent coverage and pay the additional premium through a payroll deduction. Premium payments are based on an actuarial calculation. The county has minimum uninsured risk retention to the extent that actual claims submitted exceed the predetermined premium. The county has implemented the following plans to minimize this potential loss:

MONROE COUNTY

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

The county has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$75,000, and the aggregate policy covers all submitted claims in excess of \$1,747,176.

The county has collected an additional charge for expected future catastrophic losses. This additional charge has resulted in the Internal Service Fund's \$297,252 net position at September 30, 2013, being designated for future catastrophic losses.

Claims expenditures 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). At September 30, 2013, the amount of these liabilities was \$125,730. An analysis of claims activities is presented below:

| | <u>Beginning of Fiscal Year Liability</u> | <u>Current Year Claims and Changes in Estimates</u> | <u>Claim Payments</u> | <u>Balance at Fiscal Year End</u> |
|-----------|---|---|---------------------------|---|
| 2011-2012 | \$ 69,954 | 183,423 | 232,742 | 20,635 |
| 2012-2013 | 20,635 | 1,343,104 | 1,238,009 | 125,730 |

(11) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$124,370 for the year ended September 30, 2013. The future minimum lease receivables for these leases are as follows:

| <u>Year Ended September 30</u> | <u>Amount</u> |
|---------------------------------|-------------------|
| 2014 | \$ 119,415 |
| 2015 | 119,415 |
| 2016 | 119,415 |
| 2017 | 119,415 |
| 2018 | <u>119,415</u> |
| Total Minimum Payments Required | <u>\$ 597,075</u> |

MONROE COUNTY

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

(12) Capital Leases.

The county leases the following property with varying terms and options as of September 30, 2013:

| Class of Property | Amount |
|---------------------|---------------------|
| Industrial Building | \$ <u>7,327,731</u> |

The future minimum lease receivable and the present value of the net minimum lease receivables as of September 30, 2013, are as follows:

| Year Ended September 30 | Principal | Interest |
|-------------------------|---------------------|----------------|
| 2014 | \$ 272,550 | 81,696 |
| 2015 | 280,462 | 73,785 |
| 2016 | 288,618 | 65,629 |
| 2017 | 297,027 | 57,220 |
| 2018 | 290,115 | 48,687 |
| 2019-2023 | 1,322,664 | 117,933 |
| 2024-2028 | <u>178,603</u> | <u>3,922</u> |
| Total | <u>\$ 2,930,039</u> | <u>448,872</u> |

As Lessee:

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

| Asset: | Governmental Activities | Business-type Activities |
|--------------------------------|----------------------------|-----------------------------|
| Machinery and equipment | \$ 1,134,364 | 1,237,948 |
| Less: Accumulated depreciation | <u>(228,694)</u> | <u>(836,956)</u> |
| Total | <u>\$ 905,670</u> | <u>400,992</u> |

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

| Year Ending September 30 | Governmental Activities | | Business-type Activities | |
|--------------------------|-------------------------|--------------|--------------------------|---------------|
| | Principal | Interest | Principal | Interest |
| 2014 | \$ 245,898 | 4,804 | 251,272 | 7,221 |
| 2015 | 381,823 | 3,107 | 98,015 | 2,758 |
| 2016 | 108,008 | 1,382 | 58,053 | 650 |
| 2017 | <u>27,275</u> | <u>74</u> | <u>6,982</u> | <u>23</u> |
| Total | <u>\$ 763,004</u> | <u>9,367</u> | <u>414,322</u> | <u>10,652</u> |

MONROE COUNTY

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

(13) Long-term Debt.

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

| Description and Purpose | Amount Outstanding | Interest Rate | Final Maturity Date |
|---|----------------------------|------------------|---------------------------|
| Governmental Activities: | | | |
| A. General Obligation Bonds: | | | |
| Jail project bonds | \$ 3,150,000 | 3.00/4.25% | 9/1/2022 |
| Road and bridge bond of 2013 | 3,000,000 | 1.25/1.50% | 8/1/2023 |
| Road and bridge refunding bonds, Series 2011A | 405,000 | 2.00% | 4/1/2014 |
| Lane Furniture refunding bonds, Series 2011B | <u>2,960,000</u> | 2.00/5.00% | 10/1/2021 |
| Total General Obligation Bonds | \$ <u>9,515,000</u> | | |
| B. Limited Obligation Bonds: | | | |
| Hospital, Series 2011A bonds | \$ 1,120,000 | 1.65/5.0% | 7/1/2026 |
| Hospital, Series 2011B bonds | <u>2,585,000</u> | 3.85/6.0% | 7/1/2026 |
| Total Limited Obligation Bonds | \$ <u>3,705,000</u> | | |
| C. Capital Leases: | | | |
| Excavator | \$ 24,841 | 4.29% | 10/1/2015 |
| Excavator | 42,334 | 3.04% | 12/1/2014 |
| Four Mack trucks | 232,245 | 3.19% | 2/1/2015 |
| Two Mack trucks | 92,430 | 2.09% | 2/1/2015 |
| Five Caterpillar backhoes | 346,156 | 1.61% | 12/31/2016 |
| Defibrillators | <u>24,998</u> | 2.59% | 11/1/2015 |
| Total Capital Leases | \$ <u>763,004</u> | | |
| D. Other Loans: | | | |
| Holley Performance - CDBG loan | \$ 147,369 | 5.75% | 12/1/2016 |
| Lane Furniture I & S - MBIA loan | 895,000 | 4.00% | 12/1/2022 |
| Homestretch, LLC | 1,301,408 | 3.00% | 3/1/2030 |
| United Furniture | 1,130,375 | 3.00% | 4/1/2023 |
| Various construction projects | <u>804,850</u> | 4.95% | 2/1/2030 |
| Total Other Loans | \$ <u>4,279,002</u> | | |
| Business-type Activities: | | | |
| Capital Leases: | | | |
| Dozer | \$ 121,735 | 3.12% | 12/1/2015 |
| Ford F-550 truck | 48,536 | 1.91% | 9/1/2016 |
| Backhoe | 88,312 | 1.87% | 12/4/2016 |
| Trucks and equipment | <u>155,739</u> | 3.18% | 4/1/2014 |
| Total Capital Leases | \$ <u>414,322</u> | | |

MONROE COUNTY

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

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

Governmental Activities:

| <u>Year Ending September 30</u> | <u>General Obligation Bonds</u> | | <u>Limited Obligation Bonds</u> | |
|---------------------------------|---------------------------------|------------------|---------------------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 1,295,000 | 279,908 | 220,000 | 181,729 |
| 2015 | 920,000 | 249,094 | 230,000 | 174,378 |
| 2016 | 960,000 | 223,737 | 230,000 | 166,724 |
| 2017 | 985,000 | 195,152 | 245,000 | 158,568 |
| 2018 | 1,015,000 | 164,532 | 255,000 | 147,507 |
| 2019-2023 | 4,340,000 | 314,542 | 1,455,000 | 541,593 |
| 2024-2028 | | | 1,070,000 | 123,950 |
| Total | <u>\$ 9,515,000</u> | <u>1,426,965</u> | <u>3,705,000</u> | <u>1,494,449</u> |

| <u>Year Ending September 30</u> | <u>Other Loans</u> | |
|---------------------------------|---------------------|-----------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 381,747 | 149,704 |
| 2015 | 399,170 | 134,052 |
| 2016 | 412,206 | 117,743 |
| 2017 | 392,536 | 101,488 |
| 2018 | 391,421 | 86,667 |
| 2019-2023 | 1,711,501 | 223,110 |
| 2024-2028 | 440,706 | 58,434 |
| 2029-2031 | 149,715 | 28 |
| Total | <u>\$ 4,279,002</u> | <u>871,226</u> |

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the county is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation increases 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 5.92% of the latest property assessments.

MONROE COUNTY

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

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 | Balance Sept.30, 2013 | Amount due within one year |
|----------------------------------|-------------------------|------------------|------------------|--------------------------|----------------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 7,630,000 | 3,000,000 | 1,115,000 | 9,515,000 | 1,295,000 |
| Limited obligation bonds | 3,915,000 | | 210,000 | 3,705,000 | 220,000 |
| Capital leases | 560,746 | 423,500 | 221,242 | 763,004 | 245,898 |
| Other loans | 3,921,686 | 1,174,530 | 817,214 | 4,279,002 | 381,747 |
| | 16,027,432 | 4,598,030 | 2,363,456 | 18,262,006 | 2,142,645 |
| Less: Deferred bond charges | (252,203) | | (27,720) | (224,483) | |
| Compensated absences | 433,908 | | 29,971 | 403,937 | |
| Total | \$ 16,209,137 | 4,598,030 | 2,365,707 | 18,441,460 | 2,142,645 |
| Business-type Activities: | | | | | |
| Compensated absences | \$ 39,179 | | 430 | 38,749 | |
| Capital leases | 662,911 | 107,949 | 356,538 | 414,322 | 251,272 |
| Total | \$ 702,090 | 107,949 | 356,968 | 453,071 | 251,272 |

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, the E-911 Fund, the Countywide Road Maintenance Fund and the Solid Waste Fund.

(14) Deficit Fund Balances of Individual Funds.

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

| Fund | Deficit Amount |
|--|-------------------|
| Homestretch Interest and Sinking Fund | \$ 43,515 |
| Road and Bridge 2013 Interest and Sinking Fund | 20,713 |

(15) Contingencies.

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

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.

MONROE COUNTY

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

(16) Joint Venture.

The county participates in the following joint venture:

Monroe County is a participant with the City of Aberdeen in a joint venture, authorized by Section 41-13-15, Miss. Code Ann. (1972), to operate the Aberdeen-Monroe County Hospital. The joint venture was created to provide medical care and is governed by a board of directors, composed of five members; two appointed by the county, two appointed by the City of Aberdeen and a fifth jointly appointed. Effective July 6, 2011, Monroe County and the City of Aberdeen authorized the execution of a lease agreement with Pioneer Health Service of Monroe County, Inc., for the Aberdeen-Monroe County Hospital and its related facilities. The lease agreement is for a term of ten years, with an option to renew.

(17) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Tombigbee Regional Library System operates in a district composed of the Counties of Choctaw, Clay, Monroe and Webster. The Monroe County Board of Supervisors appoints two of the five members of the library board of trustees. The county appropriated \$90,000 for maintenance and support of the library in fiscal year 2013.

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 governing body is a 40-member board of directors, with five appointed by the Board of Supervisors of each member county. The county appropriated \$53,744 for maintenance and support of the district in fiscal year 2013.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Chickasaw, Itawamba, Lee, Monroe, Pontotoc and Union. The board of commissioners consists of one appointee from each county's Board of Supervisors. The county appropriated \$46,000 for maintenance and support of the commission in fiscal year 2013.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The governing body is a 30-member board of trustees, with six appointed by the Board of Supervisors of each member county. Monroe County appropriated \$1,661,885 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 and the Cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The authority is governed by a 14-member board, with one appointed by each member. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited.

Lift, Inc., operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Monroe County Board of Supervisors appoints one of the 24 members of the board of directors. The county did not receive a request for funding in fiscal year 2013.

MONROE COUNTY

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

(18) Related Organizations.

The Monroe County Board of Supervisors created districts to provide fire protection services to the county. The board appoints the commissioners of each district, but the county's accountability for the districts does not extend beyond making the appointments. Each district receives the avails of a two mill tax levy on the real property in the district and an annual appropriation from the county in the amount of \$5,000. Monroe County appropriated \$39,195 for the operations of the four districts in fiscal year 2013. The districts are as follows:

| <u>District</u> | <u>Enabling Legislation</u> | <u>Funding</u> |
|----------------------------|----------------------------------|----------------|
| Cason Fire District | 19-5-151, Miss. Code Ann. (1972) | \$10,259 |
| Sipsey River Fire District | 19-5-151, Miss. Code Ann. (1972) | \$ 6,596 |
| Splunge Fire District | 19-5-151, Miss. Code Ann. (1972) | \$ 6,517 |
| Wren Grading District | 19-5-223, Miss. Code Ann. (1972) | \$15,823 |

(19) Defined Benefit Pension Plan.

Plan Description. Monroe 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.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 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 \$926,755, \$815,585 and \$764,033, respectively, equal to the required contributions for each year.

(20) 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. The management of Monroe County evaluated the activity of the county through March 24, 2014, the date the financial statements were available to be issued, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

| <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 | 1.98% | \$ 57,000 | Lease purchase | Ad valorem taxes |
| 10/10/2013 | 1.94% | \$ 172,257 | Lease purchase | Ad valorem taxes |
| 12/20/2013 | 2.12% | \$ 181,754 | Lease purchase | Ad valorem taxes |

MONROE COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|-------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 6,151,902 | 6,230,995 | 6,230,995 | |
| Licenses, commissions and other revenue | 422,080 | 541,855 | 541,855 | |
| Fines and forfeitures | 473,600 | 747,712 | 747,712 | |
| Intergovernmental revenues | 2,380,880 | 2,715,657 | 2,705,657 | (10,000) |
| Charges for services | 710,000 | 371,817 | 371,817 | |
| Interest income | 15,500 | 11,123 | 11,123 | |
| Miscellaneous revenues | 100,015 | 149,709 | 159,709 | 10,000 |
| Total Revenues | <u>10,253,977</u> | <u>10,768,868</u> | <u>10,768,868</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| General government | 4,665,776 | 4,655,072 | 4,648,342 | (6,730) |
| Public safety | 4,544,803 | 4,692,079 | 4,692,079 | |
| Public works | 106,795 | 97,870 | 97,870 | |
| Health and welfare | 376,210 | 339,287 | 339,287 | |
| Culture and recreation | 90,000 | 90,000 | 90,000 | |
| Education | 2,500 | 2,500 | 2,500 | |
| Conservation of natural resources | 188,003 | 175,759 | 175,759 | |
| Economic development and assistance | 205,700 | 245,443 | 207,943 | (37,500) |
| Debt service: | | | | |
| Principal | 94,300 | 94,300 | 100,954 | 6,654 |
| Interest | 42,177 | 42,178 | 42,254 | 76 |
| Total Expenditures | <u>10,316,264</u> | <u>10,434,488</u> | <u>10,396,988</u> | <u>(37,500)</u> |
| Excess of Revenues over (under) Expenditures | <u>(62,287)</u> | <u>334,380</u> | <u>371,880</u> | <u>37,500</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 26,000 | 7,341 | 7,341 | |
| Transfers in | | 165,170 | 107,953 | (57,217) |
| Transfers out | | (63,520) | (37,500) | 26,020 |
| Total Other Financing Sources and Uses | <u>26,000</u> | <u>108,991</u> | <u>77,794</u> | <u>(31,197)</u> |
| Net Change in Fund Balance | (36,287) | 443,371 | 449,674 | 6,303 |
| Fund Balances - Beginning | <u>257,217</u> | <u>398,085</u> | <u>6,195,641</u> | <u>5,797,556</u> |
| Fund Balances - Ending | <u>\$ 220,930</u> | <u>841,456</u> | <u>6,645,315</u> | <u>5,803,859</u> |

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

MONROE COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2013

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|------------------|--------------------------------|---|
| REVENUES | | | | |
| Property taxes | \$ 3,765,410 | 3,307,428 | 3,307,428 | |
| Road and bridge privilege taxes | | 427,561 | 427,561 | |
| Fines and forfeitures | 150 | | | |
| Intergovernmental revenues | 2,374,780 | 1,030,484 | 1,030,484 | |
| Charges for services | 6,900 | 5,800 | | (5,800) |
| Interest income | 240 | 278 | 278 | |
| Miscellaneous revenues | 11,750 | 26,048 | 31,848 | 5,800 |
| Total Revenues | <u>6,159,230</u> | <u>4,797,599</u> | <u>4,797,599</u> | <u>0</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Public works | 6,119,713 | 4,242,942 | 4,242,942 | |
| Debt service: | | | | |
| Principal | 203,460 | 193,751 | 193,751 | |
| Interest | 25,099 | 18,018 | 18,018 | |
| Total Expenditures | <u>6,348,272</u> | <u>4,454,711</u> | <u>4,454,711</u> | <u>0</u> |
| Excess of Revenues over (under) Expenditures | <u>(189,042)</u> | <u>342,888</u> | <u>342,888</u> | <u>0</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Other financing sources | 10,000 | 106,004 | 106,004 | 0 |
| Transfer in | 170,000 | | | |
| Total Other Financing Sources and Uses | <u>180,000</u> | <u>106,004</u> | <u>106,004</u> | <u>0</u> |
| Net Change in Fund Balance | (9,042) | 448,892 | 448,892 | 0 |
| Fund Balances - Beginning | <u>39,042</u> | <u>39,042</u> | <u>(592,108)</u> | <u>(631,150)</u> |
| Fund Balances - Ending | <u>\$ 30,000</u> | <u>487,934</u> | <u>(143,216)</u> | <u>(631,150)</u> |

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

MONROE COUNTY

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

A. Budgetary Information.

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

The county's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year-end, and there are no encumbrances to budget because state law does not require 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 supplementary 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).

MONROE COUNTY

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

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

| | <u>Governmental Fund Types</u> | |
|---|--------------------------------|---|
| | <u>General Fund</u> | <u>Countywide Road Maintenance Fund</u> |
| Net Change in Fund Balance - Budget (Cash Basis) | \$ 449,674 | 448,892 |
| Increase (decrease): | | |
| Net adjustments for revenue accruals | 18,023 | 121,068 |
| Net adjustments for expenditure accruals | (418,406) | (532,819) |
| Net adjustments for other financing sources/uses accruals | <u>242,692</u> | <u>520,030</u> |
| Net Change in Fund Balance GAAP Basis | <u>\$ 291,983</u> | <u>557,171</u> |

Any line item that had an excess of actual over budget was the result of audit reclassification entries.

MONROE COUNTY

SUPPLEMENTAL INFORMATION

MONROE COUNTY
 Schedule of Expenditures of Federal Awards
 September 30, 2013

| Federal Grantor/Pass-through Grantor/ Program Title | Federal CFDA Number | Grant Identification Number | Federal Disbursements/ Expenditures |
|---|---------------------------|-----------------------------------|---|
| U. S. Department of Housing and Urban Development/Passed-through the Mississippi Development Authority | | | |
| Community Development Block Grant/State's Programs | * 14.228 | 1102-012-048-EM-01 | \$ 349,170 |
| Community Development Block Grant/State's Programs | * 14.228 | 1129-012-048-ED-01 | 89,023 |
| Community Development Block Grant/State's Programs | * 14.228 | 1125-08-048-ED-02 | <u>2,500</u> |
| Total U. S. Department of Housing and Urban Development | | | <u>440,693</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(48) | <u>35,360</u> |
| U. S. Department of Homeland Security/Passed-through the Mississippi Emergency Management Agency | | | |
| Disaster Assistance Grants | 97.036 | FEMA-1972-DR-MS #095-99095-00 | 99,607 |
| Hazard Mitigation Grants | * 97.039 | HMGP 1604-0013 | 1,395,762 |
| Hazard Mitigation Grants | * 97.039 | HMGP 1906-0012 | 76,357 |
| Passed-through the Mississippi Department of Homeland Security | | | |
| Disaster Assistance Grants | 97.036 | | <u>1,756</u> |
| Total U. S. Department of Homeland Security | | | <u>1,573,482</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 2,049,535</u> |

* Denotes major program

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

Basis of Presentation

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

MONROE COUNTY

OTHER INFORMATION

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

| Name | Position | Company | Bond |
|---------------------|----------------------------|----------------|-----------|
| Doug Wiggins | Supervisor District 1 | Western Surety | \$100,000 |
| Billy Kirkpatrick | Supervisor District 2 | Western Surety | \$100,000 |
| Carol Crawford | Supervisor District 3 | Old Republic | \$100,000 |
| Fulton Ware | Supervisor District 4 | Western Surety | \$100,000 |
| Robert Tomey | Supervisor District 5 | Brierfield | \$100,000 |
| Mike King | County Administrator | GCM | \$100,000 |
| Ronnie Boozer | Chancery Clerk | Brierfield | \$100,000 |
| John Carl Cadden | Purchase Clerk | Western Surety | \$75,000 |
| Angela Thompson | Assistant Purchase Clerk | Old Republic | \$50,000 |
| Jay Barnes | Receiving Clerk | Old Republic | \$75,000 |
| Robert Bryan | Assistant Receiving Clerk | Old Republic | \$50,000 |
| Dana Sloan | Assistant Receiving Clerk | Old Republic | \$50,000 |
| Lillian White | Assistant Receiving Clerk | Old Republic | \$50,000 |
| Kimberly Holloway | Assistant Receiving Clerk | Old Republic | \$50,000 |
| Kristie Coker | Assistant Receiving Clerk | Old Republic | \$50,000 |
| Jackie Baggett | Assistant Receiving Clerk | Old Republic | \$50,000 |
| Wanda Guin | Assistant Receiving Clerk | Old Republic | \$50,000 |
| Donna Lucas | Assistant Receiving Clerk | FCCI | \$50,000 |
| Kay Watson | Inventory Control Clerk | Old Republic | \$75,000 |
| Olyn Clay | Road Manager | Western Surety | \$75,000 |
| Ray Adkins | Constable | State Farm | \$50,000 |
| Herbert Harris | Constable | Western Surety | \$50,000 |
| Ron West | Constable | Western Surety | \$50,000 |
| Judy Butler | Circuit Clerk | Western Surety | \$100,000 |
| Cecil Cantrell | Sheriff | Brierfield | \$100,000 |
| Adrian Haynes | Justice Court Judge | Western Surety | \$50,000 |
| Robert Earl Fowlkes | Justice Court Judge | Western Surety | \$50,000 |
| Kevin Crook | Justice Court Judge | Western Surety | \$50,000 |
| Tina Morrow | Justice Court Clerk | RLI | \$50,000 |
| Linda Miller | Deputy Justice Court Clerk | RLI | \$50,000 |
| Lycia Justice | Deputy Justice Court Clerk | RLI | \$50,000 |
| Lisa Birks | Deputy Justice Court Clerk | RLI | \$50,000 |
| Barbara Byrd | Deputy Justice Court Clerk | Central | \$50,000 |
| Donna Lucas | Deputy Justice Court Clerk | Old Republic | \$50,000 |
| Pat Birkholz | Tax Collector | Western Surety | \$100,000 |
| Mitzi Presley | Tax Assessor | Western Surety | \$50,000 |

MONROE COUNTY

SPECIAL REPORTS

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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
Monroe County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monroe 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 March 24, 2014.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

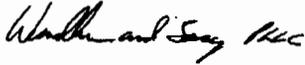
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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.



Windham and Lacey, PLLC
March 24, 2014

Windham and Lacey, PLLC

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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
Monroe County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited the compliance of Monroe County, Mississippi, 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. Monroe 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 major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Monroe 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 Monroe 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. Our audit does not provide a legal determination on Monroe County, Mississippi's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Monroe 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 each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

The management of Monroe County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit, we considered Monroe 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.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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.



Windham and Lacey, PLLC
March 24, 2014

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

Members of the Board of Supervisors
Monroe County, Mississippi

We have examined Monroe County, Mississippi's 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 Monroe 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 Monroe 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 the 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.

In our opinion, Monroe County, Mississippi, complied, 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 the examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Monroe 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.



Windham and Lacey, PLLC
March 24, 2014

MONROE COUNTY
Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Schedule 1

| <u>Date</u> | <u>Item Purchased</u> | <u>Amount</u> | <u>Vendor</u> | <u>Reason</u> |
|-------------|-----------------------|---------------|---------------|---------------------------------------|
| 9/10/2013 | CRS-2 | \$ 103,000 | Ergon | Low bidder could not deliver on time. |

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

Schedule 2

Our tests results did not identify any emergency purchases.

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

Schedule 3

Our tests results did not identify any purchases made noncompetitively from a sole source.

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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Monroe County, Mississippi

In planning and performing our audit of the financial statements of Monroe County, Mississippi for the year ended September 30, 2013, we considered Monroe 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 Monroe 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 March 24, 2014, on the financial statements of Monroe County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the 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.

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.



Windham and Lacey, PLLC
March 24, 2014

MONROE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MONROE 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? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards:

- | | | |
|-----|---|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 5. | Type of auditor's report issued on compliance for major programs: | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section ____ .510 (a) of OMB Circular A-133? | No |
| 7. | Federal programs identified as major programs: | |
| | a. Community Development Block Grant State's Programs, CFDA #14.228 | |
| | b. Hazard Mitigation Grants, CFDA #97.039 | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |
| 10. | Prior fiscal year audit findings and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____ .315 (b) of OMB Circular A-133? | No |

Section 2: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Section 3: Federal Award Findings and Questioned Costs

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