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**FORREST COUNTY, MISSISSIPPI**

**AUDITED FINANCIAL STATEMENTS  
AND SPECIAL REPORTS**

**Year Ended September 30, 2015**

# FORREST COUNTY, MISSISSIPPI

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## **INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Forrest County, Mississippi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forrest County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

Members of the Board of Supervisors  
Forrest County, Mississippi

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

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

#### **Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units**

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenues and expenses of the aggregate discretely presented component units has not been determined.

#### **Adverse Opinion**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Forrest County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Unmodified Opinions**

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Forrest County, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Members of the Board of Supervisors  
Forrest County, Mississippi

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the New Pension Liability, and the Schedule of the County's Contributions 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Forrest County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Members of the Board of Supervisors  
Forrest County, Mississippi

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 August 15, 2016 on our consideration of Forrest 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Forrest County, Mississippi's internal control over financial reporting and compliance.



Hattiesburg, Mississippi  
August 15, 2016

**FORREST COUNTY, MISSISSIPPI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2015**

**INTRODUCTION**

This discussion and analysis of Forrest County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2015. 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.

Forrest County is located in southeastern Mississippi along Interstate I-59. The population, according to the 2010 census, is 74,934. The local economic base is driven mainly by Manufacturing and Poultry Processing, as well as diverse trade and service developments including a regional healthcare center of Southeast Mississippi.

**FINANCIAL HIGHLIGHTS**

Forrest 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.

Forrest 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. The County government tax rate has increased an average of only 9.7% over the last 5 years. This does not include School tax increases.

Key financial highlights for 2015 were as follows:

- Total net position decreased \$31,698,616, which represents a 37.9% decrease from the prior fiscal year. The County's ending cash balance decreased by \$1,642,654 which represents a 4.88% decrease from the prior fiscal year.
- The County had \$38,598,142 in total revenues. Tax revenues account for \$28,384,882 or 73.54% of total revenues. State revenues in the form of reimbursements, shared revenue or grants, account for \$5,798,410 or 15.02% of total revenues.
- The County had \$45,857,064 in total expenses, which represents an increase of \$10,149,761 or 28.4% increase from the prior fiscal year. Expenses in the amount of \$5,798,410 were offset by grants, outside contributions or debt being issued. General revenues of \$29,075,934 were adequate to provide for the remainder of most of the expenses.
- Among major funds, the General Fund had \$26,375,363 in revenues and \$24,508,515 in expenditures. The General Fund's fund balance increased \$1,251,393 over the prior year. The Road & Bridge Maintenance Fund had \$4,925,982 in revenues and \$7,485,798 in expenditures. The Road & Bridge Maintenance Fund's fund balance decreased \$2,555,061 under the prior year. Major road and bridge repair work had been started in the prior year with the final expenditures made in the current year, representing planned use of Road and Bridge monies.

- Capital assets, net of accumulated depreciation, decreased by \$1,276,988.
- Long-term debt increased by \$29,606,447 primarily due to the implementation of GASB 68 and the recording of the County's net pension liability.

## 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.

**Government-Wide Financial Statements** - The government-wide financial statements are designed to provide readers with a broad overview of the County's 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 the 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; education; economic development; pension expense and interest on long-term debt.

Management had chosen to omit from the financial statements, the following component units:

Forrest General Hospital  
Rawls Springs Volunteer Fire Department  
North Forrest Fire Protection District  
Forrest County Agriculture High School

The Government-wide Financial Statements can be found on pages 15 - 17 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 two categories: governmental 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 19 and 21 - 22, 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 18 and 20 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 23 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 24 - 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 and pension standards.

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each major special revenue fund. This required supplementary information can be found on pages 54 - 57 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Cir. A-133 and can be found on pages 62 - 63 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position** - Net position may serve over time as a useful indicator of a government's financial position. In the case of Forrest County, assets and deferred outflows exceeded liabilities and deferred inflows by \$51,944,342 as of September 30, 2015.

By far, the largest portion of the County's net position (99%) reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture and equipment, 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.

GASB 68 and 71 were implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68 and 71.

The County also recorded expense related to a judgment in a lawsuit settlement received subsequent to year end. This decreased net position by \$5,000,000.

Table 1 presents a summary of the County's net position for the fiscal year ended September 30, 2015.

(See Table on Next Page)

**Table 1  
Net Position**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
<b>ASSETS:</b>			
Current assets	\$ 62,666,296	\$ 61,845,484	1.33%
Capital assets, net	83,888,127	85,165,115	-1.50%
<b>Total assets</b>	<b>146,554,423</b>	<b>147,010,599</b>	-0.31%
<b>DEFERRED OUTFLOWS</b>	<b>5,683,982</b>	<b>72,790</b>	7708.74%
<b>LIABILITIES:</b>			
Current liabilities	9,183,290	4,340,836	111.56%
Long-term debt, outstanding	31,225,096	32,998,445	-5.37%
Net pension liability	31,379,796	-	N/A
<b>Total liabilities</b>	<b>71,788,182</b>	<b>37,339,281</b>	92.26%
<b>DEFERRED INFLOWS</b>	<b>28,505,881</b>	<b>26,101,150</b>	9.21%
<b>NET POSITION:</b>			
Net investment in capital assets	56,412,252	55,748,069	1.19%
Restricted	11,908,670	14,187,052	-16.06%
Nonexpendable	139,777	222,551	-37.19%
Unrestricted	(16,516,357)	13,485,286	-222.48%
<b>Total net position</b>	<b>\$ 51,944,342</b>	<b>\$ 83,642,958</b>	-37.90%

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (16,516,357)
Less unrestricted deficit in net position resulting from recognition of GASB 68 & 71	<u>24,517,274</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 8,000,917</u>

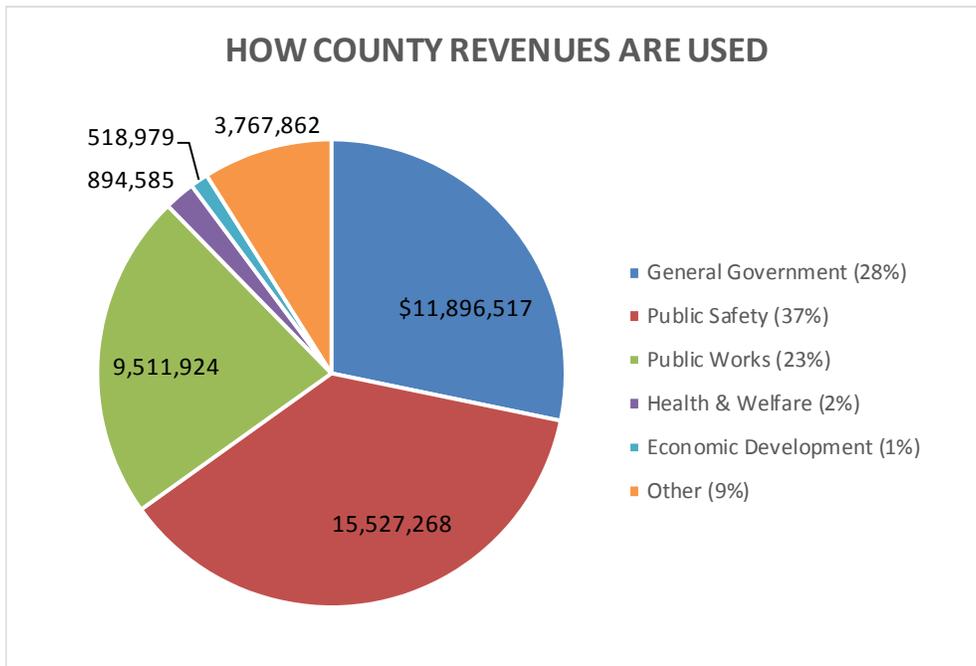
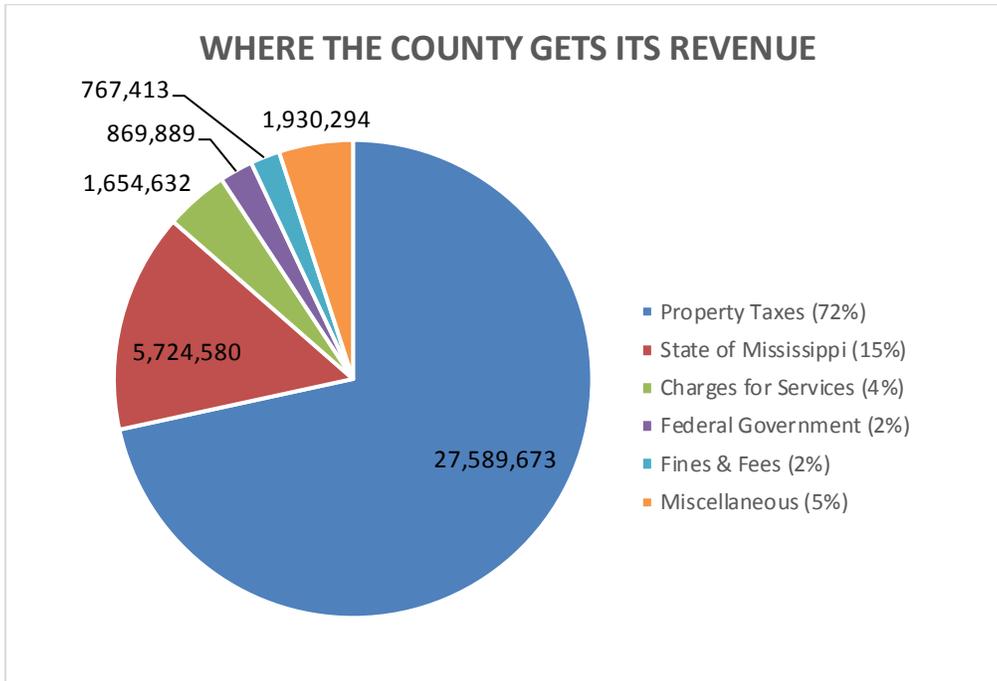
The following are significant current year transactions that have had an impact on the Statement of Net Position:

- The implementation of GASB 68 and 71 resulted in the recognition of a net pension liability of \$31,379,796, deferred outflows of resources of \$5,524,967, and deferred inflows of resources of \$473,484.
- A judgment received subsequent to year end resulted in the recognition of a liability of \$5,400,000, a receivable of \$400,000, with the net effect of a decrease in net position of \$5,000,000.

**Changes in Net Position** - Forrest County's total revenues for the fiscal year ended September 30, 2015 was \$38,598,142. The total cost of all services provided was \$45,857,064. The decrease in net position was \$7,258,922. Table 2 presents a summary of the changes in net position for the fiscal year ended September 30, 2015, as compared to the fiscal year ended September 30, 2014.

**Table 2  
Changes in Net Position**

	<b>Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2015</b>	<b>2014</b>	
<b>REVENUES:</b>			
Program revenues:			
Charges for services	\$ 3,723,798	\$ 4,262,791	-12.64%
Operating grants and contributions	4,745,767	2,806,633	69.09%
Capital grants and contributions	1,052,643	792,524	32.82%
General revenues:			
Property taxes	27,589,673	27,260,544	1.21%
Other taxes	795,209	783,366	1.51%
Other general revenues	691,052	1,703,577	-59.44%
<b>Total revenues</b>	<b>38,598,142</b>	<b>37,609,435</b>	2.63%
<b>EXPENSES:</b>			
General government	11,896,517	13,054,074	-8.87%
Public safety	15,527,268	11,585,893	34.02%
Public works	9,511,924	6,187,109	53.74%
Health and welfare	894,585	902,834	-0.91%
Economic development and assistance	518,979	675,178	-23.13%
Pension expense	3,739,929	-	N/A
Culture and recreation	1,481,096	1,606,034	-7.78%
Conservation natural resources	141,683	629,776	-77.50%
Interest and fiscal charges	2,145,083	1,066,405	101.15%
<b>Total expenses</b>	<b>45,857,064</b>	<b>35,707,303</b>	28.42%
<b>Changes in net position</b>	<b>\$ (7,258,922)</b>	<b>\$ 1,902,132</b>	-481.62%



**Governmental Activities** - Table 3 presents the cost of six major functional activities of the County: General Government, Public Safety, Public Works, Health and Welfare, Pension Expense, and Economic Development and Assistance.

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 Forrest County's taxpayers by each of these functions.

**Table 3  
Functional Costs**

	<u>Total Costs</u>	<u>Net Costs</u>
General Government	\$ 11,896,517	\$ 9,726,097
Public Safety	15,527,268	11,796,988
Public Works	9,511,924	7,738,489
Health and Welfare	894,585	726,339
Pension Expense	3,739,929	3,739,929
Economic Development and Assistance	518,979	(362,640)

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

**Governmental funds** - At the close of the fiscal year, Forrest County's governmental funds reported a combined fund balance of \$28,837,858, a decrease of \$1,030,032. The primary reasons for this decrease are highlighted in the analysis of governmental activities. In addition, other factors that affected ending fund balance are as follows:

- The County expended \$3,000,000 on road improvement projects, reducing the beginning fund balance in the road improvement fund by the same amount.

The General Fund is the principal operating fund of the County. The increase in the fund balance of the General Fund for the fiscal year was \$1,251,393. This increase was primarily due to an increase in property tax collections and state grant revenue.

**BUDGETARY HIGHLIGHTS OF MAJOR FUNDS**

Over the course of the year, Forrest County revised its annual operating budget on several occasions. Significant budget amendments are explained as follows:

- Amendments were made to correct the estimated beginning fund balances made in the original budget to actual beginning fund balances on October 1.
- Budgeted revenue from state/federal sources was increased due to new grant authorizations.
- Budgeted expenditures for road and bridge contracts for resurfacing projects was increased due to contracts awarded.

Even with these adjustments, actual disbursements were below final budget amounts by \$3,590,846 for the General Fund and \$2,062,394 for the Road and Bridge Maintenance Fund.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - As of September 30, 2015, Forrest County's total capital assets was \$150,612,423. This includes roads, bridges, other infrastructure, land, buildings, mobile equipment, furniture and equipment, and construction in progress. This amount represents an increase from the previous year of \$1,596,614. The majority of this increase is due to the acquisition of mobile equipment during the current year.

Total accumulated depreciation as of September 30, 2015, was \$66,724,296, including \$3,196,821 of depreciation expense for the year. The balance in total net capital assets was \$83,888,127 at year-end.

Additional information on Forrest County's capital assets can be found in Note 7 on pages 37 and 38 of this report.

Table 4 provides an overview of the County's capital assets, net of accumulated depreciation.

**Table 4  
Capital Assets (Net of Depreciation)**

	<u>2015</u>	<u>2014</u>	<u>Total Percentage Change</u>
Land and construction in progress	\$ 1,657,480	\$ 2,137,059	-22.44%
Buildings and improvements	50,492,830	50,758,153	-0.52%
Infrastructure	26,563,874	27,257,051	-2.54%
Machinery and equipment	5,173,943	5,012,852	3.21%
<b>Total</b>	<b><u>\$ 83,888,127</u></b>	<b><u>\$ 85,165,115</u></b>	-1.50%

**Debt Administration** - At September 30, 2015, Forrest County had \$31,225,096 in long-term obligations outstanding. This includes compensated absences, general obligation bonds, and other loans. Of this debt, \$3,303,579 is due within one year.

Forrest County maintains an "Aa3" bond rating from Moody's. The State of Mississippi limits the amount of debt a county can issue to generally 15% of total assessed value. The County's outstanding debt was equal to 4.10% of the latest property assessments as of September 30, 2015.

Additional information on Forrest County, Mississippi's long-term debt can be found in Note 10 on pages 44 - 48 of this report.

Table 5 is a summary of the total outstanding long-term debt obligations of the County.

**Table 5  
Outstanding Bonds, Notes and Long-Term Debt Obligations at Year End**

	<u>2015</u>	<u>2014</u>	<u>Total Percentage Change</u>
General obligation bonds	\$ 30,472,545	\$ 32,325,568	-5.73%
Other loans	162,345	91,478	77.47%
Compensated absences	590,206	581,399	1.51%
<b><i>Total bonded debt, notes and long-term debt obligations</i></b>	<b><u>\$ 31,225,096</u></b>	<b><u>\$ 32,998,445</u></b>	-5.37%

#### **CURRENT AND FUTURE ITEMS OF IMPACT**

Forrest County, with the help of our Area Development Partnership (ADP), continues to attract major manufacturers to our area. One of the world's largest manufacturers of tissue and towel paper, Sofidel America, will be locating in the County's industrial park. Sofidel America is part of the global Sofidel Group which operates in 13 countries with more than 5,500 employees. Sofidel's move will take place in two phases, with an investment of up to \$60 million and the creation of 130 jobs in the first phase. Within years three through five of the agreement, Sofidel will invest another \$60 million and create an additional 130 jobs.

Forrest County has helped to take a step in getting Strata Solar, LLC of Chapel Hill, North Carolina creating a solar farm. The Board is agreeing to a 10 year statutory tax exemption for the project. During the exemption period, the schools will receive in excess of \$700,000 per year and at the end of the ten year exemption, the City of Hattiesburg, Forrest County, and schools will receive a significant tax revenue flow associated with the project. The facility should be in operation by the end of the 2016 year. The 460 acre project represents a \$90 million investment and is expected to create approximately 400 construction jobs in our County.

#### **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 received. If you have questions about this report or need additional financial information, please contact the Forrest County Chancery Clerk at Post Office Box 951, Hattiesburg, Mississippi 39403-0951.

***FINANCIAL STATEMENTS***

EXHIBIT 1

**FORREST COUNTY, MISSISSIPPI**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 31,531,355
Property tax receivable	28,032,397
Fines receivable, net of allowance for uncollectibles of \$6,833,657	1,586,304
Intergovernmental receivables	426,260
Other receivables	432,086
Prepaid bond insurance	139,777
Restricted assets	518,117
Capital assets:	
Land and construction in progress	1,657,480
Other capital assets, net	82,230,647
<b>Total assets</b>	<b>146,554,423</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	5,524,967
Deferred amount on refunding	159,015
<b>Total deferred outflows of resources</b>	<b>5,683,982</b>
<b>LIABILITIES</b>	
Claims payable	2,489,540
Intergovernmental payables	715,219
Accrued interest payable	113,330
Other payables	5,865,201
Long-term liabilities:	
Due within one year:	
Capital debt	3,303,579
Due in more than one year:	
Capital debt	24,331,311
Non-capital debt	3,590,206
Net pension liability	31,379,796
<b>Total liabilities</b>	<b>71,788,182</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	473,484
Deferred revenues - property taxes	28,032,397
<b>Total deferred inflows of resources</b>	<b>28,505,881</b>

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

EXHIBIT 1  
PAGE TWO

**FORREST COUNTY, MISSISSIPPI**

**STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	<b>Governmental Activities</b>
<b>NET POSITION</b>	
Net investment in capital assets	\$ 56,412,252
Restricted for:	
Expendable:	
General government	35,138
Public safety	1,570,533
Public works	6,971,140
Culture and recreation	113,994
Conservation of natural resources	165,779
Unemployment compensation	115,592
Debt service	2,693,333
Capital projects	243,161
Nonexpendable	139,777
Unrestricted	<u>(16,516,357)</u>
<b>Total net position</b>	<b><u>\$ 51,944,342</u></b>

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

EXHIBIT 2

**FORREST COUNTY, MISSISSIPPI**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Primary Government:</b>					
Governmental activities:					
General government	\$ 11,896,517	\$ 1,245,491	\$ 882,090	\$ 42,839	\$ (9,726,097)
Public safety	15,527,268	2,269,385	1,040,377	420,518	(11,796,988)
Public works	9,511,924	-	1,773,435	-	(7,738,489)
Health and welfare	894,585	-	168,246	-	(726,339)
Culture and recreation	1,481,096	208,922	-	589,286	(682,888)
Conservation of natural resources	141,683	-	-	-	(141,683)
Economic development and assistance	518,979	-	881,619	-	362,640
Pension expense	3,739,929	-	-	-	(3,739,929)
Interest on long-term debt	2,145,083	-	-	-	(2,145,083)
Total governmental activities	<u>45,857,064</u>	<u>3,723,798</u>	<u>4,745,767</u>	<u>1,052,643</u>	<u>(36,334,856)</u>
<b>Total primary government</b>	<u>\$ 45,857,064</u>	<u>\$ 3,723,798</u>	<u>\$ 4,745,767</u>	<u>\$ 1,052,643</u>	<u>(36,334,856)</u>
General revenues:					
Property taxes					27,589,673
Road and bridge privilege taxes					795,209
Unrestricted interest income					39,682
(Loss) on sale of capital assets					(49,918)
Miscellaneous					701,288
Total general revenues					<u>29,075,934</u>
<b>CHANGES IN NET POSITION</b>					<u>(7,258,922)</u>
<b>NET POSITION - BEGINNING, AS PREVIOUSLY REPORTED</b>					83,642,958
Prior period adjustment					<u>(24,439,694)</u>
<b>NET POSITION - BEGINNING, AS RESTATED</b>					<u>59,203,264</u>
<b>NET POSITION - ENDING</b>					<u>\$ 51,944,342</u>

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

EXHIBIT 3

FORREST COUNTY, MISSISSIPPI

BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2015

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Road and Bridge Maintenance Fund		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 19,487,374	\$ 4,936,663	\$ 7,107,318	\$ 31,531,355
Cash with fiscal agents	43,117	-	475,000	518,117
Property tax receivable	20,142,576	2,317,489	5,572,332	28,032,397
Fines receivable (net of allowance for uncollectibles of \$6,833,657)	1,586,304	-	-	1,586,304
Intergovernmental receivables	426,260	-	-	426,260
Other receivables	32,086	-	-	32,086
Due from other funds	-	92,961	79,416	172,377
<b>Total assets</b>	<b>\$ 41,717,717</b>	<b>\$ 7,347,113</b>	<b>\$ 13,234,066</b>	<b>\$ 62,298,896</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Claims payable	\$ 1,834,034	\$ 371,130	\$ 284,376	\$ 2,489,540
Intergovernmental payables	687,765	-	-	687,765
Due to other funds	185,979	-	13,852	199,831
Other payables	465,201	-	-	465,201
Total liabilities	3,172,979	371,130	298,228	3,842,337
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - property taxes	20,142,576	2,317,489	5,572,332	28,032,397
Unavailable revenue - fines	1,586,304	-	-	1,586,304
Total deferred inflows of resources	21,728,880	2,317,489	5,572,332	29,618,701
<b>Fund Balances:</b>				
Restricted for:				
General government	-	-	35,138	35,138
Public safety	-	-	1,697,255	1,697,255
Public works	-	4,658,494	2,312,646	6,971,140
Conservation of natural resources	-	-	165,779	165,779
Debt service	-	-	2,806,663	2,806,663
Unemployment compensation	-	-	115,592	115,592
Committed to:				
Public safety	-	-	116,439	116,439
Culture and recreation	-	-	113,994	113,994
Unassigned	16,815,858	-	-	16,815,858
Total fund balances	16,815,858	4,658,494	7,363,506	28,837,858
<b>Total liabilities, deferred inflows and fund balances</b>	<b>\$ 41,717,717</b>	<b>\$ 7,347,113</b>	<b>\$ 13,234,066</b>	<b>\$ 62,298,896</b>

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

EXHIBIT 3-1

**FORREST COUNTY, MISSISSIPPI**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2015**

	<u>Amount</u>
Total Fund Balances - Governmental Funds	\$ 28,837,858
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$66,724,296.	83,888,127
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,586,304
Long-term liabilities and related accrued interest payable are not due and payable in the current period and, therefore, are not reported in the funds.	(31,338,426)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(31,379,796)
Settlement obligation that is not due and payable in the current period and, therefore, is not reported in the funds.	(5,000,000)
Deferred amount on refunding	159,015
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	5,524,967
Deferred inflows of resources related to pensions	(473,484)
Prepaid bond insurance	<u>139,777</u>
<b>Total Net Position - Governmental Activities</b>	<b><u><u>\$ 51,944,342</u></u></b>

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

EXHIBIT 4

FORREST COUNTY, MISSISSIPPI

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Major Funds		Other Governmental Funds	Total Governmental Funds
	General Fund	Road and Bridge Maintenance Fund		
<b>REVENUES</b>				
Property taxes	\$ 19,532,084	\$ 2,470,709	\$ 5,586,880	\$ 27,589,673
Road and bridge privilege taxes	22,694	772,515	-	795,209
Licenses, commissions and other revenue	1,225,541	-	16,887	1,242,428
Fines and forfeitures	616,985	-	150,428	767,413
Intergovernmental revenues	3,117,797	1,669,634	1,011,829	5,799,260
Charges for services	1,654,632	-	-	1,654,632
Interest income	27,992	7,048	4,642	39,682
Miscellaneous revenues	177,638	6,076	464,470	648,184
Total revenues	<u>26,375,363</u>	<u>4,925,982</u>	<u>7,235,136</u>	<u>38,536,481</u>
<b>EXPENDITURES</b>				
Current:				
General government	11,361,114	-	685,640	12,046,754
Public safety	10,187,922	-	833,183	11,021,105
Public works	261,730	7,485,798	1,221,500	8,969,028
Health and welfare	892,238	-	-	892,238
Culture and recreation	1,187,678	-	839,775	2,027,453
Conservation of natural resources	98,854	-	26,969	125,823
Economic development and assistance	518,979	-	-	518,979
Debt Service:				
Principal	-	-	3,238,459	3,238,459
Interest	-	-	897,209	897,209
Other debt service costs	-	-	123,624	123,624
Total expenditures	<u>24,508,515</u>	<u>7,485,798</u>	<u>7,866,359</u>	<u>39,860,672</u>
Excess of revenues over (under) expenditures	<u>1,866,848</u>	<u>(2,559,816)</u>	<u>(631,223)</u>	<u>(1,324,191)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term capital debt issued	-	-	116,000	116,000
Refunding bonds issued	-	-	8,960,000	8,960,000
Proceeds from sale of capital assets	2,515	4,755	6,625	13,895
Premiums on bonds issued	-	-	544,038	544,038
Compensation for loss of capital assets	251,596	-	19,234	270,830
Transfers in	13,000	-	748,204	761,204
Transfers out	(664,000)	-	(97,204)	(761,204)
Other uses	(218,566)	-	-	(218,566)
Payment to bond refunding escrow agent	-	-	(1,307,038)	(1,307,038)
Debt service principal - refunding bonds	-	-	(8,085,000)	(8,085,000)
Total other financing sources (uses)	<u>(615,455)</u>	<u>4,755</u>	<u>904,859</u>	<u>294,159</u>
Net changes in fund balances	1,251,393	(2,555,061)	273,636	(1,030,032)
<b>FUND BALANCES - BEGINNING</b>	<u>15,564,465</u>	<u>7,213,555</u>	<u>7,089,870</u>	<u>29,867,890</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 16,815,858</u>	<u>\$ 4,658,494</u>	<u>\$ 7,363,506</u>	<u>\$ 28,837,858</u>

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

EXHIBIT 4-1

**FORREST COUNTY, MISSISSIPPI**

**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, 2015**

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (1,030,032)
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 \$3,196,821 exceeded capital outlays of \$1,906,066 in the current period.	(1,290,755)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$49,918 and the proceeds from the sale of \$13,895 in the current period.	(63,813)
Legal expense for settlement of claim not due and payable in the current period is not recognized in the fund financial statements but is reported in the Statement of Activities.	(5,000,000)
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.	59,315
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$3,238,459 exceeded debt proceeds of \$991,000.	2,247,459

EXHIBIT 4-1  
PAGE TWO

**FORREST COUNTY, MISSISSIPPI**

**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, 2015**

	<u>Amount</u>
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:	
Change in compensated absences	\$ (8,807)
Change in accrued interest payable	27,812
Amortization of deferred charges	(25,775)
Amortization of prepaid insurance	(9,984)
Premium on refunding bond	(465,303)
Discount on current year refunding bond	112,000
	<u>(370,057)</u>
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recognition of pension expense for the current period	(2,313,771)
Recognition of contributions made subsequent to the measuring date	502,732
	<u>502,732</u>
<b><i>Change in Net Position of Governmental Activities</i></b>	<b><u>\$ (7,258,922)</u></b>

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

EXHIBIT 5

**FORREST COUNTY, MISSISSIPPI**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
SEPTEMBER 30, 2015**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 826,073
Due from other funds	<u>27,454</u>
Total assets	<u>\$ 853,527</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 230,755
Other liabilities	612,005
Intergovernmental payables	<u>10,767</u>
Total liabilities	<u>\$ 853,527</u>

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

***NOTES TO FINANCIAL STATEMENTS***

## FORREST COUNTY, MISSISSIPPI

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity** - Forrest County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Forrest County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Forrest General Hospital
- Rawls Springs Volunteer Fire Department
- North Forrest Fire Protection District
- Forrest County Agricultural High School

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
- Tax Collector
- Sheriff

#### **B. Individual Component Unit Disclosure**

Blended Component Units - Certain component units, although legally separate from the primary government, are nevertheless so intertwined with the primary government that they are, in substance, the same as the primary government. Therefore, these component units are reported as if they are part of the primary government. The following component unit's balances and transactions are blended with the balances and transactions of the primary government.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TWO**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

Forrest County Public Improvement Corporation was incorporated as a nonprofit under Section 31-8-3, Miss. Code Ann. (1972), which allows counties to enter into lease agreements with any corporation. The corporation's three-member board of directors is appointed by the Board of Supervisors. Although legally separate from the primary government, the Corporation's balances and transactions are blended with the balances and transactions of the primary government. The Corporation produces a financial benefit through its ability to finance the construction, acquisition and renovation of capital facilities for the primary government and imposes a financial burden on the primary government by obligating funds to repay the debt pursuant to a lease agreement. See Note 9 for further disclosure concerning the issuance of certificates of participation (COPs) and related capital facilities construction, acquisition and renovation.

**C. *Basis of Presentation***

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

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

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

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE THREE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

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

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

The County reports the following major Governmental Funds:

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

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

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
PAGE FOUR  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPE

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

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

**F. Deposits** - 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.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE FIVE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**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." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

**I. Prepaid Items** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

**J. Restricted Assets** - Assets required to be held and/or used as specified in bond indentures, bond resolutions and board resolutions have been reported as restricted assets.

**K. 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 governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation 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.

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. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimates useful lives:

(See Table on Next Page)

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

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

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

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

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 9 for additional details.

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

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 9 for additional details.

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

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, 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.

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

**O. Equity Classifications**

Government-wide Financial Statements:

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

Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

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

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

**Net Position Flow Assumption:**

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

**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:

*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.

*Committed fund balance* includes amounts that can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE NINE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***

*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.

**Fund Balance Flow Assumption:**

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

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

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

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectability criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

**PAGE TEN**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)**

**Q. *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.

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

**S. *Changes in Accounting Standards*** - The County implemented the following standards issued by Governmental Accounting Standards Board (GASB) in the current fiscal year as required:

GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*

GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

The provisions of these standards have been incorporated into the financial statements and notes.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 2 - PRIOR PERIOD ADJUSTMENTS**

A summary of the significant fund equity adjustments is as follows:

**Exhibit 2 - Statement of Activities**

<u>Explanation</u>	<u>Amount</u>
To adjust beginning balances of capital assets	\$ 77,580
Implementation of GASB 68 and 71:	
Net pension liability (measurement date)	(25,022,228)
deferred outflows	504,954
	<u>(24,517,274)</u>
<b>Total prior period adjustments</b>	<b><u>\$ (24,439,694)</u></b>

**NOTE 3 - DEPOSITS**

**Deposits** - The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$32,336,493, and the bank balance was \$33,176,618. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

**Cash with Fiscal Agents** - The carrying amount of the County's cash with fiscal agents held by financial institutions was \$518,117 at September 30, 2015. Included in this amount is \$475,000 in the County's 2012 Qualified School Construction Bond Sinking Fund.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 4 - INTERFUND TRANSACTIONS AND BALANCES**

The following is a summary of interfund balances at September 30, 2015:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Road and Bridge Maintenance Fund	General Fund	\$ 92,961
Other Governmental Funds	General Fund	65,564
Other Governmental Funds	Other Governmental Funds	13,852
Agency Funds	General Fund	27,454
<b>Total</b>		<b>\$ 199,831</b>

The receivables represent the tax revenue collected but not settled until October 2015. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 13,000
Other Governmental Funds	Other Governmental Funds	84,204
Other Governmental Funds	General Fund	664,000
<b>Total</b>		<b>\$ 761,204</b>

The principal purpose of interfund transfers was to provide funds to pay for capital outlay and debt service. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 5 - INTERGOVERNMENTAL RECEIVABLES**

Intergovernmental receivables at September 30, 2015, consisted of the following:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tag credit	\$ 342,300
Substance Abuse and Mental Health Services Grant	69,489
High Intensity Drug Trafficking Area Program Grant	7,832
Edward Byrne Memorial Justice Assistance Grant	6,639
	<hr/>
<b><i>Total governmental activities</i></b>	<b><u><u>\$ 426,260</u></u></b>

**NOTE 6 - RESTRICTED ASSETS**

Restricted assets at September 30, 2015, consisted of amounts held by fiscal agent for the following projects:

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Qualified school construction bonds	\$ 475,000
Public Improvement Welfare project	39,187
Public Improvement DHS project	3,930
	<hr/>
<b><i>Total governmental activities</i></b>	<b><u><u>\$ 518,117</u></u></b>

FORREST COUNTY, MISSISSIPPI

NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015

**NOTE 7 - CAPITAL ASSETS**

The following is a summary of capital assets activity for the year ended September 30, 2015:

	<u>Balance Oct. 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments*</u>	<u>Balance Sep. 30, 2015</u>
<b>Governmental activities:</b>					
Non-depreciable capital assets:					
Land	\$ 2,137,059	\$ 193,415	\$ -	\$ (722,876)	\$ 1,607,598
Construction in progress	-	49,882	-	-	49,882
Total non-depreciable capital assets	<u>2,137,059</u>	<u>243,297</u>	<u>-</u>	<u>(722,876)</u>	<u>1,657,480</u>
Depreciable capital assets:					
Infrastructure	64,085,169		-	(3,999)	64,081,170
Buildings	65,518,903		-		65,518,903
Improvements other than buildings	1,501,637	348,910	-	722,876	2,573,423
Mobile equipment	13,507,155	1,124,717	-	(227,462)	14,404,410
Furniture and equipment	2,265,886	189,142	297,451	219,460	2,377,037
Total depreciable capital assets	<u>146,878,750</u>	<u>1,662,769</u>	<u>297,451</u>	<u>710,875</u>	<u>148,954,943</u>
Less accumulated depreciation for:					
Infrastructure	36,828,118	804,471	-	(115,293)	37,517,296
Buildings	15,664,764	1,222,484	-		16,887,248
Improvements other than buildings	597,623	85,710	-	28,915	712,248
Mobile equipment	9,224,748	852,962	-	(198,708)	9,879,002
Furniture and equipment	1,535,441	231,194	233,638	195,505	1,728,502
Total accumulated depreciation	<u>63,850,694</u>	<u>3,196,821</u>	<u>233,638</u>	<u>(89,581)</u>	<u>66,724,296</u>
Total depreciable capital assets, net	<u>83,028,056</u>	<u>(1,534,052)</u>	<u>63,813</u>	<u>800,456</u>	<u>82,230,647</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 85,165,115</u>	<u>\$ (1,290,755)</u>	<u>\$ 63,813</u>	<u>\$ 77,580</u>	<u>\$ 83,888,127</u>

\*The adjustments to capital assets are due to reclassifications made between capital asset categories and to adjust for understatement of prior year balances as contained in the detailed subsidiary records.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7 - CAPITAL ASSETS (Cont.)**

Depreciation expense was charged to the following functions:

<b>Governmental Activities:</b>	<b>Amount</b>
General government	\$ 824,016
Public safety	1,094,138
Public works	1,144,255
Health and welfare	7,269
Culture and recreation	106,269
Conservation of natural resources	20,874
<b>Total governmental activities depreciation expense</b>	<b>\$ 3,196,821</b>

**NOTE 8 - CLAIMS AND JUDGEMENTS**

RISK FINANCING

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

**Plan Description** - Forrest 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.

**Benefits Provided** - Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Cont.)**

**Contributions** - At September 30, 2015, 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 employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers 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, 2015, 2014 and 2013 were \$1,878,922, \$1,855,270, and \$1,768,026, respectively, equal to the required contributions for each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At September 30, 2015, the County reported a liability of \$31,379,796 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.203%, which was a decrease of .003% from its proportion measured at June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$3,739,929. At September 30, 2015, the County reported deferred outflows of resources related to pensions from the following sources:

(See Table on Next Page)

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Cont.)**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 482,919	\$ -
Net difference between projected and actual earnings on pension plan investments	1,836,054	-
Changes of assumptions	2,703,263	-
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	-	473,484
County contributions subsequent to the measurement date	<u>502,731</u>	<u>-</u>
Total	<u>\$ 5,524,967</u>	<u>\$ 473,484</u>

\$502,731 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ending September 30:</u>	<u>Amount</u>
2016	\$ 1,503,123
2017	1,503,123
2018	1,175,134
2019	<u>367,371</u>
	<u>\$ 4,548,751</u>

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Cont.)**

**Actuarial Assumptions** - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.75 - 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with male rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2015, are summarized in the following table:

(See Table on Next Page)

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Cont.)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34.00%	5.20%
International Equity	19.00	5.00
Emerging Markets Equity	8.00	5.45
Fixed Income	20.00	0.25
Real Assets	10.00	4.00
Private Equity	8.00	6.15
Cash	1.00	(0.50)
Total	<u>100.00%</u>	

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

**Sensitivity to the County's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the County's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<u>1% Decrease 6.75%</u>	<u>Discount Rate 7.75%</u>	<u>1% Increase 8.75%</u>
County's proportionate share of the net pension liability	\$ 41,361,447	\$ 31,379,796	\$ 23,096,893

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 10 - LONG-TERM DEBT**

Debt outstanding as of September 30, 2015, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
<b>A. General obligation bonds:</b>			
Multi-purpose center project refinancing, Series 2012	\$ 1,210,000	2.00%	12/2016
G.O. refunding bond, Series 2011	1,640,000	2.00%	03/2020
Public improvement bond, Series 2009	10,715,000	3.50 - 5.00%	03/2029
G.O. refunding bond, Series 2009B	1,780,000	3.00 - 3.50%	01/2019
G.O. negotiable notes, Series 2013	2,554,704	1.39%	12/2017
G.O. refunding bond, Series 2014	8,860,000	2.00 - 3.50%	03/2029
G.O. bond, Series 2012 (Qualified School Construction Bond)	<u>3,000,000</u>	0.00%	08/2027
Total general obligation bonds	<u><u>\$ 29,759,704</u></u>		
<b>B. Other loans:</b>			
McLaurin Volunteer Fire Department	\$ 76,000	1.61%	09/2020
Rawls Springs Volunteer Fire Department	40,000	1.61%	09/2020
Carnes Volunteer Fire Department	<u>46,345</u>	1.82%	12/2018
Total other loans	<u><u>\$ 162,345</u></u>		

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

(See Table on Next Page)

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM DEBT (Cont.)**

**Governmental Activities:**

<u>Year Ending September 30,</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 3,269,840	\$ 855,748
2017	3,371,514	769,250
2018	2,828,350	684,614
2019	2,045,000	602,919
2020	1,625,000	539,100
2021 - 2025	7,145,000	1,833,875
2026 - 2030	9,475,000 *	471,362
<b>Total</b>	<b>\$ 29,759,704</b>	<b>\$ 5,756,868</b>

\*Includes \$3,000,000 principal due on Qualified School Construction Bonds.

<u>Year Ending September 30,</u>	<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 33,739	\$ 2,711
2017	34,306	2,145
2018	34,883	1,568
2019	35,469	981
2020	23,948	386
<b>Total</b>	<b>\$ 162,345</b>	<b>\$ 7,791</b>

As more fully explained in Note 10, debt has been issued by the County that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

<u>Description and Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
G.O. bond, series 2012 (Qualified school construction bonds payable)	0%	8/1/2012	8/1/2027	\$ 3,000,000	\$ 3,000,000

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 10 - LONG-TERM DEBT (Cont.)**

Certificates of Participation (COPs) designated as “qualified tax exempt obligations” for purposes of Section 265 of the Internal Revenue Code of 1986, as amended, were issued during the fiscal year ended September 30, 1995, for the purpose of financing the construction of a youth detention facility and for the acquisition and renovations of a shopping center to be used for a welfare building. The COPs are not general obligations of the County and, therefore, are not secured by the County’s full faith and credit. However, the County, as lessee, is obligated as the sole source of payment pursuant to a 15-year lease purchase agreement for the youth detention facility and a 20-year lease purchase agreement for the public facilities project with the lessor, Forrest County Public Improvements Corporation, a blended component unit of Forrest County. Because the County’s obligation to make lease payments is also the sole source of payment for the COPs, the lease obligation is not recorded. Instead the COPs are considered, in substance, limited debt obligations of the County, and accordingly, are reflected in the Statement of Net Position. The COPs are being retired by General Fund revenues, and title to the property will transfer to the County upon satisfactory performance of the lease terms.

**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, 2015, the amount of outstanding debt was equal to 4.10% of the latest property assessments.

**Advance Refunding**

On October 21, 2014, the County issued \$8,960,000 in general obligation refunding bonds with an average interest rate of 2.00 to 3.50% to advance refund \$8,085,000 of the following outstanding bond issue:

<u>Issue</u>	<u>Average Interest Rate</u>	<u>Outstanding Amount Refunded</u>
Special Obligation Bonds, Series 2009	3.50 - 5.00%	\$ 8,085,000

The Special Obligation Bonds, Series 2009 had an outstanding balance of \$19,770,000 at the time of refunding, but only \$8,085,000 of the bond was refunded, leaving a remaining principal balance of \$10,715,000, of which \$970,000 was redeemed during fiscal year 2015.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***NOTE 10 - LONG-TERM DEBT (Cont.)***

The net proceeds of \$9,285,938 (after payment of \$106,100 in underwriting fees and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. As a result, those bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position.

The County advance refunded the above bonds to reduce its total debt service payments over the next 14 years by almost \$575,000 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$430,197.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 10 - LONG-TERM DEBT (Cont.)**

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2015:

	<u>Balance Oct. 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Refunded Debt</u>	<u>Balance Sep. 30, 2015</u>	<u>Amount Due Within One Year</u>
<b>Governmental Activities:</b>						
Compensated absences	\$ 581,399	\$ 8,807	\$ -	\$ -	\$ 590,206	\$ -
General obligation bonds	29,078,030	8,960,000	3,193,326	(8,085,000)	26,759,704	3,269,840
General obligation bonds - qualified school construction bond	3,000,000	-	-	-	3,000,000	-
Add:						
Premiums	247,538	544,038	78,735	-	712,841	-
Total general obligation bonds	32,325,568	9,504,038	3,272,061	(8,085,000)	30,472,545	3,269,840
Other loans	91,478	116,000	45,133	-	162,345	33,739
<b>Total governmental activities</b>	<u>\$ 32,998,445</u>	<u>\$ 9,628,845</u>	<u>\$ 3,317,194</u>	<u>\$ (8,085,000)</u>	<u>\$ 31,225,096</u>	<u>\$ 3,303,579</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund and the Road and Bridge Maintenance Fund.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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***NOTE 11 - QUALIFIED SCHOOL CONSTRUCTION BONDS***

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, 10.00% of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100.00% must be spent within three years. Up to 2.00% of bond proceeds can be used to pay costs of issuance.

On August 1, 2012, the County issued G.O. Bond, Series 2012 (Qualified School Construction Bonds) on behalf of Forrest County Agricultural High School (FCAHS) in the amount of \$3,000,000. The stated interest rate on the bonds is 0.00% with an applicable tax credit rate of 4.41%. The County remitted the entire amount of the bond proceeds, net of \$26,494 issuance costs, to FCAHS for capital improvement projects.

Pursuant to the bond documents, these bonds are to be repaid in full on August 1, 2027, from the proceeds of the annual minimum sinking fund deposit schedule. The County was originally scheduled to make 15 equal annual payments of \$200,000 into a sinking fund, with a maximum permitted yield of 3.34%. These sinking fund requirements were adjusted during fiscal year 2013 to reflect annual payments of \$210,000 for years 2014 – 2022 and \$211,000 for years 2023 – 2027. The amount accumulated in the sinking fund at the end of the 15-year period will be sufficient to retire the debt. The amount on deposit at September 30, 2015 was \$475,000.

The following schedule reports the projected annual deposits required for the sinking fund.

(Actual annual funding could be reduced by accumulated interest earned).

(See Table on Next Page)

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 - QUALIFIED SCHOOL CONSTRUCTION BONDS (Cont.)**

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 210,000
2017	210,000
2018	210,000
2019	210,000
2020	210,000
2021-2025	1,053,000
2026-2027	422,000
<b>Total</b>	<b>\$ 2,525,000</b>

**NOTE 12 - CONTINGENCIES**

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

**Litigation** - The County is a defendant in a case that has been filed in the United States District Court for the Southern District of Mississippi that involves claims against the County by three former inmates, their families, and/or estates for wrongful arrest, conviction, and incarceration in connection with a capital murder committed in 1979. A companion case has also been filed to determine the duties of the County's former insurer to defend and/or indemnify the County against the plaintiffs' claims in the above-noted wrongful arrest, conviction, and incarceration litigation. Both cases are in the discovery stage, and their respective outcomes are considered to be uncertain. Legal counsel also noted that both cases will involve significant defense costs that may be recoverable depending upon the resolution of the case involving the County's former insurer. To the extent that the wrongful arrest, conviction, and incarceration case may also involve a substantial settlement or judgment, the amount and structure of the same would be determined by several currently unknown factors, including but not limited to the resolution of the case involving the County's former insurer.

The case was settled subsequent to the financial reporting year end date. Details are provided in Note 15 - Subsequent Events.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***NOTE 12 - CONTINGENCIES (Cont.)***

The County is party to other 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.

***NOTE 13 - JOINT VENTURES***

The County participates in the following joint ventures:

Forrest County is a participant with the City of Hattiesburg in a joint venture, authorized by Chapter 956, House Bill 1865, of the Local and Private Laws of 1994, to operate the Forrest County Industrial Park Commission. The joint venture was created to develop and operate an industrial park complex for the citizens of Forrest County and the City of Hattiesburg. The Forrest County Board of Supervisors appoints five of ten members of the board. By contractual agreement, the County's appropriation to the joint venture was \$130,000 in fiscal year 2015. Complete financial statements for the Forrest County Industrial Park Commission can be obtained from Post Office Box 1898, Hattiesburg, Mississippi 39403.

Forrest County is a participant with Jones County, the Cities of Hattiesburg and Laurel, and the State of Mississippi in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1971), to operate the Hattiesburg-Laurel Regional Airport Authority. The joint venture was created to develop and maintain the airport for the members of the authority. The Forrest County Board of Supervisors appoints one of the five members of the board of commissioners. By contractual agreement, the County's appropriation to the joint venture was \$260,624 in fiscal year 2015. Complete financial statements for the Hattiesburg-Laurel Regional Airport Authority can be obtained from 1002 Terminal Drive, Moselle, Mississippi 39459.

Forrest County is a participant with the Cities of Hattiesburg and Petal in a joint venture, authorized by Section 39-3-8, Miss. Code Ann. (1972), to operate the Library of Hattiesburg, Petal and Forrest County. The joint venture was created to provide free public library service to the citizens of Forrest County and the Cities of Hattiesburg and Petal. The Forrest County Board of Supervisors appoints six of the fifteen members of the board of directors. By contractual agreement, the County's appropriation to the joint venture was \$730,943 in fiscal year 2015. Complete financial statements for the Library of Hattiesburg, Petal and Forrest County can be obtained from 329 Hardy Street, Hattiesburg, Mississippi 39401.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS***

The County participates in the following jointly governed organizations:

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Forrest County Board of Supervisors appoints two of the sixteen members of the college board of trustees. The County appropriated \$1,247,430 for maintenance and support of the college in fiscal year 2015.

Southeast Mississippi Air Ambulance District provides air ambulance service to the Counties of Covington, Forrest, Greene, Jefferson Davis, Lamar, Marion, Pearl River, Perry and Walthall. The Forrest County Board of Supervisors appoints one of the nine members of the board of directors. There is no ongoing financial interest or responsibility for the appointing authorities. The County contributed \$268,736 for support of the district in fiscal year 2015.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone, and Wayne. The Forrest County Board of Supervisors appoints one of the twenty-seven members of the board of directors. The County contributes a small percentage of the district's total revenue. The County appropriated \$66,070 to the agency in fiscal year 2015.

Pearl River Valley Opportunity, Inc. operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River, and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Forrest County Board of Supervisors appoints one of the twenty-four members of the board of directors. The primary source of funding for the entity is derived from federal funds. Each County provides a modest amount of financial support when matching funds are required for federal grants. Contributions for fiscal year 2015 totaled \$25,000.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Forrest County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$9,187 for support of the agency in fiscal year 2015.

Mississippi Regional Housing Authority VIII operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a fifteen member board of commissioners, one appointed by the Board of Supervisors of each of the member counties and one appointed at large. The counties generally provide no financial support to the organization.

## **FORREST COUNTY, MISSISSIPPI**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **FOR THE YEAR ENDED SEPTEMBER 30, 2015**

#### ***NOTE 14 - JOINTLY GOVERNED ORGANIZATIONS (Cont.)***

Pearl and Leaf Rivers Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Forrest County Board of Supervisors appoints one of seven members of the board of directors. The County appropriated \$131,203 for the support of the district in fiscal year 2015.

The City of Hattiesburg - Forrest County Emergency Management District operates in a district composed of Forrest County and the City of Hattiesburg. The Forrest County Board of Supervisors appoints three of the six members of the council. Operating funds are provided by state grants, E-911 charges and direct contributions.

#### ***NOTE 15 - 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 Forrest County, Mississippi evaluated the activity of the County through August 15, 2016, (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring adjustment and/or disclosure in the notes to the financial statements.

In March 2016, the County closed on a \$6,720,000, General Obligation Refunding Bond, Series 2016 (dated March 16, 2016) for the purpose of providing funds for the refunding of certain outstanding maturities of the County's General Obligation Public Improvement Bonds, Series 2009, dated March 26, 2009. The Series 2016 bonds are to be amortized with principal and interest payments beginning in March, 2017 and continuing through March, 2024. The average coupon rate on the bonds is approximately 2.50%.

In August 2016, the County entered a settlement related to litigation that had been ongoing in prior years. The resulting settlement requires the County to pay compensatory damages in the amount of \$5,400,000 by November 2016. The County will also receive an insurance reimbursement of \$400,000 that will be used to offset the expense. The settlement liability and insurance reimbursement receivable have been recorded in the government-wide statements as required by generally accepted accounting principles as a recognized event. The County intends to fund the liability in fiscal year 2017 with cash held in the General Fund.

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO FINANCIAL STATEMENTS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***NOTE 16 - EFFECT OF DEFERRED AMOUNTS ON NET POSITION***

The unrestricted net position amount of \$(16,516,357) includes the effect of deferring the recognition of expenses resulting from the cost-sharing pension plan deferred outflows. The \$4,548,751 net balance of the deferred inflows and outflows of resources at September 30, 2015 will be recognized as expenses and decrease unrestricted net position over the next four years.

***REQUIRED SUPPLEMENTARY INFORMATION***

SCHEDULE 1

**FORREST COUNTY, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
GENERAL FUND - UNAUDITED  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<b>Original Budget</b>
<b>REVENUES</b>	
Property taxes	\$ 19,102,961
Licenses, commissions and other revenue	1,315,600
Fines and forfeitures	530,500
Intergovernmental revenues	1,670,300
Charges for services	1,653,000
Interest income	16,150
Miscellaneous revenues	207,500
<i>Total revenues</i>	<u>24,496,011</u>
<b>EXPENDITURES</b>	
Current:	
General government	12,786,466
Public safety	10,840,542
Public works	247,355
Health and welfare	1,005,302
Culture and recreation	1,247,003
Education	8,528
Conservation of natural resources	99,600
Economic development and assistance	474,000
Debt service	-
<i>Total expenditures</i>	<u>26,708,796</u>
Excess of revenues over (under) expenditures	<u>(2,212,785)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfers in	540,000
Transfers out	(365,000)
Other financing sources	-
Other financing uses	5,000
<i>Total other financing sources (uses)</i>	<u>180,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,032,785)</b>
Fund balances - beginning	<u>15,040,000</u>
Fund balances - ending	<u><u>\$ 13,007,215</u></u>

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

<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
\$ 19,260,461	\$ 19,518,520	\$ 258,059
1,315,600	1,255,183	(60,417)
530,500	565,735	35,235
2,702,000	3,033,837	331,837
1,653,000	1,707,462	54,462
16,150	27,906	11,756
199,250	190,516	(8,734)
<u>25,676,961</u>	<u>26,299,159</u>	<u>622,198</u>
13,552,593	11,229,051	2,323,542
10,937,585	10,259,100	678,485
260,624	260,624	-
1,007,802	900,059	107,743
2,135,348	1,686,472	448,876
8,528	-	8,528
98,145	95,646	2,499
971,000	949,827	21,173
-	-	-
<u>28,971,625</u>	<u>25,380,779</u>	<u>3,590,846</u>
<u>(3,294,664)</u>	<u>918,380</u>	<u>4,213,044</u>
595,000	13,000	(582,000)
(374,075)	(341,565)	32,510
257,550	254,111	(3,439)
16,000	(21,009)	(37,009)
<u>494,475</u>	<u>(95,463)</u>	<u>(589,938)</u>
(2,800,189)	822,917	3,623,106
<u>17,348,244</u>	<u>16,213,283</u>	<u>(1,134,961)</u>
<u>\$ 14,548,055</u>	<u>\$ 17,036,200</u>	<u>\$ 2,488,145</u>

SCHEDULE 2

**FORREST COUNTY, MISSISSIPPI**

**BUDGETARY COMPARISON SCHEDULE - BUDGET AND ACTUAL (NON-GAAP BASIS)  
ROAD AND BRIDGE MAINTENANCE FUND - UNAUDITED  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<b>Original Budget</b>
<b>REVENUES</b>	
Property taxes	\$ 2,275,241
Road and bridge privilege taxes	556,500
Intergovernmental revenues	600,000
Interest income	3,100
Miscellaneous revenues	3,000
Total revenues	<u>3,437,841</u>
<b>EXPENDITURES</b>	
Current:	
Public works	<u>7,888,177</u>
Total expenditures	<u>7,888,177</u>
Excess of revenues over (under) expenditures	<u>(4,450,336)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Other financing sources	<u>-</u>
Total other financing sources (uses)	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(4,450,336)
Fund balances - beginning	<u>7,396,536</u>
Fund balances - ending	<u>\$ 2,946,200</u>

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

<b>Final Budget</b>	<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
\$ 2,275,241	\$ 3,250,981	\$ 975,740
781,500	-	(781,500)
1,677,000	1,669,634	(7,366)
3,100	7,048	3,948
8,000	6,076	(1,924)
<u>4,744,841</u>	<u>4,933,739</u>	<u>188,898</u>
<u>9,460,755</u>	<u>7,398,361</u>	<u>2,062,394</u>
<u>9,460,755</u>	<u>7,398,361</u>	<u>2,062,394</u>
<u>(4,715,914)</u>	<u>(2,464,622)</u>	<u>2,251,292</u>
<u>-</u>	<u>4,755</u>	<u>4,755</u>
<u>-</u>	<u>4,755</u>	<u>4,755</u>
<u>(4,715,914)</u>	<u>(2,459,867)</u>	<u>2,256,047</u>
<u>7,396,578</u>	<u>5,852,946</u>	<u>(1,543,632)</u>
<u>\$ 2,680,664</u>	<u>\$ 3,393,079</u>	<u>\$ 712,415</u>

SCHEDULE 3

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS\*  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.203%	0.206%
County's proportionate share of the net pension liability (asset)	\$ 31,379,796	\$ 25,022,228
County's covered-employee payroll	\$ 11,929,664	\$ 11,779,490
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	263.04%	212.42%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

\* The amounts presented for each fiscal year were determined as of the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year end September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

SCHEDULE 4

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF COUNTY CONTRIBUTIONS  
LAST 10 FISCAL YEARS\*  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	<u>2015</u>
Contractually required contribution	\$ 1,878,922
Contributions in relation to the contractually required contribution	<u>1,878,922</u>
Contribution deficiency (excess)	<u>\$ -</u>
County's covered-employee payroll	\$ 11,929,664
Contributions as a percentage of covered-employee payroll	15.75%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

## FORREST COUNTY, MISSISSIPPI

### NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2015

#### **NOTE 1 - BUDGETARY COMPARISON SCHEDULES**

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

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

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

**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).

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

**PAGE TWO**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1 - BUDGETARY COMPARISON SCHEDULES (Cont.)**

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

	<u>Governmental Fund Types</u>	
	<u>General Fund</u>	<u>Road and Bridge Maintenance Fund</u>
<b>Budget (cash basis)</b>	\$ 822,917	\$ (2,459,867)
Increase (decrease):		
Net adjustments for revenue accruals	76,092	(7,757)
Net adjustments for expenditure accruals	352,384	(87,437)
<b>GAAP Basis</b>	<u>\$ 1,251,393</u>	<u>\$ (2,555,061)</u>

**NOTE 2 - PENSION SCHEDULES**

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

***SUPPLEMENTARY INFORMATION***

SCHEDULE 5

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b><i>U.S. Department of Agriculture:</i></b> Passed-through Mississippi Office of State Treasurer Schools and Roads - Grants to States	10.665	N/A	<u>\$ 136,452</u>
<b><i>U.S. Department of the Interior:</i></b> Payments in Lieu of Taxes (Direct Program)	15.226	N/A	<u>16,894</u>
<b><i>U.S. Department of Justice:</i></b> Passed-through the Mississippi Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	11NM1181	<u>6,639</u>
<b><i>U.S. Department of Transportation:</i></b> Federal Highway Administration/Passed-through the Mississippi Department of Transportation: Highway Planning and Construction	20.205	N/A	<u>296,905</u>

SCHEDULE 5  
PAGE TWO

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Federal Expenditures</u>
<b><i>U.S. Department of Health and Human Services:</i></b>			
Substance Abuse and Mental Health Services Administration Substance Abuse and Mental Health Services - Projects of Regional and National Significance (Direct Program)	93.243	N/A	\$ 42,791
Passed-through the Mississippi Department of Public Safety Substance Abuse and Mental Health Services - Projects of Regional and National Significance (Indirect Program)	93.243	N/A	<u>39,830</u>
Total U.S. Department of Justice			<u>82,621</u>
<b><i>Mississippi Department of Public Safety</i></b>			
High Intensity Drug Trafficking Areas Program	95.001	N/A	<u>21,969</u>
<b><i>Total Expenditures of Federal Awards</i></b>			<u>\$ 561,480</u>

**FORREST COUNTY, MISSISSIPPI**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES***

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

***NOTE 2 - CFDA 10.665 SCHOOL AND ROADS - GRANTS TO STATES***

Of the federal expenditures presented in the schedule, the County provided federal awards totaling \$121,680 to subrecipients during the year ended September 30, 2015.

***OTHER INFORMATION***

SCHEDULE 6

**SCHEDULE OF SURETY BONDS FOR COUNTY OFFICIALS - UNAUDITED  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Position</b>	<b>Company</b>	<b>Bond</b>
Supervisor District 1	Brierfield Insurance Company	\$ 100,000
Supervisor District 2	Brierfield Insurance Company	100,000
Supervisor District 3	Brierfield Insurance Company	100,000
Supervisor District 4	Western Surety Company	100,000
Supervisor District 5	Brierfield Insurance Company	100,000
County Administrator	Brierfield Insurance Company	100,000
Chief Financial Officer	Brierfield Insurance Company	100,000
Chancery Clerk	Brierfield Insurance Company	100,000
Purchase Clerk	Brierfield Insurance Company	75,000
Receiving Clerk	Brierfield Insurance Company	75,000
Assistant Receiving Clerks, each	Brierfield Insurance Company	50,000
Inventory Control Clerk	Brierfield Insurance Company	75,000
Road Manager	Brierfield Insurance Company	100,000
Constables, each	Brierfield Insurance Company	50,000
Circuit Clerk	Brierfield Insurance Company	100,000
Deputy Circuit Clerks	Brierfield Insurance Company	50,000
Sheriff	Brierfield Insurance Company	100,000
Sheriff's Deputies, each	Brierfield Insurance Company	50,000
Justice Court Judges, each	Brierfield Insurance Company	50,000
Deputy Justice Court Clerks, each	Brierfield Insurance Company	50,000
Tax Collector	Brierfield Insurance Company	100,000
Tax Assessor	Brierfield Insurance Company	100,000
Deputy Tax Collectors, each	Brierfield Insurance Company	50,000
Deputy Tax Assessors, each	Brierfield Insurance Company	25,000

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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  
Forrest County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forrest County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2016. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

**Internal Control Over Financial Reporting**

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

Members of the Board of Supervisors  
Forrest County, Mississippi

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 Questioned Costs as 2015-001 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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as 2015-002 to be a significant deficiency.

### **Compliance and Other Matters**

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

We noted certain matters that we reported to the management of Forrest County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated August 15, 2016, included within this document.

Members of the Board of Supervisors  
Forrest County, Mississippi

**Forrest County, Mississippi's Responses to Findings**

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

**Purpose of this Report**

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

*Topp McWhorter Harvey, PCC*

Hattiesburg, Mississippi  
August 15, 2016

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

Members of the Board of Supervisors  
Forrest County, Mississippi

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

We have audited Forrest County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Forrest County, Mississippi's major federal program for the year ended September 30, 2015. Forrest County, Mississippi's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Forrest County, Mississippi's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the

Members of the Board of Supervisors  
Forrest County, Mississippi

Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Forrest County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Forrest County, Mississippi's compliance.

#### **Opinion on the Major Federal Program**

In our opinion, Forrest County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

#### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003. Our opinion on the major federal program is not modified with respect to this matter.

Forrest County, Mississippi's response to the noncompliance finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. Forrest County, Mississippi's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Management of Forrest County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Forrest County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to

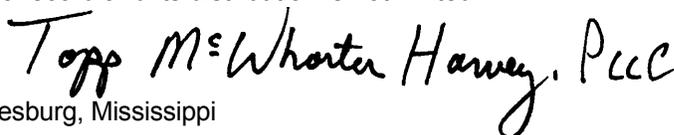
Members of the Board of Supervisors  
Forrest County, Mississippi

determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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



Hattiesburg, Mississippi  
August 15, 2016

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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, MISSISSIPPI CODE ANN. (1972))**

Members of the Board of Supervisors  
Forrest County, Mississippi

We have examined Forrest 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 bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Forrest 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 such 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 Forrest County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future

Members of the Board of Supervisors  
Forrest County, Mississippi

periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed a certain instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

Purchase Clerk.

1. A sole source purchase was not properly documented in the minutes as a sole source purchase.

**Finding**

According to the Mississippi Code subsection 31-7-13, a single source item is a noncompetitive item available from one source only. In connection with the purchase of noncompetitive items only available from one source, certification of the conditions and circumstances requiring the purchase shall be filed by the agency with the Department of Finance and Administration and by the governing authority with the board of the governing authority. Upon receipt of that certification the Department of Finance and Administration or the board of the governing authority, as the case may be, may, in writing, authorize the purchase, which authority shall be noted on the minutes of the body at the next regular meeting thereafter. In those situations, a governing authority is not required to obtain the approval of the Department of Finance and Administration.

**Recommendation**

We recommend that the County document sole source purchases in the board minutes.

**Purchase Clerk's Response**

We will comply with proper documentation for all future sole source purchases.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Forrest County, Mississippi, complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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 and, in our opinion, is fairly presented when in relation to that examination.

Members of the Board of Supervisors  
Forrest County, Mississippi

Forrest County, Mississippi's response to the finding included in this report was not audited, and accordingly, we express no opinion on it.

This report is intended for use in evaluating Forrest County, Mississippi's compliance with the aforementioned requirements, 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.

*Topp McWhorter Harvey, PCC*

Hattiesburg, Mississippi

August 15, 2016

SCHEDULE 7

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF PURCHASES NOT MADE FROM THE LOWEST BIDDER  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other than the Lowest Bid</u>
4/17/2015	Hydraulic Excavator	\$198,344	Puckett Machinery	\$172,632	The lowest bid met neither the Tier IV Interim engine specification listed in the bid specifications nor the local service center requirement listed therein. The next lowest bid did not meet the local service center requirement listed in the bid specifications.

SCHEDULE 8

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF EMERGENCY PURCHASES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
11/24/14	HP 8630 Ink Jet Printer and Ink	\$ 478	Office Depot	Office printer broke and one was needed to print the agenda and documents for the next board meeting
03/10/15	Dell C3760n Color Laser Printer	\$ 522	Office Depot	A new printer was needed immediately to print color photos for upcoming trials.
06/10/15	Freightliner Fire Truck Transmission Repair	\$ 5,323	Empire Trucks, LLC	This is the primary response fire truck for the Sunrise Volunteer Fire Department. It needed to be repaired immediately to be in service for structural fires that may occur in Forrest County.
06/04/15	Portable PA System and Microphone	\$ 460	C and M Music Center	The PA system at the County Extension service office was stolen, and needed to be replaced immediately for the 4-H Cook Out Contest.

SCHEDULE 9

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF PURCHASES MADE NONCOMPETITIVELY FROM A SOLE SOURCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
7/7/2015	Printing and mailing of voter registration cards	\$ 37,466.55	Absolute Print Solutions

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

Members of the Board of Supervisors  
Forrest County, Mississippi

In planning and performing our audit of the financial statements of Forrest County, Mississippi for the year ended September 30, 2015, we considered Forrest 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 Forrest 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 August 15, 2016, on the financial statements of Forrest County, Mississippi.

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

The results of our review procedures and compliance tests identified certain areas of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency.

Members of the Board of Supervisors  
Forrest County, Mississippi

Our findings, recommendations, and your responses are disclosed below:

**Sheriff**

1. Finding

According to Mississippi Code Section 19-25-73, prisoner's meals are not to exceed \$6.00 per day. The \$6.00 must include the cost of the meals and wages paid to employees for preparing the meals. During fieldwork, it was noted that the prisoners' meals exceed \$6.00 per day.

Recommendation

We recommend that the meals be adjusted to meet the \$6.00 per day maximum.

Sheriff's Response

On May 4, 2015, CMB Managed Services was awarded the contract to furnish food services at the Law Enforcement Complex.

2. Finding

According to Mississippi Code Section 19-25-13, all fees and charges for services heretofore collected by sheriffs shall be collected by said sheriff and paid monthly into the general fund of the concerned County.

Recommendation

The Sheriff's office should remit receipts to the Chancery Clerk on a monthly basis.

Sheriff's Response

Effective, June 15, 2015, the Sheriff now remits receipts to the Chancery Clerk on a monthly basis.

**Circuit Clerk**

3. Finding

According to Mississippi Code Section 9-7-123, each deputy clerk of the circuit court shall take the oath of office, and shall give bond, with sufficient surety, to be payable, conditioned and approved as provided by law, in a penalty equal to 3.00% of the sum of all the state and county taxes shown by the assessment rolls and the levies to have been collectible in the County for the year immediately preceding the commencement of the term of office for the circuit clerk. The bond shall cover all monies coming into the hands of the deputy clerk by law or order of the court.

Recommendation

We recommend that the deputy clerk give bond upon date of employment.

Members of the Board of Supervisors  
Forrest County, Mississippi

3. Finding (Cont.)

Circuit Clerk's Response

The Circuit Clerk will make sure that the County Administrator is made aware of new hires and that they are properly bonded upon date of hire.

**Board of Supervisors**

4. Finding

According to Mississippi Code Section 27-39-305, with respect to ad valorem taxes levied for each fiscal year, no political subdivision may levy ad valorem taxes in any fiscal year which would render in total receipts from all levies an amount more than the receipts from that source during any one of the immediately preceding three fiscal years, as determined by the levying governing authority, plus, at the option of the taxing authority, an increase not to exceed 10.00% of such receipts.

Recommendation

We recommend that the County does not levy ad valorem taxes in any fiscal year which would render in total receipts from all levies an amount more than the receipts from the previous three years, plus an increase not to exceed 10.00%.

Board of Supervisor's Response

The County will make sure that the ad valorem taxes levied will not cause receipts to exceed the 10.00% cap.

Forrest County, Mississippi'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.

*Topp McWhorter Harvey, PCC*

Hattiesburg, Mississippi  
August 15, 2016

***SCHEDULE OF FINDINGS AND  
QUESTIONED COSTS***

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**SECTION 1: SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: |            |
|    | Governmental activities                                      | Unmodified |
|    | Each major fund  | Unmodified |
|    | Aggregate remaining fund information                         | Unmodified |
|    | Aggregate discretely presented component units               | Adverse    |
| 2. | Internal control over financial reporting:                   |            |
|    | A. Material weaknesses identified?                           | Yes        |
|    | B. Significant deficiencies identified?                      | Yes        |
| 3. | Noncompliance material to the financial statements noted?    | No         |

**Federal Awards:**

- |    |  |               |
|----|--|---------------|
| 4. | Internal control over the major federal program:   |               |
|    | A. Material weaknesses identified?   | No            |
|    | B. Significant deficiency identified?  | None reported |
| 5. | Type of auditor's report issued on compliance for the major federal program  | Unmodified    |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes           |
| 7. | Identification of the major federal program:   |               |

**CFDA Number      Name of Federal Program or Cluster**

20.205      Highway Planning and Construction

- |    |  |           |
|----|--|-----------|
| 8. | Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as low-risk auditee?                                   | No        |

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**PAGE TWO**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***SECTION 2: FINANCIAL STATEMENT FINDINGS***

Material Weakness

2015-001 The financial statements do not include the financial data for the County's legally separate component units.

Finding

Generally accepted accounting principles require the financial data for the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The financial statements do not include the financial data for the County's legally separate component units. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component units.

Recommendation

The Board of Supervisors should provide the financial data for its discretely presented component units for the inclusion in the County's financial statements.

Board of Supervisor's Response

Corrective action will be taken in the form of maintaining the data.

Significant Deficiency

2015-002 The Sheriff's Office is not performing monthly bank reconciliations on the Sheriff's clearing account.

Finding

Monthly bank reconciliations are not being performed for the Sheriff's clearing account.

Recommendation

The Sheriff's office should perform the monthly bank reconciliations and have them reviewed on a timely basis.

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**PAGE THREE**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**SECTION 2: FINANCIAL STATEMENT FINDINGS (Cont.)**

Sheriff's Response

Effective June 2015, the Sheriff's office is now performing the monthly bank reconciliations on the Sheriff's clearing account. The reconciliation reports are now being timely reviewed and final approval given as acknowledged by the reviewer's signature.

**SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

2015-003 Deficiencies were found for the Highway Planning and Construction program.

Finding

Program:

CFDA No. 20.205 Highway Planning and Construction

Compliance Requirement:

During fiscal year ended September 30, 2015, it was noted that the County did not have policies and procedures in place that allowed for the documentation of a timely verification process for vendors with which the County planned to enter into covered transactions pursuant to the Highway Planning and Construction grants by utilizing the prescribed Excluded Parties List System (EPLS) website.

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions (e.g., grant or cooperative agreement) that are expected to exceed \$25,000 or meet certain other criteria to parties that are suspended or debarred. Debarment and Suspension requirements are included in: federal law and regulations and standards identified in 2 CFR part 180, and the terms and conditions of award documents pertaining to suspension and debarment requirements applicable to federal grant programs. Verification procedures are prescribed in order to facilitate compliance with these requirements in the applicable federal regulations that include the utilization of the EPLS maintained by the General Services Administration (GSA) and available at the <https://www.sam.gov> website.

**FORREST COUNTY, MISSISSIPPI**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**PAGE FOUR**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

***SECTION 3: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Cont.)***

Failure to implement reliable suspension and debarment verification procedures could result in the County doing business with suspended or debarred entities.

Questioned Cost:

None.

Recommendation:

The County should implement documented procedures that would allow for the timely documentation of verification of an entity with which the County plans to enter into a covered transaction is not debarred, suspended, or otherwise excluded before entering into such a transaction.

Auditee's Response:

The County's Corrective Action Plan is presented on page 86.

**AUDITEE'S CORRECTIVE ACTION PLAN  
AND  
AUDITEE'S SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

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BETTY CARLISLE  
COUNTY ADMINISTRATOR

**AUDITEE'S CORRECTIVE ACTION PLAN**  
**Year Ended September 30, 2015**

**Finding 2015-003**

Program:	Highway Planning and Construction
CFDA No.:	20.205
Federal Agency:	U.S. Department of Transportation
Award Year:	Fiscal Year 2014-2015
Compliance Requirement:	Suspension and Debarment
Questioned Costs:	None

**Department's Response:**

The County administrator concurs with the finding.

**Corrective Action Plan:**

Response from the Department of Administration:

The County will implement documented procedures that would allow for the timely verification of an entity before entering into any contracts paid for by federal funds.

**Name of Responsible Person:** Betty Carlisle, County Administrator

**Expected Date of Completion:** June 15, 2016

**FORREST COUNTY, MISSISSIPPI**  
**AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

CFDA No. 93.243      Substance Abuse and Mental Health Service Projects of Regional and National Significance

Finding Status:      The County has implemented additional procedures to allow for complete performance for reporting of grant activities, including documentation of person responsible for filing required reports. Regular discussions are held with personnel regarding reporting compliance requirements.

*Auditor's Note:*      *A few instances were noted where reports were not timely filed with the grantor as required for full compliance with project requirements.*