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**UNION COUNTY, MISSISSIPPI**  
**AUDITED FINANCIAL STATEMENTS**  
**AND SPECIAL REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**UNION COUNTY  
TABLE OF CONTENTS  
SEPTEMBER 30, 2014**

	<u>Page</u>
FINANCIAL SECTION	4
INDEPENDENT AUDITOR'S REPORT	5
MANAGEMENT'S DISCUSSION & ANALYSIS	7
BASIC FINANCIAL STATEMENTS	17
Statement of Net Position	18
Statement of Activities	19
Balance Sheet - Governmental Funds	20
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	21
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Net Position - Proprietary Fund	24
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	25
Statement of Cash Flows - Proprietary Fund	26
Statement of Fiduciary Assets and Liabilities	27
Notes to Financial Statements	28

**UNION COUNTY  
TABLE OF CONTENTS  
SEPTEMBER 30, 2014**

	<u>Page</u>
REQUIRED SUPPLEMENTARY INFORMATION	54
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) General Fund	55
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) Countywide Road Maintenance Fund	56
Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) Countywide Bridge Fund	57
Notes to the Required Supplementary Information	58
OTHER INFORMATION	60
Schedule of Surety Bonds for County Officials	61
SPECIAL REPORTS	63
Independent Auditor's Report on Internal Control over Financial Reporting And on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	64
Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972))	66
Limited Internal Control and Compliance Review Management Report	71
SCHEDULE OF FINDINGS AND RESPONSES	74

**FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors  
Union County, Mississippi

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall

presentation of the financial statement. We believe that our 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 above 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 Union County, Mississippi, as of September 30, 2014, 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 Schedule(s) and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance

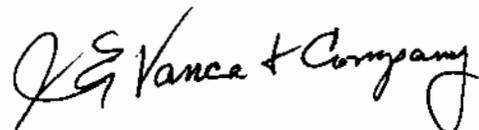
#### *Supplementary and Other Information*

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2016, on our consideration of Union 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 Union County, Mississippi's internal control over financial reporting and compliance.

J. E. Vance & Company, P.A.  
May 24, 2016



# Union County Board of Supervisors

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *INTRODUCTION*

The discussion and analysis of Union County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2014. The intent of this discussion and analysis is to look at the County's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the County's financial performance.

This discussion and analysis is an element of required supplementary information specified in the "Governmental Accounting Standards Board's (GASB) Statement No. 34 – Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" issued June 1999. Certain comparative information between the current year and the prior year is required to be presented.

Union County is located in Northeastern Mississippi along Hwy. 78 (the Future Interstate I-22). The population, according to the 2010 census, is 27,134. The local economic base is driven mainly by manufacturing.

### *FINANCIAL HIGHLIGHTS*

Union County is financially stable. The County has committed itself to financial excellence for many years by using sound financial planning, budgeting and strong internal controls. The County is committed to maintaining sound fiscal management to meet the challenges of the future.

Union County continues to grow both economically and in population. This has allowed the County to maintain a steady growth in tax revenues without a significant tax increase.

Total net position decreased \$3,842,336, including prior period adjustments of (\$267,244), which represents a 5% decrease from the prior fiscal year. The County's ending cash balance decreased by \$1,031,064, which represents an 11% decrease from the previous year. This is due to decrease or delay in revenues and increase in expenditures such as capital expenditures. Also the Drug Court Fund was moved to another county.

The County had \$13,508,783 in total revenues. Property tax revenues account for \$6,873,343 or 51% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$3,330,799, or 25% of total revenues. Charges for services account for \$1,956,630 or 14% of total revenue. Ad valorem tax in lieu fees account for \$817,465 or 6% of total revenue. Other revenues such as road and bridge privilege taxes, fines, fees, interest income etc. account for the remaining 4% of total revenues.

The County had \$17,083,875 in total expenses, which represents an increase of \$2,004,045 or 13% from the prior fiscal year. Expenses in the amount of \$4,686,472 were offset by charges for services, grants or outside contributions. General revenues of \$8,822,311 were not adequate to cover the remaining amount of expenses, \$12,397,403. However, the County had adequate cash reserves to cover these expenses.

Among major funds, the General Fund had \$6,424,349 in revenues and \$6,833,072 in expenditures. The General Fund also had net other financing sources of \$660. The General Fund's fund balance decreased \$401,867, including prior period adjustments of \$6,196, from the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$2,143,404 in revenues and \$2,370,918 in expenditures. The Countywide Road Maintenance Fund also had net other financing sources of \$129,052. The Countywide Road Maintenance Fund's fund balance decreased \$98,462 from the prior year.

Among major funds, the Countywide Bridge Fund had \$2,405,331 in revenues and \$2,525,419 in expenditures. The Countywide Bridge Fund's fund balance decreased \$120,088 from the prior year.

Among major funds, the Health Foundation Fund had \$28,516 in revenues and \$41,000 in expenditures. The Health Foundation Fund's fund balance decreased \$12,484 from the prior year.

Capital Assets, net of accumulated depreciation, decreased by \$2,610,301. This represents a 5% decrease.

Long-term debt decreased by \$407,666 or 5%. Toyota bonds outstanding in the amount of \$7,205,000 account for 95% of all long-term debt. This bond issue will be repaid from the in-lieu of ad valorem tax fee.

## ***OVERVIEW OF THE FINANCIAL STATEMENTS***

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) Government-wide financial statements, 2) Fund financial statements and 3) Notes to the basic financial statements. Required Supplementary Information is included in addition to the basic financial statements.

**Figure 1 – Required Components of the County's Annual Report**

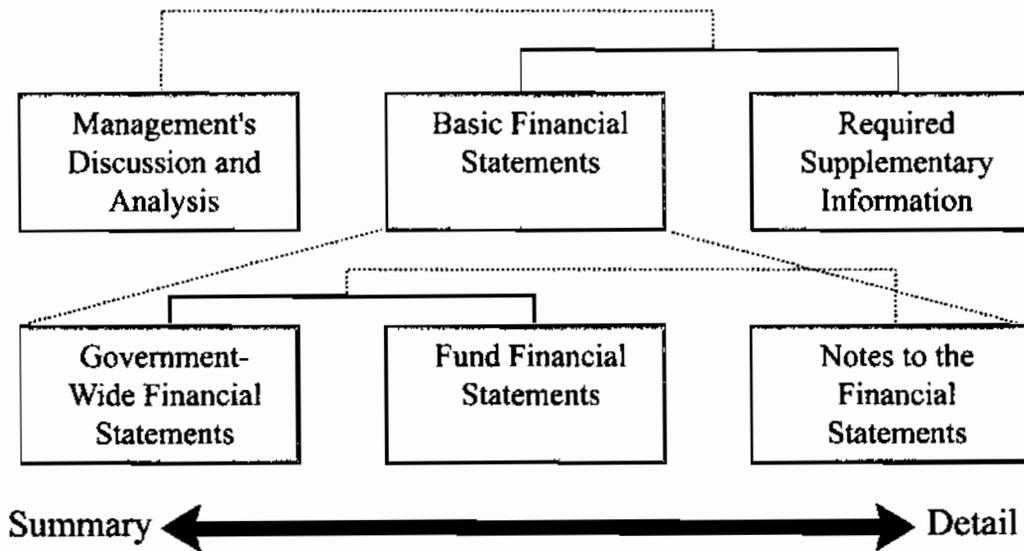


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

Figure 2 summarizes the major features of the County's financial statements, including the portion of the County's government they cover and the types of information they contain. The remainder of this section of Management's Discussion and Analysis explains the structure and content of each of the statements

**Figure 2 – Major Features of the County’s Government-Wide and Fund Financial Statements**

	<b>Government -Wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	Entire County government (except fiduciary funds) and component units	All activities of the County that are not business-type or fiduciary in nature	Activities of the County that operate similar to private businesses	The County is the trustee or agent for someone else’s resources
<b>Required financial statements</b>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net position</li> <li>• Statement of revenues, expenses and changes in net position</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary assets and liabilities</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital and short and long term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short and long term	All assets and liabilities, both short and long term
<b>Type of inflow/outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services are received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County finances, in a manner similar to private-sector businesses.

The **statement of net position** presents information on all County assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; and interest on long-term debt. The business-type activities of the County include the County's Solid Waste Fund.

The Government-wide Financial Statements can be found on pages 18 and 19 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate finance-related legal compliance. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a county's near-term financing requirements. Governmental funds include the general, special revenue, debt service, and capital projects funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 23, respectively.

The County maintains individual governmental funds in accordance with the *Mississippi County Financial Accounting Manual*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental funds financial statements can be found on pages 20 and 22 of this report.

**Proprietary funds** are maintained two ways. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statement. The County uses an enterprise fund to account for the Solid Waste Fund.

Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary funds financial statements can be found on pages 24-26 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 27 of this report.

**Notes to the financial statements** provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on pages 28-53 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents Required Supplementary Information concerning the County's budget process.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 54-59 of this report.

## ***GOVERNMENT-WIDE FINANCIAL ANALYSIS***

**Net Position** – Net position may serve over time as a useful indicator of government's financial position. In the case of Union County, assets exceeded liabilities by \$68,296,492 as of September 30, 2014.

By far, the largest portion of the County's net position (74%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

The County's financial position is a product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

The following table presents a summary of the County's net position at September 30, 2014 and 2013.

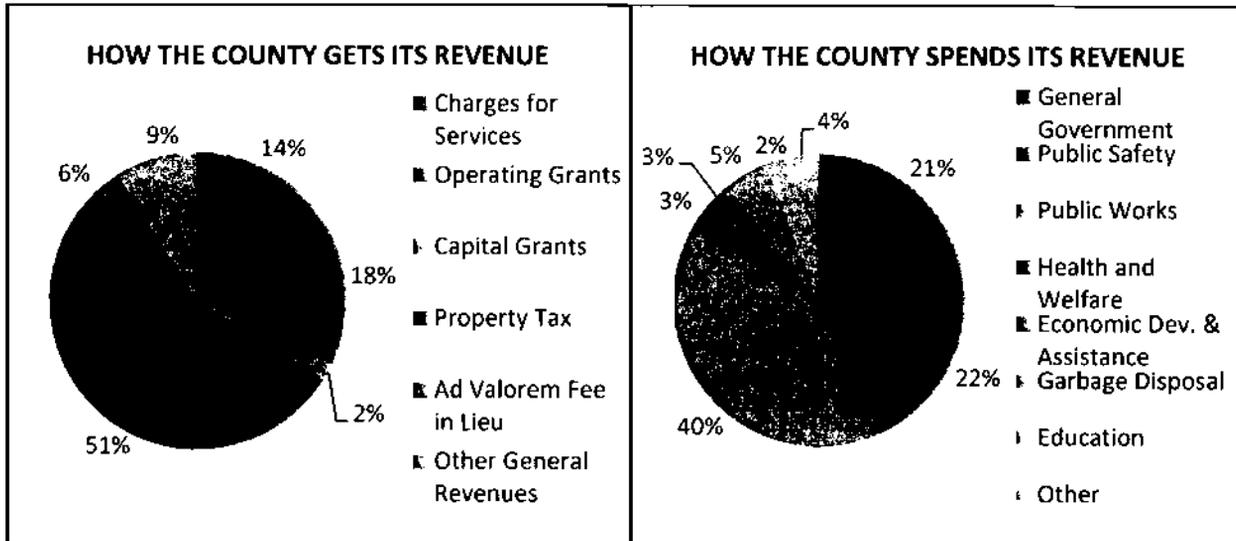
	Governmental Activities		Change
	2014	2013	
Current assets	31,316,206	32,977,625	-5%
Capital assets, net	50,512,205	53,026,709	-5%
Total assets	\$ 81,828,411	\$ 86,004,334	-5%
Current liabilities	1,179,767	1,281,247	-8%
Long-term debt outstanding	7,610,312	8,021,821	-5%
Total liabilities	8,790,079	9,303,068	-6%
Deferred inflows of resources	5,362,728	5,257,328	2%
Net position:			
Investment in capital assets	50,512,205	53,026,709	-5%
Restricted	13,433,603	14,100,837	-5%
Unrestricted	3,729,796	4,316,392	-14%
Total net position	\$ 67,675,604	\$ 71,443,938	-5%
	Business-type Activities		
	2014	2013	Change
Current assets	374,408	341,461	10%
Capital assets	349,374	445,171	-22%
Total assets	\$ 723,782	\$ 786,632	-8%
Current liabilities	89,666	82,357	9%
Long-term debt outstanding	13,228	9,385	41%
Total liabilities	102,894	91,742	12%
Net position:			
Investment in capital assets	349,374	445,171	-22%
Restricted	271,514	249,719	9%
Total net position	\$ 620,888	\$ 694,890	-11%

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee charged on each home & various charges for commercial garbage service based on the service provided such as dumpster size and number of pickups per week.

Effective January 2014, monthly fees for residential garbage pickup increased from \$8.00 to \$10.00, an increase of 25%. Commercial service fees also increased by 25% over the previous rates.

**Changes in Net Position** – Union County’s total revenues for the fiscal year ended September 30, 2014 were \$13,508,783. The total cost for all services provided was \$17,083,875. The decrease in net position was \$3,842,336, including prior period adjustments of (\$267,244). The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>	<u>Change</u>
<b>Revenues:</b>			
Program revenues			
Charges for services	\$ 1,956,630	\$ 2,082,898	-6%
Operating grants	2,465,220	1,476,590	67%
Capital grants	264,622	768,745	-66%
General revenues			
Property taxes	6,873,343	6,806,475	1%
Advalorem Tax in-lieu fee	817,465	875,645	-7%
Other General Revenue	1,131,503	1,098,389	3%
Total Revenues	<u>13,508,783</u>	<u>13,108,742</u>	3%
<b>Expenses:</b>			
General government	3,511,564	3,207,478	9%
Public safety	3,779,564	3,650,876	4%
Public works	6,855,128	5,257,722	30%
Health and welfare	434,194	426,795	2%
Culture and recreation	252,988	250,273	1%
Education	300,000	300,000	0%
Conservation of natural resources	131,749	128,480	3%
Economic development	481,258	435,750	10%
Interest on long-term debt	427,136	467,366	-9%
Garbage disposal (Business type)	910,294	955,090	-5%
Total Expense	<u>17,083,875</u>	<u>15,079,830</u>	13%
Prior Period Adjustments	<u>(267,244)</u>	<u>-0-</u>	N/A
Decrease in Net Position	<u>\$ (3,842,336)</u>	<u>\$ (1,971,088)</u>	95%



**Governmental Activities** – The following table presents the cost of nine major functional activities of the County: General Government, Public Safety, Public Works, Health & Welfare, Economic Development, Culture & Recreation, Education, Conservation of Natural Resources and Interest on Debt.

The table also shows each function's net cost (total cost less charges for services generated by the activity and intergovernmental aid provided for that activity.) The net cost shows the financial burden that was placed on Union County's taxpayers by each of these functions.

	Total Costs	Net Costs
General Government	\$3,511,564	\$2,698,458
Public Safety	3,779,564	3,048,673
Public Works	6,855,128	4,851,434
Health & Welfare	434,194	348,811
Culture & Recreation	252,988	249,188
Education	300,000	300,000
Conservation of Natural Resources	131,749	131,749
Economic Development	481,258	267,893
Interest on Debt	427,136	427,136

### ***FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS***

**Governmental funds** – At the close of the fiscal year, Union County's governmental funds reported a combined fund balance of \$16,702,854, a decrease of \$1,060,290, including prior period adjustments of \$6,196, or 6% from the previous year.

**Business-type fund** – Operating Revenue from the County's Garbage Collection Fund increased by 19% to \$836,233 and expenses decreased approximately 5% to \$909,596. Nonoperating Revenues in the form of interest income totaled \$59. Nonoperating expenses in the form of loss from sale of capital assets totaled (\$698).

## ***BUDGETARY HIGHLIGHTS OF MAJOR FUNDS***

A schedule showing the original and final budget amounts compared to the County's actual financial activity for the General Fund and other major special revenue funds is provided in this report as required supplementary information after the notes to the Financial Statements.

The Original Budget was amended to actual at year end. The only significant variances from the original Budget in regard to total Revenues and Expenditures occurred in the Countywide Road Maintenance & Countywide Bridge Funds. These variances resulted from the timing of County Road and Bridge projects as well as State Aid Road and Bridge projects.

## ***CAPITAL ASSETS AND DEBT ADMINISTRATION***

**Capital Assets** – As of September 30, 2014, Union County's total capital assets was \$112,341,550. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, leased property under capital lease and construction in progress. This amount represents an increase from the previous year of \$267,307 or less than 1%.

Total accumulated depreciation as of September 30, 2014 was \$61,479,971, including \$3,421,064 of depreciation expense for the year. The balance in total net capital assets was \$50,861,579 at year-end.

Additional information on Union County's capital assets can be found in note 8 on page 44 of this report.

**Debt Administration** – At September 30, 2014, Union County had \$7,623,540 in long-term debt outstanding. This includes general obligation bonds, Mississippi Business Investment Act notes, and compensated absences. Of this debt, \$458,151 is due within one year.

Additional information on Union County's long-term debt can be found in note 12 on page 49 of this report.

## ***CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT***

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Union County Administrator or Chancery Clerk's office at P.O. Box 847, New Albany, MS 38652.

**FINANCIAL STATEMENTS**

Union County  
Statement of Net Position  
September 30, 2014

Exhibit 1

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit Union Co. Library System
<b>ASSETS</b>				
Cash	\$ 8,082,344	194,378	8,276,722	60,864
Investments	9,294,201		9,294,201	90,864
Accrued interest receivable	13,857		13,857	74
Property tax receivable	5,328,523		5,328,523	
Accounts receivable (net of allowance for uncollectibles of \$359,268)		150,121	150,121	
Fines receivable (net of allowance for uncollectibles of \$403,587)	86,264		86,264	
Capital leases receivable	338,363		338,363	
Intergovernmental receivables	567,561		567,561	
Other receivables	75,730	68,666	144,396	
Internal balances	38,757	(38,757)		
Ad Valorem Tax Fee In-Lieu Receivable	7,490,606		7,490,606	
Restricted assets				77,106
Capital assets:				
Land and construction in progress	714,525		714,525	12,000
Other capital assets, net	49,797,680	349,374	50,147,054	97,807
<b>Total Assets</b>	<b>81,828,411</b>	<b>723,782</b>	<b>82,552,193</b>	<b>338,715</b>
<b>LIABILITIES</b>				
Claims payable	617,463	32,704	650,167	3,803
Intergovernmental payables	251,779		251,779	
Accrued interest payable	96,433		96,433	
Unearned revenue		56,962	56,962	79,000
Amounts held in custody for others	214,092		214,092	
Long-term liabilities				
Due within one year:				
Non-capital debt	458,151		458,151	
Due in more than one year:				
Non-capital debt	7,152,161	13,228	7,165,389	5,269
<b>Total Liabilities</b>	<b>8,790,079</b>	<b>102,894</b>	<b>8,892,973</b>	<b>88,072</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax for future reporting period	5,328,523		5,328,523	
Unavailable revenue - interest on capital leases	34,205		34,205	
<b>Total Deferred Inflows of Resources</b>	<b>5,362,728</b>	<b>-0-</b>	<b>5,362,728</b>	<b>-0-</b>
<b>NET POSITION</b>				
Investment in capital assets	50,512,205	349,374	50,861,579	109,807
Restricted:				
Expendable:				
General government	53,901		53,901	
Public safety	346,528		346,528	
Public works	4,174,129	271,514	4,445,643	
Health and welfare	1,625,582		1,625,582	
Culture and recreation	32,819		32,819	
Unemployment compensation				1,219
Nonexpendable	7,200,644		7,200,644	
Unrestricted	3,729,796		3,729,796	139,617
<b>Total Net Position</b>	<b>\$ 67,675,604</b>	<b>620,888</b>	<b>68,296,492</b>	<b>250,643</b>

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



**Union County**  
**Balance Sheet - Governmental Funds**  
**September 30, 2014**

**Exhibit 3**

	Major Funds					Total Governmental Funds
	General Fund	County-Wide Road Maint. Fund	County-Wide Bridge Fund	Health Foundation Fund	Other Governmental Funds	
<b>ASSETS</b>						
Cash	\$ 3,142,461	1,990,370	2,511,123	21,629	416,761	8,082,344
Investments	528,849			8,765,352		9,294,201
Accrued interest receivable	817			13,040		13,857
Property tax receivable	3,290,831	934,914	927,156		175,622	5,328,523
Fines receivable (net of allowance for uncollectibles of \$403,587)	86,264					86,264
Capital lease receivable					338,363	338,363
Intergovernmental receivables	249,653	25,269			6,765	281,687
Other receivables	32,648				42,694	75,342
Due from other funds	15,290	44,287	18,247		9,558	87,382
Advances to other funds	24,162					24,162
<b>Total Assets</b>	<b>\$ 7,370,975</b>	<b>2,994,840</b>	<b>3,456,526</b>	<b>8,800,021</b>	<b>989,763</b>	<b>23,612,125</b>
<b>LIABILITIES</b>						
Liabilities:						
Claims payable	\$ 184,083	407,695	7,473	3,000	15,212	617,463
Intergovernmental payables	251,779					251,779
Due to other funds	72,092				695	72,787
Amounts held in custody for others	214,092					214,092
<b>Total Liabilities</b>	<b>722,046</b>	<b>407,695</b>	<b>7,473</b>	<b>3,000</b>	<b>15,907</b>	<b>1,156,121</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	3,290,831	934,914	927,156		175,622	5,328,523
Unavailable revenue - fines	86,264					86,264
Unavailable revenue - principal and interest on capital leases					338,363	338,363
<b>Total Deferred Inflows of Resources</b>	<b>3,377,095</b>	<b>934,914</b>	<b>927,156</b>	<b>-0-</b>	<b>513,985</b>	<b>5,753,150</b>
Fund balances:						
Nonspendable:						
Advances	24,162					24,162
Permanent fund principal				7,176,482		7,176,482
Restricted to:						
General government					53,901	53,901
Public safety					346,528	346,528
Public works		1,652,231	2,521,897			4,174,128
Health and welfare				1,620,539	5,043	1,625,582
Culture and recreation					32,819	32,819
Economic development and assistance					21,580	21,580
Unassigned	3,247,672					3,247,672
<b>Total Fund Balances</b>	<b>3,271,834</b>	<b>1,652,231</b>	<b>2,521,897</b>	<b>8,797,021</b>	<b>459,871</b>	<b>16,702,854</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,370,975</b>	<b>2,994,840</b>	<b>3,456,526</b>	<b>8,800,021</b>	<b>989,763</b>	<b>23,612,125</b>

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

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

**Exhibit 3-1**

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 16,702,854
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$60,628,809.	50,512,205
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Advalorem tax-fee in lieu	7,490,606
Homestead exemption reimbursement	169,425
TVA tax-fee in lieu	99,080
Fines receivable	86,264
Other long-term receivables	17,757
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(7,610,312)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(96,433)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	304,158
Total Net Position - Governmental Activities	<u>\$ 67,675,604</u>

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

Union County

Exhibit 4

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

	Major Funds					Total Governmental Funds
	General Fund	County-Wide Road Maint. Fund	County-Wide Bridge Fund	Health Foundation Fund	Other Governmental Funds	
<b>REVENUES</b>						
Property taxes	\$ 4,337,071	1,172,492	1,143,295		220,485	6,873,343
Road and bridge privilege taxes		303,412				303,412
Licenses, commissions and other revenue	380,284				80,195	460,479
Fines and forfeitures	180,440				40,939	221,379
Intergovernmental revenues	791,536	656,858	1,260,545		478,333	3,187,272
Tax fee in lieu - Toyota	418,913				833,333	1,252,246
Charges for services	180,236				272,950	453,186
Interest income	4,542	713	936	28,516	5,543	40,250
Miscellaneous revenues	131,327	9,929	555		39,627	181,438
<b>Total Revenues</b>	<b>6,424,349</b>	<b>2,143,404</b>	<b>2,405,331</b>	<b>28,516</b>	<b>1,971,405</b>	<b>12,973,005</b>
<b>EXPENDITURES</b>						
<b>Current:</b>						
General government	3,003,779				490,472	3,494,251
Public safety	2,780,107			41,000	706,875	3,527,982
Public works	31,733	2,370,918	2,525,419			4,928,070
Health and welfare	247,129				6,844	253,973
Culture and recreation	82,840				153,113	235,953
Education	300,000					300,000
Conservation of natural resources	131,749					131,749
Economic development and assistance	255,735				225,523	481,258
<b>Debt service:</b>						
Principal					448,380	448,380
Interest					424,190	424,190
<b>Total Expenditures</b>	<b>6,833,072</b>	<b>2,370,918</b>	<b>2,525,419</b>	<b>41,000</b>	<b>2,455,397</b>	<b>14,225,806</b>
Excess of Revenues over (under) Expenditures	(408,723)	(227,514)	(120,088)	(12,484)	(483,992)	(1,252,801)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from sale of capital assets	8,184	129,052			8,789	146,025
Compensation for loss of capital assets	7,801					7,801
Transfers in					18,427	18,427
Transfers out	(15,325)				(3,102)	(18,427)
Lease principal payments					32,489	32,489
<b>Total Other Financing Sources and Uses</b>	<b>660</b>	<b>129,052</b>	<b>-0-</b>	<b>-0-</b>	<b>56,603</b>	<b>186,315</b>
Net Changes in Fund Balances	(408,063)	(98,462)	(120,088)	(12,484)	(427,389)	(1,066,486)
Fund Balances - Beginning, as originally reported	3,673,701	1,750,693	2,641,985	8,809,505	887,260	17,763,144
Prior period adjustments	6,196					6,196
Fund Balances - Beginning, as restated	3,679,897	1,750,693	2,641,985	8,809,505	887,260	17,769,340
Fund Balances - Ending	\$ 3,271,834	1,652,231	2,521,897	8,797,021	459,871	16,702,854

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

**Union County**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended September 30, 2014**

**Exhibit 4-1**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,066,486)
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 depreciation of \$3,326,802 exceeded capital outlays of \$913,533 including donations of \$5,000 in the current period.	(2,413,269)
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 \$52,591 and the proceeds from the sale of \$146,025 and compensation for loss of \$7,801 in the current period.	(101,235)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(16,587)
In lieu tax - Toyota revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(836,500)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Advalorem tax fee in-lieu change in net present value	401,719
Change in other long-term receivables	152,186
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 of debt repayments of \$448,380.	448,380
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:	
Decrease in accrued interest payable	6,393
Increase in compensated absences	(27,532)
Amortization of premium on bonds	4,617
Amortization of discount on bonds	(13,956)
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 the change in fund balances by principal collections on capital leases.	(32,489)
Restatement of prior period long-term assets to accrue Emergency Management grant funds received from the state of Mississippi.	(6,331)
Change in Net Position of Governmental Activities	<u>\$ (3,501,090)</u>

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

**Union County**  
**Statement of Net Position - Proprietary Fund**  
**For the Year Ended September 30, 2014**

**Exhibit 5**

Business-type Activities - Enterprise Fund

	<u>Solid Waste Fund</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 194,378
Accounts receivable (net of allowance for uncollectibles of \$359,268)	150,121
Other receivables	68,666
Total Current Assets	<u>413,165</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	349,374
Total Noncurrent Assets	<u>349,374</u>
Total Assets	<u>762,539</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims payable	32,704
Due to other funds	14,595
Advances from other funds	24,162
Unearned revenue	56,962
Non-capital debt:	
Compensated absences payable	13,228
Total Current Liabilities	<u>141,651</u>
<b>NET POSITION</b>	
Investment in capital assets	349,374
Restricted for:	
Public works	271,514
Total Net Position	<u>\$ 620,888</u>

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

**Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2014**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Operating Revenues	
Charges for services	\$ 836,233
Total Operating Revenues	<u>836,233</u>
Operating Expenses	
Personal services	456,179
Contractual services	224,608
Materials and supplies	119,952
Depreciation expense	94,262
Indirect administrative cost	14,595
Total Operating Expenses	<u>909,596</u>
Operating Income (Loss)	<u>(73,363)</u>
Nonoperating Revenues (Expenses)	
Interest income	59
Gain (loss) on sale of capital assets	<u>(698)</u>
Net Nonoperating Revenue (Expenses)	<u>(639)</u>
Net Income (Loss)	<u>(74,002)</u>
Change in Net Position	<u>(74,002)</u>
Net Position - Beginning	<u>694,890</u>
Net Position - Ending	<u>\$ 620,888</u>

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

**Union County**  
**Statement of Cash Flows - Proprietary Fund**  
**For the Year Ended September 30, 2014**

**Exhibit 7**

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 810,498
Payments to suppliers	(349,445)
Payments to employees	(446,811)
Payments to General Fund for indirect costs	(31,083)
Net Cash Used by Operating Activities	<u>(16,841)</u>
Cash Flows From Capital and Related Financing Activities	
Proceeds from sale of capital assets	837
Net Cash Provided by Capital and Related Financing Activities	<u>837</u>
Cash Flows From Investing Activities	
Interest on deposits	59
Net Cash Provided by Investing Activities	<u>59</u>
Net Decrease in Cash and Cash Equivalents	(15,945)
Cash and Cash Equivalents at Beginning of Year	210,323
Cash and Cash Equivalents at End of Year	<u>\$ 194,378</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating loss	\$ (73,363)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation expense	94,262
Provision for uncollectible accounts	11,454
Changes in assets and liabilities:	
Increase in accounts receivable	(28,548)
Increase in other receivables	(15,310)
Increase in claims payable	639
Increase in compensated absences liability	3,843
Increase in unearned revenue	6,670
Decrease in interfund payables	(16,488)
Total Adjustments	<u>56,522</u>
Net Cash Used by Operating Activities	<u>\$ (16,841)</u>

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

**Union County**  
**Statement of Fiduciary Assets and Liabilities**  
**September 30, 2014**

**Exhibit 8**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 59,542
Total Assets	<u>\$ 59,542</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 905
Intergovernmental payables	58,637
Total Liabilities	<u>\$ 59,542</u>

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

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(1) Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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

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

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

**B. Individual Component Unit Disclosures**

Discretely Presented Component Unit

The component unit columns in the financial statements include the financial data of the component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County.

The Union County Library System is the only component unit of Union County. The System operates two libraries in the County, under authority granted to it by the board of supervisors. The County appoints all System board members. The County provides funding for System programs through an annual property tax levy. The County is also responsible for the maintenance and upkeep of the facilities, which are owned by the County.

**C. Basis of Presentation**

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

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**C. Basis of Presentation (Continued)**

**Government-wide Financial Statements**

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support. The primary government is reported separately from a certain legally separate component unit for which the primary government is financially accountable.

The Statement of Net Position presents the financial condition of the governmental 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. The comparison of direct expenses with program revenues identifies the extent to which each business-type activity or governmental function is self-financing or draws from the general revenues of the County.

**Fund Financial Statements**

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

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

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

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

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

The County reports the following major governmental funds:

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

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

Countywide Bridge Fund – This fund is used to account for monies from specific revenue sources that are restricted for bridge maintenance.

Health Foundation Fund – This fund is used to account for the supplementing of indigent care and health, education and welfare services.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**D. Measurement Focus and Basis of Accounting (Continued)**

The County reports the following major Proprietary Fund:

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

Additionally, the County reports the following fund types:

**Governmental Fund Types**

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

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

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

Permanent Funds – These funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the County’s programs.

**Proprietary Fund Type**

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

**Fiduciary Fund Type**

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

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**E. Account Classifications**

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

**F. Deposits and Investments**

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any County, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

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

**G. Receivables**

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

**H. Interfund Transactions and Balances**

Transactions between funds that are representative of short-term lending/borrowing arrangements, and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Noncurrent portions of interfund receivables and payables are reported as "advances to/from other funds." Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund, if applicable to indicate that they are not available for appropriation and are not expendable available financial resources. However, this is not applicable to advances reported in other governmental funds, which are reported, by definition, as restricted, committed, or assigned. Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position. Any outstanding balances between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

**I. Restricted Assets**

Component unit assets required to be held and/or used according to donor specifications have been reported as restricted assets. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**J. Capital Assets**

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

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

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

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

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**J. Capital Assets (Continued)**

The following schedule details those thresholds and estimated useful lives:

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

The component unit depreciates assets on the straight-line basis over the following estimated useful lives:

	<u>Capitalization Thresholds</u>	<u>Estimated Useful Life</u>
Library materials	\$ 0	5 years
Machinery and equipment	0	5-10 years
Furnitures and fixtures	0	7-40 years
Improvements other than buildings	0	15-40 years

**K. Deferred Inflows of Resources**

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

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

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

Fines  
Principal and interest on capital leases

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**L. Long-Term Liabilities**

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

In the government-wide financial statements and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

**M. Equity Classifications**

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net Investment / 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 improvements of those assets.

Restricted net position – Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position not meeting the definition of “restricted” or “net investment / investment in capital assets.”

Fund Financial Statements:

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

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

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**M. Equity Classifications (Continued)**

*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 or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principal balance of a permanent fund.

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

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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

**N. Property Tax Revenues**

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

**UNION COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**N. Property Tax Revenues (Continued)**

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.

**O. Intergovernmental Revenues in Governmental Funds**

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

**P. Compensated Absences**

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

**Q. Changes in Accounting Standards**

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement 65, *Items Previously Reported as Assets and Liabilities*; GASB Statement 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*. The provisions of these standards have been incorporated into the financial statements and notes.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(2) Prior Period Adjustments**

A summary of significant net position/fund balance adjustments is as follows:

**Exhibit 2 – Statement of Activities**

<u>Explanation</u>	<u>Amount</u>
To restate net position due to implementation of new GASB 65 guidance	\$ (279,771)
To restate prior period emergency mgmt. grant receivable from state	6,331
To restate prior period welfare reimbursement receivable from state	12,798
To restate amounts payable to district attorney for investigative fees mistakenly unsettled in prior years	<u>(6,602)</u>
Total prior period adjustments	<u>\$ (267,244)</u>

**Exhibit 4 – Statement of Revenues, Expenditures, and Changes in Fund Balance –  
Governmental Funds – General Fund**

<u>Explanation</u>	<u>Amount</u>
To restate prior period welfare reimbursement receivable from state	\$ 12,798
To restate amounts payable to district attorney for investigative fees mistakenly unsettled in prior years	<u>(6,602)</u>
Total prior period adjustments	<u>\$ 6,196</u>

**(3) Deposits and Investments**

**Primary Government**

Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2014, was \$8,336,264, and the bank balance was \$8,644,077. 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 a failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(3) Deposits and Investments (Continued)**

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 the 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

Investments balances at September 30, 2014, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Governmental activities:			
Certificates of deposit	One year	\$ 9,294,201	N/A
Total		\$ 9,294,201	

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.

Credit Risk. State law limits investments to those authorized by Section 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.

**Discretely Presented Component Unit  
Union County Library System**

The following summarizes the various types of cash balances included in the System’s statement of assets, liabilities, and fund balance:

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(3) Deposits and Investments (Continued)**

**Discretely Presented Component Unit  
Union County Library System**

General	Amount
Cash on hand	\$ 55
Demand deposit, interest bearing, variable rate	60,809
Investments - Certificates of Deposit	90,864
<b>Restricted</b>	
Demand deposit, interest bearing, variable rate	8,106
Investments - Certificates of Deposit	69,000
	\$ 228,834

The carrying amount of the System's deposits was \$228,779 at September 30, 2014. The bank balance in all institutions was \$239,865 at September 30, 2014. The collateral for public entities' deposits in financial institutions are now 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 Depository Insurance Corporation.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the System will not be able to recover deposits or collateral securities that are in the possession of an outside party. The System does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the System. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the System. As of September 30, 2014, none of the System's bank balance of \$239,865 was exposed to custodial credit risk.

*Interest Rate Risk.* The System 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.

*Custodial Credit Risk - Investments.* Custodial credit risk is the risk that in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The system does not have a formal policy for custodial credit risk. All of the system's investments were insured and held by the investment's counterparty on behalf of the system, in the name of the system.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(4) Ad Valorem Tax Fee-In-Lieu Receivable**

Union County, Pontotoc County, and Lee County, collectively acting through the PUL Alliance, entered into an Ad Valorem Tax Fee-In-Lieu Agreement with the Mississippi Development Authority, the Mississippi Major Economic Impact Authority and Toyota Motor Manufacturing Mississippi, Inc. (TMMMS). The agreement provides that, beginning in January 2012, and continuing until the retirement of the Public Bonds, TMMMS will make an annual fee-in-lieu payment of \$2,500,000 to the PUL Alliance, which will then be distributed equally to the three counties. Fee payments shall be made on or before January 31 each year. The fee payment shall expire after the 2026 payment or, if the Public Bonds are retired sooner than 2026, it shall expire in the year of retirement.

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2014 is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2015	\$ 833,333
2016	833,333
2017	833,333
2018	833,333
2019	833,334
2020-2024	4,166,667
2025-2026	<u>1,666,667</u>
Total	\$ 10,000,000
Less: Discount to Present Value	<u>2,509,394</u>
Net Receivable	<u>\$ 7,490,606</u>

Receivable payments due in more than one year are discounted to net present value using the County's average interest rate of 5.45% on the bonds issued for the project, which management has determined is an appropriate discount commensurate with the risks involved.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(5) Interfund Transactions and Balances**

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

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

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 14,595
General Fund	Other Governmental Funds	695
Countywide Road	General Fund	44,287
Countywide Bridge	General Fund	18,247
Other Governmental Funds	General Fund	<u>9,558</u>
Total		<u>\$ 87,382</u>

The payables from the General Fund represent the tax revenue collected but not settled until October 2014. The payable from the Solid Waste Fund represents the indirect cost for the September 30, 2014 fiscal year, which is expected to be repaid within one year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

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

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ <u>24,162</u>
Total		<u>\$ 24,162</u>

The advance from the General Fund to the Garbage Disposal Fund represents the indirect cost for the September 30, 2013 fiscal year.

**C. Transfers In/Out**

Transfers In	Transfers Out	Amount
Other Governmental Funds	General Fund	\$ 15,325
Other Governmental Funds	Other Governmental Funds	<u>3,102</u>
Total		<u>\$ 18,427</u>

The principal purpose of interfund transfers was to provide funds grant matches or to close out old funds with no activity. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(6) Intergovernmental Receivables**

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

Governmental Activities:

Description	Amount
Legislative tag credit	\$ 142,497
Reimbursement for housing prisoners	27,125
Reimbursement for housing prisoners-long-term	1,940
Federal/State payments in lieu	316
Federal/State payments in lieu-long-term	99,080
Motor vehicle fuel tax	19,785
Federal victim's assistance coordinator grant	17,234
Federal EMPG grant	14,062
Federal EMPG grant-long-term	12,146
MDHS welfare/food stamp reimbursement	29,257
Homestead exemption-long-term	169,425
District attorney administrative salary match	2,465
District attorney administrative salary match-long-term	3,283
Motor vehicle licenses	15,142
Council on Aging state grant	5,000
City of New Albany	4,590
Other	4,214
Total Governmental Activities	\$ 567,561

**(7) Restricted Assets**

**Discretely Presented Component Unit  
Union County Library System**

The balances of the restricted asset accounts in the component unit are as follows:

Restricted Cash	\$ 8,106
Restricted Investments	69,000
Total Restricted Assets	\$ 77,106

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(8) Capital Assets**

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

**Primary Government**

Governmental activities:

	Balance Oct. 1, 2013	Additions	Deletions	Adjustments	Balance Sept. 30, 2014
<u>Non-depreciable capital assets</u>					
Land	\$ 698,505				\$ 698,505
Construction in progress	604,086	571,437		(1,159,503)	16,020
Total non-depreciable capital assets	<u>1,302,591</u>	<u>571,437</u>	<u>-0-</u>	<u>(1,159,503)</u>	<u>714,525</u>
<u>Depreciable capital assets</u>					
Infrastructure	86,326,350			1,159,503	87,485,853
Buildings	14,174,257				14,174,257
Improvements other than buildings	433,231				433,231
Mobile equipment	8,184,949	329,862	(614,867)		7,899,944
Furniture and equipment	436,982	12,234	(16,012)		433,204
Total depreciable assets	<u>109,555,769</u>	<u>342,096</u>	<u>(630,879)</u>	<u>1,159,503</u>	<u>110,426,489</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	45,289,815	2,588,683			47,878,498
Buildings	6,319,074	270,416			6,589,490
Improvements other than buildings	300,749	6,237			306,986
Mobile equipment	5,560,059	435,537	(515,233)		5,480,363
Furniture and equipment	361,954	25,929	(14,411)		373,472
Total accumulated depreciation	<u>57,831,651</u>	<u>3,326,802</u>	<u>(529,644)</u>	<u>-0-</u>	<u>60,628,809</u>
Total depreciable capital assets, net	<u>51,724,118</u>	<u>(2,984,706)</u>	<u>(101,235)</u>	<u>1,159,503</u>	<u>49,797,680</u>
Governmental activities capital assets, net	<u>\$ 53,026,709</u>	<u>(2,413,269)</u>	<u>(101,235)</u>	<u>-0-</u>	<u>\$ 50,512,205</u>

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(8) Capital Assets (Continued)**

Business-type activities:

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
<u>Depreciable capital assets</u>				
Mobile equipment	\$ 1,210,883		(15,347)	\$ 1,195,536
Furniture and equipment	5,000			5,000
Total depreciable assets	<u>1,215,883</u>	<u>-0-</u>	<u>(15,347)</u>	<u>1,200,536</u>
<u>Less accumulated depreciation for:</u>				
Mobile equipment	766,212	94,262	(13,812)	846,662
Furniture and equipment	4,500			4,500
Total accumulated depreciation	<u>770,712</u>	<u>94,262</u>	<u>(13,812)</u>	<u>851,162</u>
Total depreciable capital assets, net	<u>445,171</u>	<u>(94,262)</u>	<u>(1,535)</u>	<u>349,374</u>
Business-type activities capital assets, net	<u>\$ 445,171</u>	<u>(94,262)</u>	<u>(1,535)</u>	<u>\$ 349,374</u>

**Discretely Presented Component unit:  
Union County Library System**

	Balance Oct. 1, 2013	Additions	Deletions	Balance Sept. 30, 2014
<u>Governmental Activities:</u>				
<u>Capital assets not being depreciated:</u>				
Land	\$ 12,000			\$ 12,000
Total capital assets not being depreciated	<u>12,000</u>	<u>-0-</u>	<u>-0-</u>	<u>12,000</u>
<u>Other capital assets:</u>				
Library materials	495,198	16,614		511,812
Machinery and equipment	114,093	1,600		115,693
Furniture and fixtures	34,571	12,358		46,929
Land improvements	7,041			7,041
Total depreciable capital assets	<u>650,903</u>	<u>30,572</u>	<u>-0-</u>	<u>681,475</u>
<u>Less accumulated depreciation for:</u>				
Library materials	421,792	33,255		455,047
Machinery and equipment	84,921	9,146		94,067
Furniture and fixtures	28,864	2,951		31,815
Land improvements	2,269	470		2,739
Total accumulated depreciation	<u>537,846</u>	<u>45,822</u>	<u>-0-</u>	<u>583,668</u>
Other capital assets, net	<u>113,057</u>	<u>(15,250)</u>	<u>-0-</u>	<u>97,807</u>
Governmental activities capital assets, net	<u>\$ 125,057</u>	<u>(15,250)</u>	<u>-0-</u>	<u>\$ 109,807</u>

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(8) Capital Assets (Continued)**

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Primary Government</b>	
Governmental Activities:	
General government	\$ 24,800
Public safety	384,551
Public works	2,720,194
Health and welfare	180,221
Culture and recreation	17,036
Total governmental activities depreciation expense	\$ 3,326,802
Business-type activities:	
Solid Waste	\$ 94,262
Total business-type activities depreciation expense	\$ 94,262
<b>Discretely Presented Component Unit:</b>	
<b>Union County Library System</b>	
Library materials	\$ 33,255
General government	12,567
Total component unit depreciation expense	\$ 45,822

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

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Industrial Access Road at Glenfield	\$ <u>253,980</u>	Unknown
Total Governmental Activities	\$ <u>253,980</u>	

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(9) 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 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, 2014, to January 1, 2015. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**(10) Operating Leases**

**As Lessee:**

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$35,400 for the year ended September 30, 2014.

On November 26, 2012, Union County entered into an operating lease agreement with Skinner & Ellis Properties, LLC for lease of property located at 816 Hwy 348, New Albany, MS 38652 owned by Skinner & Ellis Properties, LLC for the purpose of housing the Department of Human Services. The operating lease stipulates that the lease would pay \$2,950 per month in lease payments commencing December 3, 2012, for a term of 10 years.

The future minimum lease payments for this lease are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 35,400
2016	35,400
2017	35,400
2018	35,400
2019	35,400
2020-2024	<u>112,100</u>
Total	<u>\$ 289,100</u>

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(11) Capital Leases**

**As Lessor:**

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

<u>Classes of Property</u>	<u>Amount</u>
Land	\$ 14,000
Buildings	505,678
Mobile equipment	22,306
Total	<u>\$ 541,984</u>

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2014, are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 32,085	4,712
2016	33,164	4,796
2017	33,538	4,423
2018	33,926	4,034
2019	34,331	3,630
2020-2024	110,322	11,481
2025-2029	26,792	1,129
Total	<u>\$ 304,158</u>	<u>34,205</u>

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(12) Long-term Debt**

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
2007 GO Industrial Development Bond	7,205,000	5.00-6.00%	7/2026
Total General Obligation Bonds	<u>\$ 7,205,000</u>		
B. Other Loans:			
Capital improvements revolving loan	127,950	3.00%	9/2026
Capital improvements revolving loan	<u>277,524</u>	3.00%	7/2029
	<u>\$ 405,474</u>		

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>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 450,000	382,000	22,431	13,638
2016	470,000	359,500	24,920	11,150
2017	495,000	336,000	25,677	10,393
2018	520,000	311,250	26,458	9,612
2019	545,000	283,950	27,263	8,807
2020-2024	3,195,000	957,125	149,270	31,079
2025-2029	<u>1,530,000</u>	<u>127,325</u>	<u>129,455</u>	<u>8,685</u>
Total	<u>\$ 7,205,000</u>	<u>2,757,150</u>	<u>405,474</u>	<u>93,364</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2014, the amount of outstanding debt was equal to 2.64% of the latest property assessments.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(12) Long-term Debt (Continued)**

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

	Balance Oct. 1, 2013	Additions	Reductions	Balance Sept. 30, 2014	Amount due within one year
<b>Governmental Activities:</b>					
Compensated absences	\$ 127,523	27,532		155,055	
General obligation bonds	7,630,000		425,000	7,205,000	450,000
Less:					
Unamortized discounts	(169,659)		(13,956)	(155,703)	(14,766)
Plus:					
Unamortized premiums	5,103		4,617	486	486
Other loans	428,854		23,380	405,474	22,431
<b>Totals</b>	<b>\$ 8,021,821</b>	<b>27,532</b>	<b>439,041</b>	<b>7,610,312</b>	<b>458,151</b>
<b>Business-type Activities:</b>					
Compensated absences	\$ 9,385	3,843		13,228	

Compensated absences will be paid from the fund from which the employees' salaries were paid which are generally the General Fund, E-911 Commission Fund, Fire Department Fund, Drug Court Fund, Countywide Road Maintenance Fund, Countywide Bridge and Culvert Fund and the Solid Waste Enterprise Fund.

**(13) Contingencies**

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

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

Solid Waste Revenue Refunding Bonds

In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In fiscal year 2012 the bonds were refinanced. The bonds were reissued for \$4,235,000. As part of a solid waste disposal service agreement between Union County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.04%) of the \$3,090,000 refunding bonds balance at September 30, 2014, is \$186,636.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(14) Joint Ventures**

The County participates in the following joint ventures:

Union County is a participant with the City of New Albany, industries and other interested parties located within the County in a joint venture, as authorized by Section 19-5-99 Miss. Code Ann. (1972), in the Union County Development Association. The joint venture was created to aid in the development of industries in Union County and is governed by 11 directors, of which Union County appoints two. The County appropriated \$87,000 for support of the Association in fiscal year 2014. Complete financial statements for the Union County Development Association can be obtained from Union County Development Association, P.O. Box 56, New Albany, MS 38652.

Union County is a participant with the City of New Albany, as authorized by Section 17-13-9, Miss. Code Ann. (1972), in the New Albany-Union County Airport Board. The joint venture was created to acquire, construct, operate and maintain the New Albany-Union County Airport. Union County appoints two of the five-member board, and the president of the Board of Supervisors, along with the mayor of New Albany, appoints an additional member as chairman. Union County appropriated \$31,733 for the support and maintenance of the airport in fiscal year 2014. Complete financial statements can be obtained from the New Albany-Union County Airport, New Albany, MS 38652.

**(15) Jointly Governed Organizations**

The County participates in the following jointly governed organizations:

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 Union County Board of Supervisors appoints one of the seven members of the board of directors. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste deposited. The County did not appropriate any funds for the support of the authority in fiscal year 2014.

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 Union County Board of Supervisors appoints two of the forty members of the board of directors. The County appropriated \$78,735 for the support of the district in fiscal year 2014.

Northeast Mississippi Community College operates in a district composed of the counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Union County Board of Supervisors appoints one of the fifteen members of the college board of trustees. The County appropriated \$799,590 for the support and maintenance of the college in fiscal year 2014.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(15) Jointly Governed Organizations (Continued)**

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Union County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$23,500 for support of the commission in fiscal year 2014.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints one of the twenty-four members of the board of directors. The County appropriated \$2,500 in fiscal year 2014 to the organization.

Northeast Mississippi Emergency Medical Services serves the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Union County Board of Supervisors appoints four of the thirty-six members of the board of directors. The County appropriated \$20,079 for support of the district in fiscal year 2014.

Pontotoc-Union-Lee Alliance (PUL) is an alliance among Pontotoc, Lee and Union counties. The Union County Board of Supervisors appoints two of the nine members of the board of directors. The County did not appropriate any funds for support of the alliance in fiscal year 2014.

**(16) Defined Benefit Pension Plan**

Plan Description. Union 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. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2014, 2013, and 2012, were \$615,333, \$573,785, and \$500,732, respectively, equal to the required contributions for each year.

**UNION COUNTY  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**(17) Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Union County evaluated the activity of the County through May 24, 2016, (the date the financial statements were available to be issued), and determined that the following subsequent event(s) have occurred that require disclosure in the notes to the financial statements.

Subsequent to September 30, 2014, Union County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
7/23/2015	1.00%	700,000	Other Loan	Ad valorem taxes
8/14/2015	3.00%	1,000,000	CAP Loan	Lease Purchase payments
10/29/2015	3.00-3.50%	6,170,000	Refunding Bonds	Fee-in-lieu of ad valorem
2/8/2016	3.50%	139,291	Lease Purchase	911 fees

**REQUIRED SUPPLEMENTARY INFORMATION**

**Union County**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**General Fund**  
**For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
<b>REVENUES</b>				
Property taxes	\$ 4,260,084	4,330,065	4,330,065	-0-
Licenses, commissions and other revenue	379,400	377,472	377,472	-0-
Payment in lieu of tax - toyota	407,000	418,913	418,913	-0-
Fines and forfeitures	211,500	186,007	186,007	-0-
Intergovernmental revenues	996,286	760,028	760,028	-0-
Charges for services	200,000	218,948	218,948	-0-
Interest income	4,400	4,783	4,783	-0-
Miscellaneous revenues	22,031	124,716	124,716	-0-
<b>Total Revenues</b>	<u>6,480,701</u>	<u>6,420,932</u>	<u>6,420,932</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	3,273,486	3,019,199	3,019,199	-0-
Public safety	2,597,538	2,766,039	2,766,039	-0-
Public works	15,668	32,164	32,164	-0-
Health and welfare	268,388	245,988	245,988	-0-
Culture and recreation	81,143	82,917	82,917	-0-
Education	300,000	300,000	300,000	-0-
Conservation of natural resources	136,549	130,621	130,621	-0-
Economic development and assistance	265,735	253,340	253,340	-0-
<b>Total Expenditures</b>	<u>6,938,507</u>	<u>6,830,268</u>	<u>6,830,268</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(457,806)</u>	<u>(409,336)</u>	<u>(409,336)</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-0-	8,184	8,184	-0-
Compensation for loss of capital assets	-0-	7,801	7,801	-0-
Transfers in	300,000	-0-	-0-	-0-
Transfers out	(300,000)	(15,325)	(15,325)	-0-
<b>Total Other Financing Sources and Uses</b>	<u>-0-</u>	<u>660</u>	<u>660</u>	<u>-0-</u>
Net Change in Fund Balance	<u>(457,806)</u>	<u>(408,676)</u>	<u>(408,676)</u>	<u>-0-</u>
Fund Balances - Beginning, as originally reported	2,592,024	3,818,169	3,818,169	-0-
Prior period adjustments	-0-	6,196	6,196	-0-
Fund Balances - Beginning, as restated	<u>2,592,024</u>	<u>3,824,365</u>	<u>3,824,365</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 2,134,218</u>	<u>3,415,689</u>	<u>3,415,689</u>	<u>-0-</u>

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

**Union County**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**County-Wide Road Maintenance Fund**  
**For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
<b>REVENUES</b>				
Property taxes	\$ 1,164,822	1,170,169	1,170,169	-0-
Road and bridge privilege taxes	290,000	302,020	302,020	-0-
Intergovernmental revenues	705,000	655,707	655,707	-0-
Interest income	500	571	571	-0-
Miscellaneous revenues	-0-	9,929	9,929	-0-
<b>Total Revenues</b>	<u>2,160,322</u>	<u>2,138,396</u>	<u>2,138,396</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
Current:				
Public works	2,541,162	2,303,810	2,303,810	-0-
<b>Total Expenditures</b>	<u>2,541,162</u>	<u>2,303,810</u>	<u>2,303,810</u>	<u>-0-</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(380,840)</u>	<u>(165,414)</u>	<u>(165,414)</u>	<u>-0-</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets	-0-	129,052	129,052	-0-
<b>Total Other Financing Sources and Uses</b>	<u>-0-</u>	<u>129,052</u>	<u>129,052</u>	<u>-0-</u>
<b>Net Change in Fund Balance</b>	<u>(380,840)</u>	<u>(36,362)</u>	<u>(36,362)</u>	<u>-0-</u>
<b>Fund Balances - Beginning</b>	<u>(520,466)</u>	<u>1,683,599</u>	<u>1,683,599</u>	<u>-0-</u>
<b>Fund Balances - Ending</b>	<u>\$ (901,306)</u>	<u>1,647,237</u>	<u>1,647,237</u>	<u>-0-</u>

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

**Union County**  
**Budgetary Comparison Schedule -**  
**Budget and Actual (Non-GAAP Basis)**  
**County-Wide Bridge Fund**  
**For the Year Ended September 30, 2014**

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget
<b>REVENUES</b>				
Property taxes	\$ 1,136,798	1,141,167	1,141,167	-0-
Intergovernmental revenues	100,000	1,272,304	1,272,304	-0-
Interest income	500	795	795	-0-
	-0-	555	555	-0-
<b>Total Revenues</b>	<u>1,237,298</u>	<u>2,414,821</u>	<u>2,414,821</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
Current:				
Public works	1,461,312	2,538,584	2,538,584	-0-
<b>Total Expenditures</b>	<u>1,461,312</u>	<u>2,538,584</u>	<u>2,538,584</u>	<u>-0-</u>
Excess of Revenues over (under) Expenditures	<u>(224,014)</u>	<u>(123,763)</u>	<u>(123,763)</u>	<u>-0-</u>
Net Change in Fund Balance	(224,014)	(123,763)	(123,763)	-0-
Fund Balances - Beginning	<u>1,907,756</u>	<u>2,674,022</u>	<u>2,674,022</u>	<u>-0-</u>
Fund Balances - Ending	<u>\$ 1,683,742</u>	<u>2,550,259</u>	<u>2,550,259</u>	<u>-0-</u>

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

**UNION COUNTY**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. Budgetary Information**

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

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

**B. Basis of Presentation**

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

**UNION COUNTY  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**C. Budget/GAAP Reconciliation (Continued)**

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

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>Countywide Road Fund</u>	<u>Countywide Bridge Fund</u>
Budget (Cash Basis)	\$ (408,676)	\$ (36,362)	\$ (123,763)
Increase (Decrease)			
Net adjustments for revenue accruals	3,417	5,008	(9,490)
Net adjustments for expenditure accruals	<u>(2,804)</u>	<u>(67,108)</u>	<u>13,165</u>
GAAP Basis	\$ <u><u>(408,063)</u></u>	\$ <u><u>(98,462)</u></u>	\$ <u><u>(120,088)</u></u>

**OTHER INFORMATION**

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

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Dwight "Peanut" Pickens	Supervisor District 1	EMC Insurance Company	\$ 100,000
Jimmy Yarbrough	Supervisor District 2	EMC Insurance Company	100,000
Danny Jordan	Supervisor District 3	EMC Insurance Company	100,000
Jess "Randy" Owen	Supervisor District 4	EMC Insurance Company	100,000
Benny Rakestraw	Supervisor District 5	EMC Insurance Company	100,000
Terry Johnson	County Administrator	EMC Insurance Company	100,000
Annette Hickey	Chancery Clerk	EMC Insurance Company	100,000
Shellie Kent	Purchase Clerk	EMC Insurance Company	75,000
Kay Wicker	Assistant Purchase Clerk	EMC Insurance Company	50,000
Peggy Hollis	Receiving Clerk	EMC Insurance Company	75,000
Beverly Brooks	Assistant Receiving Clerk	EMC Insurance Company	50,000
Perry Hall	Assistant Receiving Clerk	EMC Insurance Company	50,000
Doug Littlejohn	Assistant Receiving Clerk	EMC Insurance Company	50,000
Joel Dillard	Assistant Receiving Clerk	EMC Insurance Company	50,000
Stevey Watson	Assistant Receiving Clerk	EMC Insurance Company	50,000
Bobby Pannell	Assistant Receiving Clerk	EMC Insurance Company	50,000
Ila Parker	Assistant Receiving Clerk	EMC Insurance Company	50,000
Jonathan Callicutt	Assistant Receiving Clerk	EMC Insurance Company	50,000
Deborah Coombs	Assistant Receiving Clerk	EMC Insurance Company	50,000
Kathy Butler	Assistant Receiving Clerk	EMC Insurance Company	50,000
James Kevin Cooper	Assistant Receiving Clerk	EMC Insurance Company	50,000
Angelia Owen	Assistant Receiving Clerk	EMC Insurance Company	50,000
Nancy Bell	Assistant Receiving Clerk	EMC Insurance Company	50,000
Larry Jarvis	Assistant Receiving Clerk	EMC Insurance Company	50,000
Eddie Turner	Assistant Receiving Clerk	EMC Insurance Company	50,000
Donald Richey	Assistant Receiving Clerk	EMC Insurance Company	50,000
Michael Moore	Assistant Receiving Clerk	EMC Insurance Company	50,000
Brandon Vance	Assistant Receiving Clerk	EMC Insurance Company	50,000
Gary Rowell	Assistant Receiving Clerk	EMC Insurance Company	50,000
Michael Kiddy	Assistant Receiving Clerk	EMC Insurance Company	50,000
Terry Johnson	Inventory Control Clerk	EMC Insurance Company	75,000
James Byers	Road Manager	EMC Insurance Company	50,000
PJ Doyle	Constable	Western Surety Company	50,000
David Garrison	Constable	Western Surety Company	50,000
Phyllis Stanford	Circuit Clerk	EMC Insurance Company	100,000
Helen Randle	Deputy Circuit Clerk	EMC Insurance Company	100,000
Rhonda Dowdy	Deputy Circuit Clerk	EMC Insurance Company	100,000
Linda Wells	Deputy Circuit Clerk	EMC Insurance Company	100,000

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

<u>Name</u>	<u>Position</u>	<u>Company</u>	<u>Bond</u>
Jimmy Edwards	Sheriff	EMC Insurance Company	\$ 100,000
Ronnie Rakestraw	Justice Court Judge	Brierfield Insurance Company	50,000
Chris Childers	Justice Court Judge	Western Surety Company	50,000
Larissa Edwards	Justice Court Clerk	EMC Insurance Company	50,000
Denise Owen	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Robbie Moore	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Deborah Fair	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Amanda Chism	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Avery Adair	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Tony Douglas Vandiver	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Joseph Brett Wicker	Deputy Justice Court Clerk	EMC Insurance Company	50,000
James Province	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Rob Anderson	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Baron Baker	Deputy Justice Court Clerk	EMC Insurance Company	50,000
Randy Dunnam	Tax Assessor-Collector	EMC Insurance Company	100,000
Cynthia Swofford Wilbanks	Deputy Tax Collector	EMC Insurance Company	50,000
Leandra Pannell	Deputy Tax Collector	EMC Insurance Company	50,000
Sharon Medlin	Deputy Tax Collector	EMC Insurance Company	50,000
Dana Baker	Deputy Tax Collector	EMC Insurance Company	50,000
James Samuel Brown	Deputy Tax Collector	EMC Insurance Company	50,000
Bobbie Karen McMillen	Deputy Tax Assessor	EMC Insurance Company	50,000
Christy Sullivan	Deputy Tax Assessor	EMC Insurance Company	50,000
Michael Meinz	Deputy Tax Assessor	EMC Insurance Company	50,000

**SPECIAL REPORTS**

**J.E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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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  
Union 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 Union County, Mississippi, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements and have issued our report thereon dated May 24, 2016.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 2014-3 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2014-1 and 2014-2 to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union 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*.

However, we noted certain matters which we have reported to the management of Union County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated May 24, 2016, included within this document.

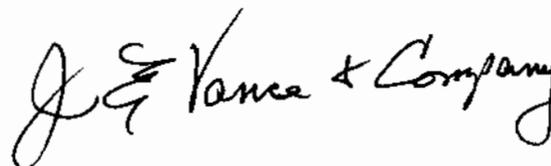
#### **Union County's Responses to Findings**

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

#### **Purpose of the 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.

Tupelo, Mississippi  
May 24, 2016



**J.E. VANCE & COMPANY, P.A.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors  
Union County, Mississippi

We have examined Union County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2014. The Board of Supervisors of Union 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 Union 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.

In our opinion, Union County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2014.

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

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

Tupelo, Mississippi  
May 24, 2016

*J E Vance & Company*

**Union County**  
**Schedule of Purchases Not Made From the Lowest Bidder**  
**For the Year Ended September 30, 2014**

**Schedule 1**

Our test results did not identify any purchases not made from the lowest bidder.

**Union County  
Schedule of Emergency Purchases  
For the Year Ended September 30, 2014**

**Schedule 2**

Our test results did not identify any emergency purchases.

**Union County**  
**Schedule of Purchases Made Noncompetitively from a Sole Source**  
**For the Year Ended September 30, 2014**

**Schedule 3**

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

# J.E. VANCE & COMPANY, P.A.

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## Limited Internal Control and Compliance Review Management Report

Members of the Board of Supervisors  
Union County, Mississippi

In planning and performing our audit of the financial statements of Union County, Mississippi for the year ended September 30, 2014, we considered Union 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 Union 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 May 24, 2016, on the financial statements of Union County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of 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.

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

Board of Supervisors:

1. Union County should expire all individual's passwords on a periodic basis.

### Finding

As reported in the prior year report, a review of Union County's security settings revealed that no passwords were set to expire. All passwords should be set to expire in accordance with policy to be determined by Union County.

### Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, Union County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

### Board of Supervisors' Response

Our computer service providers are working on this project and the County expects to have a policy implemented and operational by the end of fiscal year 2016.

2. Union County should strengthen passwords.

### Finding

As reported in the prior year report, it was noted that Union County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that would not meet these standards, thereby creating an unnecessary risk for Union County information assets.

### Recommendations

We recommend that Union County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

### Board of Supervisors' Response

Our computer service providers are working on this project and the County expects to have a policy implemented and operational by the end of fiscal year 2016.

3. Union County should install network banners on its internal network.

### Finding

As reported in the prior year report, it was noted that the system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannerings assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

### Recommendation

We recommend that Union County implement appropriate network banners on its internal network.

### Board of Supervisors' Response

Our computer service providers are working on this project and the County expects to have

a policy implemented and operational by the end of fiscal year 2016.

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

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

Tupelo, Mississippi  
May 24, 2016

A handwritten signature in black ink that reads "J. E. Vance & Company". The signature is written in a cursive, flowing style.

**SCHEDULE OF FINDINGS AND RESPONSES**

**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**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 weakness(es) identified?                            | Yes        |
| b. Significant deficiency(ies) identified?                      | Yes        |
| 3. Noncompliance material to the financial statements?          | No         |

**Section 2: Financial Statement Findings**

Board of Supervisors.

Significant Deficiency

2014-001      Union County should establish and test a disaster recovery process.

Finding

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

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

**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Union County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part a formal, documented disaster recovery exercise. Without proper assurance that back-up files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that Union County develop, implement, and test a plan to ensure that critical data and applications are recoverable in case of a disaster scenario. We further recommend that Union County develop and implement a disaster recovery plan documenting procedures to be followed during an emergency. Once the plan is completed, it should be subjected to proper testing, and employees should be made aware of their responsibilities in the event of a disaster. The plan should be updated when needed in order to maintain readiness for a disaster scenario.

Board of Supervisors' Response

Our computer service providers are working on this project and the County expects to have a policy implemented and operational by the end of fiscal year 2017.

**Significant Deficiency**

2014-002      Union County should implement a formal information security policy.

Finding

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

Recommendation

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

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

**UNION COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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

Board of Supervisors' Response

Our computer service providers are working on this project and the County expects to have a policy implemented and operational by the end of fiscal year 2017.

Tax Assessor/Collector.

**Material Weakness**

2014-003      Internal controls in the Tax Collector's office needs to be strengthened.

Finding

An effective system of internal controls over Tax Collector collections should include reconciliations of changes to tax records. During audit interviews, we noted that there is not an additional reconciliation to account for changes to individual tax records. The lack of adequate reconciliations could result in the loss of public funds.

Recommendation

The Tax Collector should implement a system of reconciling any changes to individual tax records.

Tax Assessor/Collector's Response

We will comply.