

TISHOMINGO COUNTY, MISSISSIPPI

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

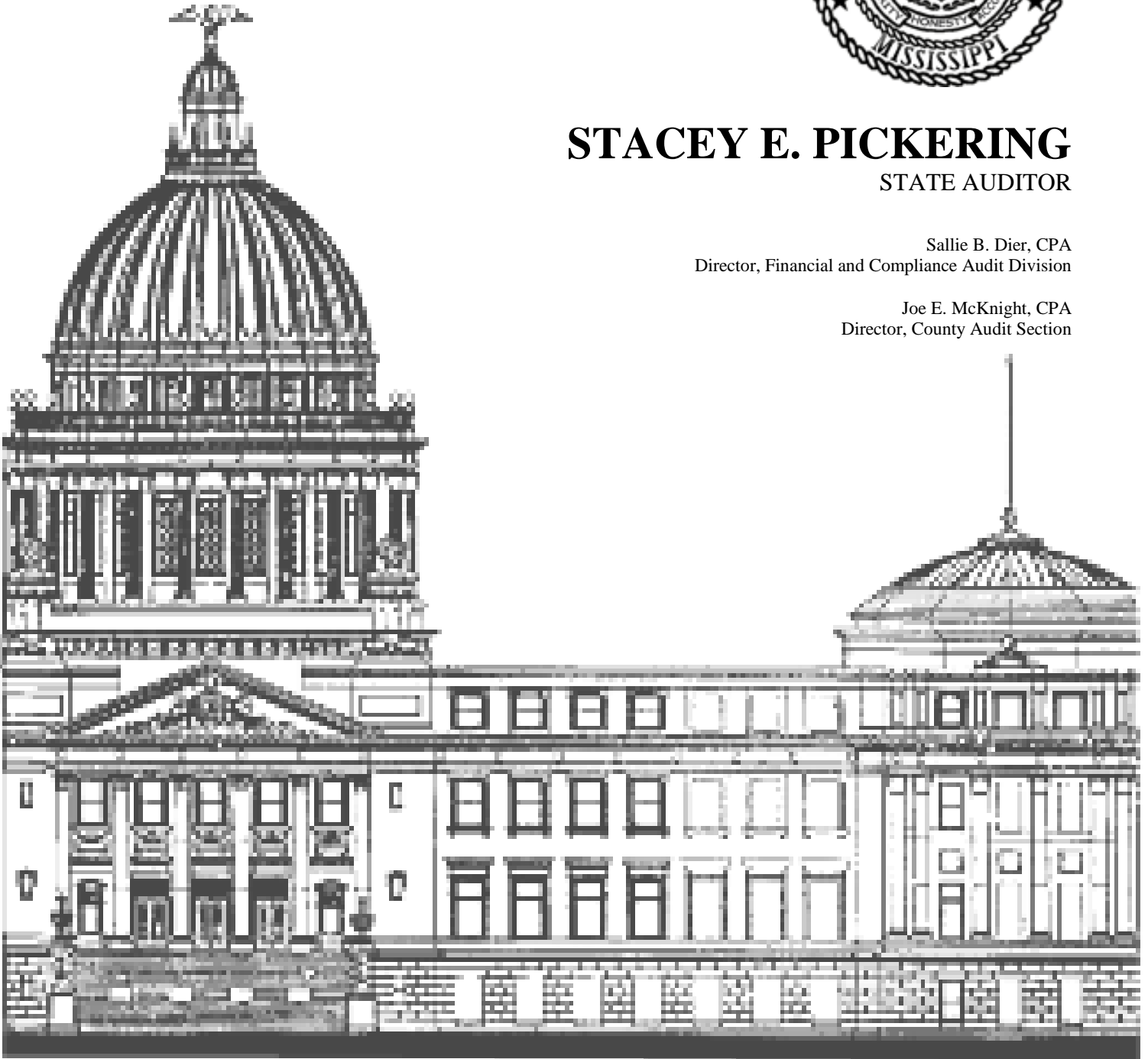


STACEY E. PICKERING

STATE AUDITOR

Sallie B. Dier, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

www.osa.state.ms.us



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

February 29, 2016

Members of the Board of Supervisors
Tishomingo County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Tishomingo County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", written in a cursive style.

Stacey E. Pickering
State Auditor

TISHOMINGO COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
MANAGEMENT DISCUSSION AND ANALYSIS	7
FINANCIAL STATEMENTS	17
Statement of Net Position.....	19
Statement of Activities	20
Balance Sheet – Governmental Funds.....	21
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Fiduciary Net Position.....	26
Statement of Changes in Fiduciary Net Position	27
Notes to Financial Statements	29
REQUIRED SUPPLEMENTARY INFORMATION	49
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	51
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Economic Development Fund	52
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Dennen Steel Fund	53
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Contract Fabricators Steel Fund	54
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Comfort Revolution Fund.....	55
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) – Tri-State Commerce Park Fund.....	56
Notes to the Required Supplementary Information	57
SUPPLEMENTAL INFORMATION	59
Schedule of Expenditures of Federal Awards	61
Reconciliation of Operating Costs of Solid Waste	62
Schedule of Surety Bonds for County Officials	65
SPECIAL REPORTS.....	67
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	71
Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	73
Limited Internal Control and Compliance Review Management Report	79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	87
AUDITEE’S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS.....	101

TISHOMINGO COUNTY

FINANCIAL SECTION

TISHOMINGO COUNTY

(This page left blank intentionally.)



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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Tishomingo 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 Tishomingo County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the 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.

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 is not reasonably determinable.

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 Tishomingo County, Mississippi, as of September 30, 2013, 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.

Basis for Qualified Opinion on General Fund

Management did not maintain adequate subsidiary records documenting the completeness, existence and valuation of fines receivable and the aging of fines receivable. Due to the nature of the County records, we were unable to satisfy ourselves as to the fair presentation of these fines receivable, net reported in the General Fund at \$377,175, as of September 30, 2013. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions in the General Fund.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on General Fund" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of Tishomingo County, Mississippi, as of September 30, 2013, and the change in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on Governmental Activities

As discussed in Note 11 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinions on Governmental Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Tishomingo County, Mississippi, as of September 30, 2013, and the change 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 Economic Development Fund, the Dennen Steel Fund, the Contract Fabricators Fund, The Comfort Revolution Fund, the Tri-State Commerce Park Fund and the aggregate remaining fund information of Tishomingo County, Mississippi, as of September 30, 2013, 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.

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

Omission of Required Supplementary Information

Tishomingo County, Mississippi, has omitted the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 29, 2016, on our consideration of Tishomingo County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Tishomingo County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 29, 2016

TISHOMINGO COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

TISHOMINGO COUNY

(This page left blank intentionally.)

**TISHOMINGO COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FYE SEPTEMBER 30, 2013**

INTRODUCTION

The discussion and analysis of Tishomingo County's financial performance provides an overall narrative review of the County's financial activities for the year ended September 30, 2013. 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.

The local economic base is driven mainly by a transition from manufacturing to wholesale distributors with a service oriented economy. The service economy consists primarily of tourism, recreation, health and education. Manufacturing still remains an important part of the local economy.

FINANCIAL HIGHLIGHTS

Tishomingo 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 and keeping debt low.

The County's total assets for the year were \$85,230,278 and the total liabilities were \$21,851,703. The total net position for the year was \$63,378,575. This represents a decrease in total net position of \$4,545,520 from the prior fiscal year; which includes a prior period adjustment of (\$5,170,665).

The County's total revenues for the year were \$14,554,903, which represents an increase of \$1,769,010 from the prior fiscal year. Tax revenues account for \$4,463,198 or 31% of total revenues. Federal, state and local government revenues in the form of reimbursements, shared revenue or grants, account for \$6,947,560 or 48% of total revenues. Charges for services account for \$1,476,312 or 10% of the County's total revenues.

The County had \$13,929,758 in total expenses, which represents an increase of \$2,106,036 from the prior fiscal year. General government expenses account for \$3,689,475 or 27% of total expenses, Public safety accounts for \$2,500,576 or 18% and public works account for \$4,330,516 or 31% of total expenses. Economic development expenses account for \$2,534,189 or 18% of total expenses. Health and welfare, culture and recreation, conservation of natural resources, and interest on long-term debt account for \$875,002 or 6% of the County's total expenses. Expenses in the amount of \$5,333,238 were offset by charges for services and operating or capital grants and contributions. General revenues of \$9,221,665 were adequate to provide for the remainder of the expenses.

Among major funds, the General Fund had \$5,747,168 in revenues and \$5,557,847 in expenditures. Total other financing sources and uses netted a decrease of \$16,726, which resulted in the General Fund's fund balance increasing \$174,006 from the prior year, which includes a prior period adjustment of \$1,411.

Among major funds, the Economic Development Fund had \$42,794 in revenues and \$452,077 in expenditures. Total other financing sources and uses netted an increase of \$1,288,320, which resulted in the Economic Development Fund's fund balance increasing \$802,472 from the prior year, which included a prior period adjustment of (\$76,565). This increase is due to new debt issued for \$1,123,152 for which all of the proceeds have not been spent as of fiscal year end.

Among major funds, the Dennen Steel Fund had \$58,584 in revenues and \$134,751 in expenditures. Total other financing sources and uses netted an increase of \$76,167, which resulted in the Dennen Steel Fund's fund balance remaining the same as in the prior year.

Among major funds, the Contract Fabricators Fund had \$146,044 in revenues and \$296,398 in expenditures. Total other financing sources and uses netted an increase of \$150,848, which resulted in the Contract Fabricators Fund's fund balance increasing \$494 from the prior year.

Among major funds, the Comfort Revolution Fund had \$1,093,561 in revenues and \$2,248,468 in expenditures. Total other financing sources and uses netted an increase of \$1,100,000, which resulted in the Comfort Revolution Fund's fund balance decreasing \$54,907 from the prior year.

Among major funds, the Tri-State Commerce Fund had \$956,203 in revenues and \$738,214 in expenditures. Total other financing sources and uses netted an increase of \$10,000, which resulted in the Tri-State Commerce Fund's fund balance increasing \$137,989 from the prior year, which included a prior period adjustment of (\$90,000).

Capital assets, net of accumulated depreciation, as of September 30, 2013 were \$63,701,969. Capital assets, net of accumulated depreciation decreased \$4,639,312 from the prior year, which included a prior period adjustment of (\$3,836,724).

Long-term debt increased by \$1,470,890. Leases decreased in the amount of \$24,179. Other loans increased in the amount of \$1,650,682. Leases and other loans were retired in the amount of \$35,153 and \$572,470, respectively. Bonds payable were retired in the amount of \$185,000. Unamortized premiums had a net change of \$29,387.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

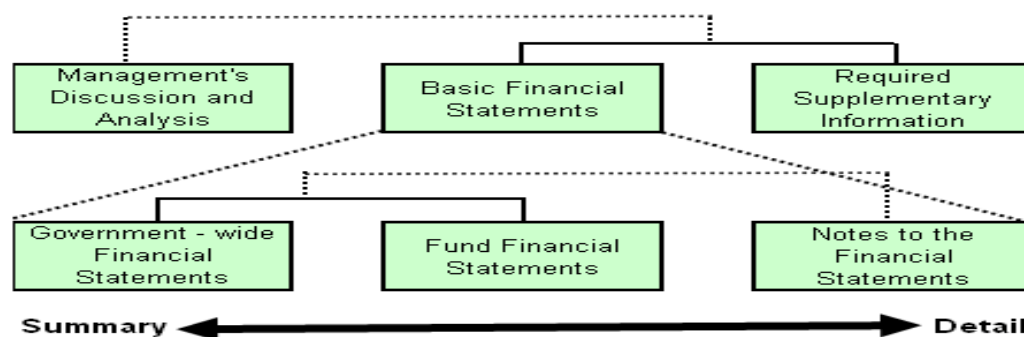


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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

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

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

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

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

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

Both of these government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or part of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government; public safety; public works (roads and bridges); health and welfare; culture and recreation; conservation of natural resources; economic development; and interest on long-term debt. The County has no business type activities.

The government-wide financial statements can be found on pages 19 and 20 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. 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 22 and 25, respectively.

The County maintains individual governmental funds in accordance with the Mississippi County Financial Accounting Manual issued by the Mississippi Office of the State Auditor. 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 financial statements can be found on pages 21 and 23 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 Net Position, which can be found on page 26 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 29 through 47 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund, Economic Development Fund, Dennen Steel Fund, Contract Fabricators Fund, Comfort Revolution Fund and Tri-State Commerce Fund. This required supplementary information can be found on pages 51 through 56 of this report.

Additionally, a schedule of expenditures of federal awards is required by OMB Circular A-133 and can be found on page 61 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position—Net position may serve over time as a useful indicator of the government’s financial position. In the case of Tishomingo County, assets exceeded liabilities by \$63,378,575 as of September 30, 2013.

By far, the largest portion of the County’s net position, 88%, reflects its investment in capital assets (e.g. roads, bridges, land, buildings, mobile equipment, furniture & equipment, leased property under capital lease and construction in progress) less related outstanding debt used to acquire such assets. The County uses these capital assets to provide services to its citizens.

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

The following table presents a summary of the County’s net position for the fiscal year ended September 30, 2013 and 2012.

	Governmental Activities	
	2013	2012
Current assets	21,528,309	19,366,757
Capital assets, net	63,701,969	68,341,281
Total assets	<u>\$ 85,230,278</u>	<u>\$ 87,708,038</u>
Current liabilities	6,215,055	5,618,185
Long-term debt outstanding	15,636,648	14,165,758
Total liabilities	<u>21,851,703</u>	<u>19,783,943</u>
Net position:		
Net investment in capital assets	56,063,317	54,175,523
Restricted	6,429,647	4,409,400
Unrestricted	885,611	9,339,172
Total net position	<u>\$ 63,378,575</u>	<u>67,924,095</u>

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

Capital assets, net decreased by \$4,639,312 mainly due to a prior period adjustment of \$3,836,724 to correct capital leases erroneously recorded as capital assets

Capital lease receivables decreased by \$704,849 mainly due to a prior period adjustment of 1,264,323 to correct error in balances.

Changes in Net Position—Tishomingo County’s total revenues for the fiscal year ended September 30, 2013 were \$14,554,903. The total cost for all services provided was \$13,929,758, resulting in a decrease in net position of \$4,545,520; this includes a prior period adjustment of (\$5,170,665). The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2013 and 2012.

Governmental Activities	2013	2012
Revenues:		
Program Revenues		
Charges for services	\$ 1,476,312	1,475,275
Operating grants and contributions	2,204,989	1,121,990
Capital grants and contributions	1,651,937	1,705,509
General Revenues		
Property taxes	4,206,993	3,834,299
Road and bridge privilege taxes	256,205	259,148
Grants and contributions not restricted specific purpose	3,090,634	2,961,932
Other	1,667,833	1,427,740
Total Revenues	14,554,903	12,785,893
Expenses:		
General government	3,689,475	3,918,758
Public safety	2,500,576	2,427,400
Public works	4,330,516	3,096,680
Health and welfare	187,002	183,066
Culture and recreation	90,000	90,000
Conservation of natural resources	56,417	56,528
Economic development and assistance	2,534,189	1,449,342
Interest on long-term debt	541,583	601,948
Total Expenses	13,929,758	11,823,722
Net Change	625,145	962,171
Prior Period Adjustments	(5,170,665)	(40,667)
Increase (Decrease) in Net Position	\$ (4,545,520)	921,504

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

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

	2013	
	Total Costs	Net Costs
General government	3,689,475	3,069,667
Public safety	2,500,576	1,761,867
Public works	4,330,516	1,488,211
Health and welfare	187,002	187,002
Culture and recreation	90,000	90,000
Conservation of natural resources	56,417	56,417
Economic development	2,534,189	1,401,773
Interest on long-term debt	541,583	541,583

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Governmental funds — At the close of the fiscal year, Tishomingo County's governmental funds reported a combined fund balance of \$6,760,187, an increase of \$2,205,864. The primary reasons for this increase are noted in the financial highlights section.

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 \$174,006.

BUDGETARY HIGHLIGHTS OF MAJOR FUNDS

Over the course of the year, Tishomingo County did not revise its annual operating budget, until the end of the fiscal year. At the end of the fiscal year, Tishomingo County amended its budget to reflect actual revenues received and expenditures made. After the final adjustments, actual revenues and disbursements were equal to the final budget amounts.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets—As of September 30, 2013, Tishomingo County's total gross capital assets were \$118,117,657. This includes land, construction in progress, buildings, improvements other than buildings, mobile equipment, furniture and equipment, roads, bridges, other infrastructure, and leased property under capital lease.

Total accumulated depreciation as of September 30, 2013 was \$54,415,688, including \$1,793,821 of depreciation expense for the year. The balance in total net capital assets was \$63,701,969 at year-end. This amount represents a decrease from the previous year of \$4,639,312. The majority of this decrease is due to prior period adjustments of (\$3,836,724).

Additional information on Tishomingo County's capital assets can be found in note 7 on page 37 of this report.

Debt Administration—At September 30, 2013, Tishomingo County had \$15,607,261 in long-term debt outstanding. This includes other loans, obligations under capital lease and bond payable. Of this debt, \$914,945 is due within one year.

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 is significantly below its current limit of approximately 22 million dollars.

Long Term Debt Analysis

	Balance 10/1/2012	Issued	Retired	Adjustments	Balance 9/30/2013
Other Loans	8,981,500	2,223,152	572,470		10,632,182
Capital leases	174,258	10,974	35,153		150,079
Bonds Payable	5,010,000		185,000		4,825,000
Add:					
Unamortized premiums	-	-	1,633	31,020	29,387
Total	14,165,758	2,234,126	794,256	31,020	15,636,648

Additional information on Tishomingo County's long-term debt can be found in note 12 on page 43 of this report.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Tishomingo County Chancery Clerk's office at 1008 Battleground Drive, Iuka Mississippi 38852.

TISHOMINGO COUNTY

(This page left blank intentionally.)

TISHOMINGO COUNTY

FINANCIAL STATEMENTS

TISHOMINGO COUNTY

(This page left blank intentionally.)

TISHOMINGO COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government Governmental Activities
ASSETS	
Cash	\$ 6,795,465
Property tax receivable	3,083,000
Fines receivable (net of allowance for uncollectibles of \$235,967)	377,175
Loans receivable	206,007
Capital leases receivable	10,378,555
Intergovernmental receivables	350,378
Other receivables	224,975
Deferred charges - bond issuance costs	112,754
Capital assets:	
Land and construction in progress	11,612,936
Other capital assets, net	52,089,033
Total Assets	<u>85,230,278</u>
LIABILITIES	
Claims payable	397,108
Intergovernmental payables	204,263
Accrued interest payable	97,220
Deferred Revenue	5,315,137
Amounts held in custody for others	37,842
Other payables	160,513
Private purpose trust fund payable	2,972
Long-term liabilities	
Other postemployment benefits payable	
Due within one year:	
Capital debt	465,295
Non-capital debt	451,283
Due in more than one year:	
Capital debt	7,173,357
Non-capital debt	7,546,713
Total Liabilities	<u>21,851,703</u>
NET POSITION	
Net investment in capital assets	56,063,317
Restricted for:	
Expendable:	
General government	106,669
Public safety	481,400
Public works	1,142,692
Health and welfare	9,967
Economic development	4,265,824
Debt service	423,095
Unrestricted	885,611
Total Net Position	<u>\$ 63,378,575</u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 3,689,475	610,254	9,554		(3,069,667)
Public safety	2,500,576	687,754	50,955		(1,761,867)
Public works	4,330,516	178,304	2,144,480	519,521	(1,488,211)
Health and welfare	187,002				(187,002)
Culture and recreation	90,000				(90,000)
Conservation of natural resources	56,417				(56,417)
Economic development and assistance	2,534,189			1,132,416	(1,401,773)
Interest on long-term debt	541,583				(541,583)
Total Governmental Activities	<u>13,929,758</u>	<u>1,476,312</u>	<u>2,204,989</u>	<u>1,651,937</u>	<u>(8,596,520)</u>
General revenues:					
Property taxes					\$ 4,206,993
Road & bridge privilege taxes					256,205
Grants and contributions not restricted to specific programs					3,090,634
Unrestricted interest income					281,943
Miscellaneous					<u>1,385,890</u>
Total General Revenues					<u>9,221,665</u>
Changes in Net Position					<u>625,145</u>
Net Position - Beginning					67,924,095
Fund reclassification					
Prior period adjustment(s)					<u>(5,170,665)</u>
Net Position - Beginning, as restated					<u>62,753,430</u>
Net Position - Ending					<u>\$ 63,378,575</u>

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

TISHOMINGO COUNTY
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	Major Funds						Other	Total
	General	Economic	Dennen	Contract	Comfort	Tri-State	Governmental	Governmental
	Fund	Development	Steel	Fabricators	Revolution	Commerce Park	Funds	Funds
		Fund	Fund	Fund	Fund	Fund		
ASSETS								
Cash	\$ 675,923	1,331,935		22,902	164,715	1,536,060	3,063,930	6,795,465
Property tax receivable	1,307,000						1,776,000	3,083,000
Fines receivable (net of allowance for uncollectibles of \$235,967)	377,175							377,175
Loans receivable	125,000						81,007	206,007
Capital lease receivable		1,061,908	2,492,900	4,911,674	1,473,564		438,509	10,378,555
Intergovernmental receivables	130,946						219,432	350,378
Other receivables	49,160					136,674	39,141	224,975
Due from other funds		219,622					68,414	288,036
Advances to other funds		8,940				190,770	2,651	202,361
Total Assets	\$ 2,665,204	2,622,405	2,492,900	4,934,576	1,638,279	1,863,504	5,689,084	21,905,952
LIABILITIES AND FUND BALANCES								
Liabilities:								
Claims payable	\$ 112,178	2,500				27,408	255,022	397,108
Intergovernmental payables	195,510					1,337	7,416	204,263
Due to other funds	51,263	17,279			219,622		2,844	291,008
Advances from other funds	8,940	1,215					192,206	202,361
Deferred revenue	1,698,115	1,061,908	2,492,900	4,911,674	1,473,564		2,214,509	13,852,670
Amounts held in custody for others	37,842							37,842
Other payables	102,169					7,563	50,781	160,513
Total Liabilities	\$ 2,206,017	1,082,902	2,492,900	4,911,674	1,693,186	36,308	2,722,778	15,145,765
Fund balances:								
Nonspendable:								
Loans receivable	\$ 125,000						81,007	206,007
Restricted for:								
General government							92,729	92,729
Public safety	8,598						475,250	483,848
Public works							1,143,052	1,143,052
Health and welfare							9,967	9,967
Economic development and assistance		1,539,503		22,902		1,827,196	669,260	4,058,861
Debt service							495,041	495,041
Unassigned	325,589				(54,907)			270,682
Total Fund Balances	\$ 459,187	1,539,503	0	22,902	(54,907)	1,827,196	2,966,306	6,760,187
Total Liabilities and Fund Balances	\$ 2,665,204	2,622,405	2,492,900	4,934,576	1,638,279	1,863,504	5,689,084	21,905,952

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

TISHOMINGO COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2013

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,760,187
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 \$54,415,688.	63,701,969
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	8,146,418
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(15,636,648)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(97,220)
Deferred charges - bond issuance costs	112,754
Other long-term assets are not available to pay current period expenditures and, therefore are deferred in the funds:	
Fines receivable	377,175
EMPG grant	<u>13,940</u>
Total Net Position - Governmental Activities	\$ <u><u>63,378,575</u></u>

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

TISHOMINGO COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2013

	Major Funds						Other	Total
	General	Economic	Dennen	Contract	Comfort	Tri-State	Governmental	Governmental
	Fund	Development	Steel	Fabricators	Revolution	Commerce	Funds	Funds
	Fund	Fund	Fund	Fund	Fund	Fund		
REVENUES								
Property taxes	\$ 1,956,686						2,250,307	4,206,993
Road and bridge privilege taxes							256,205	256,205
Licenses, commissions and other revenue	260,100							260,100
Fines and forfeitures	324,111							324,111
Intergovernmental revenues	2,962,661	8,894		30,190	1,093,561		2,838,313	6,933,619
Charges for services	44,807						820,719	865,526
Interest income	59,420	26,947	58,584	115,854			21,138	281,943
Miscellaneous revenues	139,383	6,953				956,203	275,315	1,377,854
Total Revenues	<u>5,747,168</u>	<u>42,794</u>	<u>58,584</u>	<u>146,044</u>	<u>1,093,561</u>	<u>956,203</u>	<u>6,461,997</u>	<u>14,506,351</u>
EXPENDITURES								
Current:								
General government	3,154,699						706	3,155,405
Public safety	1,858,954						304,438	2,163,392
Public works							4,533,281	4,533,281
Health and welfare	185,327						1,675	187,002
Culture and recreation	90,000							90,000
Conservation of natural resources	56,417							56,417
Economic development and assistance	212,450	420,336		30,191	2,193,562	738,214	76,954	3,671,707
Debt service:								
Principal		11,951	75,163	148,456	30,008		527,045	792,623
Interest		19,790	59,588	117,751	24,898		318,264	540,291
Total Expenditures	<u>5,557,847</u>	<u>452,077</u>	<u>134,751</u>	<u>296,398</u>	<u>2,248,468</u>	<u>738,214</u>	<u>5,762,363</u>	<u>15,190,118</u>
Excess of Revenues over (under) Expenditures	<u>189,321</u>	<u>(409,283)</u>	<u>(76,167)</u>	<u>(150,354)</u>	<u>(1,154,907)</u>	<u>217,989</u>	<u>699,634</u>	<u>(683,767)</u>

TISHOMINGO COUNTY

Exhibit 4 - Cont'd

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended September 30, 2013

	Major Funds						Other	Total
	General	Economic	Dennen	Contract	Comfort	Tri-State	Governmental	Governmental
	Fund	Development	Steel	Fabricators	Revolution	Commerce	Funds	Funds
	Fund	Fund	Fund	Fund	Fund	Fund		
OTHER FINANCING SOURCES (USES)								
Long-term capital debt issued		373,152			1,100,000		10,974	1,484,126
Long-term non-capital debt issued		750,000						750,000
Proceeds from sale of capital assets	126,800					10,000	23,984	160,784
Transfers in							236,717	236,717
Transfers out	(143,526)						(93,191)	(236,717)
Lease principal payments		165,168	76,167	150,848			169,441	561,624
Total Other Financing Sources and Uses	<u>(16,726)</u>	<u>1,288,320</u>	<u>76,167</u>	<u>150,848</u>	<u>1,100,000</u>	<u>10,000</u>	<u>347,925</u>	<u>2,956,534</u>
Net Changes in Fund Balances	<u>172,595</u>	<u>879,037</u>	<u>0</u>	<u>494</u>	<u>(54,907)</u>	<u>227,989</u>	<u>1,047,559</u>	<u>2,272,767</u>
Fund Balances - Beginning as previously reported	285,181	737,031		22,408		1,689,207	1,820,496	4,554,323
Prior period adjustments	1,411	(76,565)				(90,000)	98,251	(66,903)
Fund Balances - Beginning, as restated	<u>286,592</u>	<u>660,466</u>	<u>0</u>	<u>22,408</u>	<u>0</u>	<u>1,599,207</u>	<u>1,918,747</u>	<u>4,487,420</u>
Fund Balances - Ending	<u>\$ 459,187</u>	<u>1,539,503</u>	<u>0</u>	<u>22,902</u>	<u>(54,907)</u>	<u>1,827,196</u>	<u>2,966,306</u>	<u>6,760,187</u>

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

TISHOMINGO COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 2,272,767
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$3,373,253 exceeded depreciation of \$1,793,821 in the current period.	1,579,432
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 \$1,096,810, the principal portion of \$1,124,426 for new capital lease receivables and the proceeds from the sale of \$ 160,784 in the current period.	(2,382,020)
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.	26,576
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$2,234,126 exceeded debt repayments of \$792,623.	(1,441,503)
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:	
Accrued interest payable	(2,924)
Amortization of bond issuance costs	(6,633)
Amortization of premium on bonds	1,633
EMPG grant	13,940
In the Statement of Activities, only interest income from payments received on capital leases are reported, whereas in the governmental funds, both principal and interest payments received increase financial resources. Thus, the change in net position differs from change in fund balances by the principal collections on the capital leases.	(561,624)
In the Statement of Activities, capital leases are reported differently from the governmental funds. The revenue from the principal portion of the new capital lease receivable is deferred under the modified accrual basis, but is recognized under the full basis of accounting.	1,124,426
Unidentified reconciling item	<u>1,075</u>
Change in Net Position of Governmental Activities	<u>\$ 625,145</u>

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

TISHOMINGO COUNTY
Statement of Fiduciary Net Position
September 30, 2013

Exhibit 5

	Private-purpose Trust Funds	Agency Funds
ASSETS		
Cash	\$ 2,500,000	87,364
Due from other funds	2,972	
Total Assets	<u>\$ 2,502,972</u>	<u>87,364</u>
LIABILITIES		
Amounts held in custody for others	\$	65,343
Intergovernmental payables	2,972	22,021
Total Liabilities	<u>\$ 2,972</u>	<u>87,364</u>
NET POSITION		
Held in trust for:		
Individuals, organizations and other governments	<u>\$ 2,500,000</u>	<u>0</u>

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

TISHOMINGO COUNTY
Statement of Changes in Fiduciary Net Position
For the Year Ended September 30, 2013

Exhibit 6

	Private-purpose Trust Funds
ADDITIONS	
Investment income:	
Interest	\$ 2,972
Total Additions	<u>2,972</u>
DEDUCTIONS	
Payments in accordance with trust agreements	<u>2,972</u>
Total Deductions	<u>2,972</u>
Changes in Net Position	
Net Position - Beginning	<u>2,500,000</u>
Net Position - Ending	<u>\$ 2,500,000</u>

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

TISHOMINGO COUNTY

(This page left blank intentionally.)

TISHOMINGO COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Tishomingo 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 Tishomingo 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.

- Tishomingo County Economic Development Foundation
- Tishomingo County Economic Authority

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. 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.

TISHOMINGO COUNTY

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

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.

C. 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 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.

Economic Development Fund – This fund is used to account for monies from specific resources used for economic development.

Dennen Steel Fund – This fund is used to account for capital lease and debt payments used for economic development.

Contract Fabricators Fund - This fund is used to account for capital lease and debt payments used for economic development.

Comfort Revolution Fund - This fund is used to account for capital lease and debt payments to be used for economic development.

Tri-State Commerce Park Fund – This fund is used to account for rent income from the buildings in the industrial park to be used to maintain the buildings and park.

Additionally, the County reports the following fund types:

TISHOMINGO COUNTY

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

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.

FIDUCIARY FUND TYPES

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

Private-purpose Trust Funds - These funds are used to report all trust arrangements, other than those properly reported elsewhere, under which the principal and income benefit individuals, private organizations or other governments.

D. Account Classifications.

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

E. Deposits and Investments.

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

Cash includes cash on hand, demand deposits, 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.

F. Receivables.

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

G. Interfund Transactions and Balances.

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

TISHOMINGO COUNTY

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

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

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 estimated useful lives:

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

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

I. 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, as well as issuance costs, 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

J. Equity Classifications.

Government-wide Financial Statements:

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

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

TISHOMINGO COUNTY

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

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

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

Fund Financial Statements:

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

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

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

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

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

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.

K. 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.

TISHOMINGO COUNTY

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

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

L. 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.

M. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee benefits; however, adequate records are not maintained for determining the amount of the liability. Therefore, no liability is recorded in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. We believe the effects of the unrecorded liability on the financial statements are immaterial.

(2) Prior Period Adjustments.

A summary of significant fund equity adjustments is as follows

Exhibit 2 - Statement of Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year error in deferred charges – bond issuance cost	\$ (4,283)
To include the Iuka Airport fuel account omitted in prior year	14,183
To correct capital leases erroneously added to capital assets.	(3,836,724)
To correct error in capital lease receivables	(1,264,323)
To correct beginning balances – unidentified	1,568
To remove balances for entity included as blended component unit in prior year	<u>(81,086)</u>
Total prior period adjustments	\$ <u><u>(5,170,665)</u></u>

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

<u>Explanation</u>	<u>Amount</u>
To reclassify funds reported in General Fund in error in prior year	\$ (75,154)
To correct error in General Fund advances	76,565
To correct error in Economic Development Fund advances	(76,565)
To correct error in Tri-State Commerce Fund advances	(90,000)
To include the Iuka Airport fuel account omitted in prior year	14,183
To remove balances for entity included as blended component unit in prior year	(81,086)
To correct error in Other Governmental Funds advances	90,000
To reclassify funds to Other Governmental Funds reported in error in prior year	<u>75,154</u>
Total prior period adjustments	\$ <u><u>(66,903)</u></u>

TISHOMINGO COUNTY

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

(3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$9,382,829, and the bank balance was \$9,832,349. 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.

(4) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Economic Development Fund	Comfort Revolution Fund	\$ 219,622
Other Governmental Funds	General Fund	48,291
Other Governmental Funds	Economic Development Fund	17,279
Other Governmental Funds	Other Governmental Funds	2,844
Private Purpose Trust Funds	General Fund	<u>2,972</u>
Total		\$ <u>291,008</u>

The receivables represent TVA in Lieu funds used to pay accrued interest on construction project to be repaid with rent payments, tax revenue collected in September 2013, but not settled until October, 2013, distribution of interest income and correction of posting errors. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Economic Development Fund	General Fund	\$ 8,940
Tri-State Commerce Park Fund	Other Governmental Funds	190,770
Other Governmental Funds	Economic Development Fund	1,215
Other Governmental Funds	Other Governmental Funds	<u>1,436</u>
Total		\$ <u>202,361</u>

The advances represent amounts owed for unexpected repairs and operating cash in funds in which money has not been received.

TISHOMINGO COUNTY

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

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 143,526
Other Governmental Funds	Other Governmental Funds	<u>93,191</u>
Total		\$ <u><u>236,717</u></u>

The purpose of the transfers was to distribute fire rebate monies, special levy tax collections and provide funds for the purchase of assets. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Reimbursement for housing prisoners	\$ 99,770
Legislative tax credit	94,487
FAA grants	81,093
State motor vehicle license privilege tax	27,786
Gas tax	17,166
EMPG grant	13,940
Solid waste disposal fees	10,178
Tombigbee River Valley Water Management District reimbursement on special project	3,371
Welfare	1,037
Youth court	988
Timber severance	<u>562</u>
Total Governmental Activities	\$ <u><u>350,378</u></u>

(6) Loans Receivable.

Loans receivable balances at September 30, 2013, are as follows:

<u>Description</u>	<u>Date of Loan</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Receivable Balance</u>
Town of Tishomingo	12/28/2007	4.51%	12/31/2014	\$ 81,007
American Pride	8/1/2013	3.13%	1/15/2019	125,000
Total				\$ <u><u>206,007</u></u>

TISHOMINGO COUNTY

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

(7) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 11,581,908	46,532	10,693	(268,250)	11,349,497
Construction in progress	<u>1,840,427</u>	<u>3,151,889</u>		<u>(4,728,877)</u>	<u>263,439</u>
Total non-depreciable capital assets	<u>13,422,335</u>	<u>3,198,421</u>	<u>10,693</u>	<u>(4,997,127)</u>	<u>11,612,936</u>
<u>Depreciable capital assets:</u>					
Infrastructure	60,932,672				60,932,672
Buildings	36,180,207		2,555,060	248,581	33,873,728
Improvements other than buildings	3,098,468			484,954	3,583,422
Mobile equipment	6,651,433	97,396	167,584		6,581,245
Furniture and equipment	1,258,593	66,462	38,019		1,287,036
Leased property under capital leases	<u>235,644</u>	<u>10,974</u>			<u>246,618</u>
Total depreciable capital assets	<u>108,357,017</u>	<u>174,832</u>	<u>2,760,663</u>	<u>733,535</u>	<u>106,504,721</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	40,649,129	131,306			40,780,435
Buildings	6,143,279	965,454	236,499	-426,868	6,445,366
Improvements other than buildings	589,823	146,717			736,540
Mobile equipment	4,806,173	413,452	115,198		5,104,427
Furniture and equipment	1,151,352	100,720	37,639		1,214,433
Leased property under capital leases	<u>98,315</u>	<u>36,172</u>			<u>134,487</u>
Total accumulated depreciation	<u>53,438,071</u>	<u>1,793,821</u>	<u>389,336</u>	<u>(426,868)</u>	<u>54,415,688</u>
Total depreciable capital assets, net	<u>54,918,946</u>	<u>-1,618,989</u>	<u>2,371,327</u>	<u>1,160,403</u>	<u>52,089,033</u>
Governmental activities capital assets, net	<u>\$ 68,341,281</u>	<u>1,579,432</u>	<u>2,382,020</u>	<u>(3,836,724)</u>	<u>63,701,969</u>

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 513,359
Public safety	394,258
Public works	380,518
Economic development and assistance	<u>505,686</u>
Total governmental activities depreciation expense	<u>\$ 1,793,821</u>

TISHOMINGO COUNTY

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

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

Description Of Commitment	Remaining Financial Commitment	Expected Date of Completion
Iuka Airport	\$ 63,405	September 2014
KX Technologies	2,500	November 2013
Contract Fabricators	969,809	September 2014

(8) Claims and Judgments.

Risk Financing.

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

(9) Operating Leases.

As Lessor:

On October 1, 2003, Tishomingo County entered into a non-cancellable operating lease agreement with Miltec Corporation for the lease of property/premises located at Tri-State Commerce Park owned by the County for the purpose of conducting the business activities of Miltec Corporation. The operating lease stipulated that the lessee would pay approximately \$6,875 per month in lease payments commencing on October 1, 2004 for a term of 10 years. At the end of the lease term, Miltec Corporation has the option to renew for 2 additional terms of 5 years at a rate of \$1.50 per square foot (\$8,250 per month).

On March 30, 2012, Tishomingo County entered into a non-cancellable operating lease agreement with Pickwick Flotation for the lease of Building 3001 located at Tri-State Commerce Park owned by the County for the purpose of conducting business of manufacturing flotation devices, production and shipping. The operating lease stipulated that the lessee would pay \$300 per month in lease payments commencing on April 1, 2014 for a term of 3 years. There is a 2 year abatement at the beginning of the lease in which Pickwick Flotation does not owe rent, but is responsible for \$250 per month insurance reimbursement. At the end of the lease term, Pickwick Flotation has the option to renew for an additional term of 5 years. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per building per year.

On March 6, 2012, Tishomingo County entered into a non-cancellable operating lease agreement with Plant Process Support Inc. for the lease of the premises located at 28 Industrial Park Drive, Burnsville, MS owned by the County for the purpose of conducting business of a powder coat painting operation, production, and shipping. The operating lease stipulated that the lessee would pay approximately \$338.54 per month in lease payments commencing on April 1, 2015 for a term of 2 years. The lease stipulated there is a 3 year abatement at the beginning of the lease in which Plant Process Support Inc. does not owe rent. Plant Process Support Inc. agreed to invest \$50,000 into the endeavor and create 7 full time jobs in return for the abatement. At the end of the lease term, Plant Process Support Inc. has the option to renew for an additional term of 5 years, at a rate of \$677.08 per month and a second additional term of 5 more years at a rate of \$1,015.63 per month. In addition the lessee agreed to reimburse the lessor for casualty

TISHOMINGO COUNTY

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

insurance at a rate of \$3,000 per building per year

On November 1, 2005, Tishomingo County entered into a non-cancellable five year operating lease agreement with Waterway Inc. for the lease of Buildings #1010, 1012 and 1045 located at the Tri-State Commerce Park, MS owned by the County for the purpose of conducting business of Waterway Inc., exclusively. This lease was amended on October 1, 2012 to stipulate that lessee would pay \$7,612 per month for remainder of renewal term. At the end of the lease term, Waterway Inc. has the option to renew for an additional term of 5 years. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per building per year or provide proof of casualty insurance.

On June 14, 2011, Tishomingo County entered into a non-cancellable operating lease agreement with Dynetics, Inc. for the lease of one half of the remote control building (Building #2029), the blast wall and adjacent acres to the blast wall, located at the Tri-State Commerce Park, MS owned by the County for the purpose of testing explosives. The operating lease stipulated that the lessee would not owe annual rent for the use of the blast wall and the adjacent acres to the blast wall. The lessee would not owe rent on the one half of the remote building for the first year of the lease and would pay \$6,750 per year commencing May 1, 2012 for the remainder of the 3 year lease. The lessor would have the option to then extend the lease year to year at the end of the term. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$1,500 per year.

On August 15, 2011, Tishomingo County entered into a non-cancellable operating lease agreement with Ershigs, Inc. for the lease Building #1024, #1026, #1027, #1032, and #3011 located at the Tri-State Commerce Park, MS owned by the County for the purpose of conducting business of Ershigs, Inc., exclusively. The operating lease stipulated that building #3011 will be leased for a term of 25 years commencing September 1, 2011, and the remaining buildings will be leased for a term of 20 years commencing on the same date. Lessee will pay \$700 per month in consideration of lease of buildings #1024, #1026, #1027, and #1032. There will be no rent due on building #3011, and the lessee agrees to execute a simple deed to the county for said building. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per building per year

On August 5, 2013, Tishomingo County entered into a non-cancellable operating lease agreement with Ershigs, Inc. for the lease Building #1020, located at the Tri-State Commerce Park, MS owned by the County for the purpose of conducting business of Ershigs, Inc., exclusively. The operating lease stipulated that the lessee would pay approximately \$500 per month in lease payments commencing July 1, 2013 for a term of 5 years. At the end of the lease term, Ershigs, Inc has the option to renew for an additional 5 years. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per year.

On July 1, 2008, Tishomingo County entered into a non-cancellable operating lease agreement with Furniture Fabrics & More, LLC for the lease of the premises and/or property located at 338 Highway 72, Burnsville, MS 38833 owned by the County for the purpose of conducting business of Furniture Fabrics & More, LLC, exclusively. The operating lease stipulated that the lessee would pay approximately \$2,000 per month in lease payments commencing July 1, 2008 for a term of 5 years. At the end of the lease term, Furniture Fabrics & More, LLC has the option to renew for an additional 5 years. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per year

On June 1, 2009, Tishomingo County entered into a non-cancellable operating lease agreement with G&G Steel, Inc., for the lease of Building #2042 owned by the County for the purpose of conducting business of steel fabricating and shipping and for any other lawful purpose for a seven year period. Beginning on the first day of the thirteenth month, the lessee shall pay \$1,000 per month for remainder of the lease. An amendment to the lease dated June 28, 2013, stipulated that the lease would be extended to 99 years and the lease payment would be free in exchange for the lessee's investment in the expansion and modification to the existing buildings. In addition the lessee agreed to reimburse the lessor for casualty insurance at a rate of \$3,000 per building per year.

On September 1, 1998, Tishomingo County entered into a non-cancellable operating lease agreement with Alliant Techsystems, Inc., for the lease of a portion of Building #1000 known as MIC room, owned by the County for the purpose of manufacturing and directly related activities. The operating lease stipulated the lessee would pay a lump sum of \$10,000 due on April 15 2011, plus \$1.50 per square foot (28,790 sq. ft. total) to be paid in equal quarterly installments for the five year extension of April 2011 through March 2016.

TISHOMINGO COUNTY

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

The next option to extend the term of the lease begins on April 15, 2016, and stipulates a lump sum of \$10,000 plus \$2.25 per square foot to be paid in equal quarterly installments.

On March 25, 1999, Tishomingo County entered into a non-cancellable operating lease agreement with Alliant Techsystems, Inc., for the lease of Building #1016 located at The Tri-State Commerce Park in Tishomingo County. The operating lease stipulated the building would be rent free for the first 24 months of the term. Then, the lessee will pay \$1.70 per square foot on 110,000 square foot building on a quarterly basis for the next 5 years. An amendment dated August 3, 1999, stipulated Alliant Techsystems, Inc., will occupy an additional 52,000 square feet of Building #1016, and will reduce the rate to \$1.25 per square foot on a total space of 317,000 square feet through December 2007. Then, the rate will increase to \$1.50 per square foot and remain at that rate for the remainder of the lease.

On April 5, 2010, Tishomingo County entered into a non-cancelable operating lease agreement with Alliant Techsystems, Inc., for the lease of rooms #600 and #643 located in building #1000, located at the Tri-State Commerce Park, for the purpose of running a corporate office and security operations. The operating lease stipulated that \$769 (\$1.00 per square foot) is to be paid January 1 of each year starting in 2010 with a renewal option each year through December 31, 2019.

On December 1, 2010, Tishomingo County entered into a ten year non-cancellable operating lease agreement with KX Technologies LLC, for the lease of property/premises located at 36 Wildrose Drive, Iuka, MS more commonly known as the "Wildrose Building", owned by the County for the purpose of conducting business activities of drinking water products production and shipping, ancillary office use, or any other lawful purpose. The operating lease stipulated that the rent would be abated for the entire term of the lease provided the lessee makes all necessary repairs and preforms all maintenance obligations on the building. The lessee also agrees to hire 45 on site employees by the commencement date of the lease, December 1, 2010. If the lessee does not meet the provisions of the abatement, the lessor has the option to terminate the lease agreement or enforce the rent of \$60,000 per year for the term of the lease, 10 years. In addition the lessee agrees to reimburse the lessor for insurance at a rate of \$3,000 per year.

On March 1, 2013, Tishomingo County entered into a non-cancellable operating lease agreement with Terry Wayne Nix/TW Nix Flying Service, Inc, for the lease of airport facilities located at the Tishomingo County Airport located within the city limits of Belmont. The operating lease stipulated that the lessee would provide certain services and pay \$1 per year commencing on March 3, 2013, for a period of 10 years. At the end of the lease term, the lessee has the option to extend the lease for an additional 10 years.

On September 22, 2011, Tishomingo County entered into a non-cancellable operating lease agreement with John Bostick DBA Sunshine Aviation, LLC, for the lease of airport facilities located at the Tishomingo County Airport located within the city limits of Belmont. The operating lease stipulated that the lessee would provide certain services and pay \$1 per year commencing on April 10, 2010. At the end of the lease term, the lessee has the option to extend the lease for an additional 10 years.

On October 22, 1963, Tishomingo County entered into an operating lease agreement with Consolidated Aluminum Corporation also known as "International Converter" for the lease of a building and land located in Tishomingo County as described in the lease agreement. The operating lease stipulated that the lessee would pay rent of \$1,885 per year. After the 20 year primary term, the lessee has the option to renew the lease for 70 consecutive renewal terms of one year and a final renewal term of nine years.

On May 9, 2013, Tishomingo County executed an addendum to the operating lease agreement with Consolidated Aluminum Corporation (International Converter LLC) for the lease of an addition to the existing building to be constructed by Tishomingo County. The operating lease stipulated that the lessee would pay rent of \$12, 223.25 per month commencing January 1, 2013 for a period of 15 years.

On August 1, 2009, Tishomingo County entered into a non-cancellable operating lease agreement with Southern Apprenticeship and Training Fund Inc., for the lease of buildings #1022, #1025, and a suite of offices and small conference room in building 1001, all located in Tri-State Commerce Park in Tishomingo County as described in the lease agreement.

TISHOMINGO COUNTY

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

The operating lease stipulated that the lessee would pay rent of \$5,000 per year commencing August 1, 2009, for a term of 5 years. At the end of the lease, the lessee has the option to renew for an additional term.

On April 2, 2012, Tishomingo County entered into a non-cancellable operating lease agreement with David Robinson, for the lease of 43 acres at the Tri-State Commerce Park in Tishomingo County. The operating lease stipulated that the lessee would pay rent of \$878 per year commencing January 1, 2012 for a term of four years.

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$908,396 for the year ended September 30, 2013. The future minimum lease receivables for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2014	\$ 803,606
2015	803,500
2016	699,329
2017	666,294
2018	654,963
2019 – 2023	2,202,972
2024 – 2028	639,325
2029 – 2033	<u>24,500</u>
Total Minimum Payments Required	\$ <u>6,494,489</u>

(10) Capital Leases.

As Lessor:

On August 31, 2006 Tishomingo County entered into a capital lease agreement with Roll Form Group Inc. for the lease of a steel processing facility. The capital lease stipulated that the lessee would pay an amount equal to the lenders debt service payments, approximately \$14,892 per month total in lease payments commencing approximately January 2008 for a term of seven years. At the end of the lease term, Roll Form Group has the option to purchase the facility for \$100.

On March 22, 2005 Tishomingo County entered into a capital lease agreement with Skyline Steel Pipe Inc. for the lease of a steel processing facility. The capital lease stipulated that the lessee would pay principal and interest on the CAP loan, the RAIL loan, and on in lieu funds, approximately \$5214 per month for the first 10 years and \$3,821.85 for years 11-15 in lease payments commencing on March 22, 2005 for a term of fifteen years. At the end of the lease term, Skyline Steel Pipe has the option to purchase the manufacturing facility for \$100, assuming all 60 rental payments (years 11-15) were made or Skyline Steel Pipe Inc. pays the unamortized balance of all 3 loans at any time during the term of the lease.

On April 1, 2012 Tishomingo County entered into a capital lease agreement with Contract Fabricators Inc. for the lease of a facility to conduct the business activities of Contract Fabricators. The capital lease stipulated that the lessee would pay \$22,225 commencing on April 1, 2012 for a term of twenty years. At the end of the lease term, the facility will be transferred to Contract Fabricators Inc. upon completion of the underlying debt.

On August 1, 2012 Tishomingo County entered into a capital lease agreement with Dennen Steel Inc. for the lease of a steel manufacturing, production, and shipping facility. The capital lease stipulated that the lessee would pay an amount equal to the lenders debt service payments, approximately \$11,229 to \$19,026 per month in lease payments commencing August 1, 2012 for a term of twenty years. At the end of the lease term, Dennen Steel Inc. has the option to purchase the facility for \$10, or sooner once the entire indebtedness is paid in full. The lessee does not have the option to purchase early for the first seven years.

TISHOMINGO COUNTY

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

On December 15, 2012 Tishomingo County entered into a capital lease agreement with Comfort Revolution LLC for the lease of the building also known as the “Schnadig Building” to be for the purpose of conducting the business activities of Comfort Revolution. The capital lease stipulated that the lessee would be rent free for the first 3 years and then pay approximately \$7,255 commencing January 1, 2016 for a term of twenty years. At the end of the lease term, Comfort Revolution LLC has the option to purchase the facility for \$10, assuming the entire indebtedness is paid in full.

On April 1, 2013 Tishomingo County entered into a capital lease agreement with Wesley Mills for the lease of land to build a facility on Industrial Park Road. The capital lease stipulated that the lessee would pay \$500 per month for the first 18 months and then the balance of the \$15,000 purchase price will be due.

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

<u>Class of Property</u>	<u>Amount</u>
Land	\$ 548,353
Industrial facilities	<u>13,034,766</u>
Total	<u>\$ 13,583,119</u>

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

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 379,637	93,437
2015	367,150	80,767
2016	393,718	209,929
2017	418,415	206,998
2018	430,885	194,528
2019 – 2023	2,098,462	782,394
2024 – 2028	1,952,074	487,938
2029 – 2033	1,995,984	175,186
2034 – 2038	<u>110,093</u>	<u>960</u>
Total	<u>\$ 8,146,418</u>	<u>2,232,137</u>

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 246,618
Less: Accumulated depreciation	<u>(134,487)</u>
Leased Property Under Capital Leases	<u>\$ 112,131</u>

TISHOMINGO COUNTY

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

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 37,894	5,802
2015	35,219	4,362
2016	31,026	2,862
2017	15,181	1,821
2018	11,836	1,216
2019 – 2023	<u>18,923</u>	<u>727</u>
Total	\$ <u>150,079</u>	<u>16,790</u>

(11) Other Postemployment Benefits.

Plan Description

The Tishomingo County Board of Supervisors administers the County's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County's health insurance plan may be amended by the Tishomingo County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County's health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(12) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
Governmental Activities:			
A. General Obligation Bonds:			
Jail Project Series 2010 G.O.	\$ <u>4,825,000</u>	3.00 – 5.25%	12-2030
B. Capital Leases:			
2011 Ford F250 4x4	\$ 22,607	4.00%	06-2016
John Deere 5101E tractor	22,420	4.00%	06-2016
Fire truck	25,380	4.53%	03-2017
2012 Woods rotary cutter	6,859	0.00%	10-2014
Fire truck	72,813	4.79%	03-2020
Total Capital Leases	\$ <u>150,079</u>		

TISHOMINGO COUNTY

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

Description and Purpose	Amount	Interest Rate	Final Maturity Date
C. Other Loans:			
MDA CAP loan – Eastport VFD	\$ 86,942	3.00%	03-2020
MDA CAP loan – Carters Branch VFD	34,676	3.00%	06-2023
Jail facility loan	427,055	3.02%	01-2017
Fire truck loan – Tishomingo VFD	18,423	4.38%	03-2015
MDA CAP loan – Snowdown VFD	83,333	3.00%	12-2020
MDA CAP loan – Skyline	176,230	3.00%	03-2022
MDA rail loan – Skyline	158,072	2.75%	03-2022
MDA rail loan – Roll Form	162,827	4.25%	09-2015
MDA T-Hangars	97,822	3.00%	05-2016
MDA CAP loan – Harmony Central VFD	58,906	3.00%	11-2020
MDA CAP loan – Carter Branch VFD	49,594	3.00%	07-2020
Airport T-Hangar	87,167	4.00%	07-2021
MDA CAP loan – International Converter	1,603,454	3.00%	12-2027
MDA CAP loan – Contract Fabricators	3,779,961	3.00%	03-2032
MDA CAP loan – Harmony Central VFD	86,816	3.00%	12-2022
TVA loan – Dennen Steel	738,049	3.00%	07-2023
MDA CAP loan – Comfort Revolution	1,069,992	3.00%	12-2032
MDA CAP loan – Dennen Steel	<u>1,912,863</u>	3.00%	03-2032
Total Other Loans	<u>\$ 10,632,182</u>		

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

Governmental Activities:

Year Ending September 30	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2014	\$ 190,000	209,706	687,051	311,838
2015	200,000	203,856	708,939	289,789
2016	205,000	197,781	648,520	268,731
2017	210,000	191,556	859,742	243,315
2018	215,000	185,181	592,118	223,654
2019 – 2023	1,205,000	798,441	2,981,848	844,885
2024 – 2028	1,505,000	485,744	2,525,629	434,099
2029 – 2033	<u>1,095,000</u>	<u>88,332</u>	<u>1,628,335</u>	<u>93,595</u>
Total	<u>\$ 4,825,000</u>	<u>2,360,597</u>	<u>10,632,182</u>	<u>2,709,906</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2013, the amount of outstanding debt was equal to 4.18% of the latest property assessments.

TISHOMINGO COUNTY

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

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

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments*	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:						
General obligation bonds	\$ 5,010,000		185,000		4,825,000	190,000
Add:						
Unamortized premiums			1,633	31,020	29,387	1,633
Capital leases	174,258	10,974	35,153		150,079	37,894
Other loans	8,981,500	2,223,152	572,470		10,632,182	687,051
 Total	 \$ 14,165,758	 2,234,126	 794,256	 31,020	 15,636,648	 916,578

*Adjustment is to report unamortized premiums on bonds that were reported as deferred revenue in prior year.

(13) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2013:

Fund	Deficit Amount
Comfort Revolution Fund	\$ 54,907

(14) Contingencies.

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

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

(15) Related Organizations.

The Tishomingo County Board of Supervisors is responsible for appointing a voting majority of the members of the Tishomingo County Water and Sewer District, but the County's accountability for this organization does not extend beyond making the appointments to this organization.

(16) Joint Ventures.

The County participates in the following joint ventures:

Tishomingo County is a participant in the Northeast Regional Library, a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972). The Library was organized under a contract between the counties of Alcorn, Prentiss, Tippah and Tishomingo. Tishomingo County appoints one of the four member board. By contractual agreement, the County's appropriation this year to the joint venture was \$90,000. Complete financial statements to the Northeast Regional Library can be obtained from the Northeast Regional Library, 1023 Fillmore Street, Corinth, MS 38834.

TISHOMINGO COUNTY

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

(17) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Northeast Mississippi Regional Solid Waste Authority was organized to provide solid waste disposal services to the counties of Benton, Prentiss, Tippah and Tishomingo and the cities of Ashland, Booneville and Ripley. Each of the 7 members has one vote with a guarantee that the member of the Board of Supervisors whose district contains the landfill is a permanent member of the Authority. User governments will be billed on the volume of solid waste from each government.

The Regional IV Mental Health-Mental Retardation Commission is composed of the counties of Alcorn, Prentiss, Tippah and Tishomingo. The Board of Commissioners is comprised of one appointee from each county's Board of Supervisors. The County appropriated \$40,000 to the Commission for fiscal year 2013.

Northeast Mississippi Planning and Development District operates in a district composed of the counties of Alcorn, Benton, Marshall, Prentiss, Tippah and Tishomingo. The governing body is a 24 member Board of Directors with four appointed by the Board of Supervisors of each member county. The County appropriated \$19,800 to the district for fiscal year 2013.

Northeast Mississippi Community College operates in a district composed of the counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Tishomingo County Board of Supervisors appoints two of the fifteen members of the college Board of Trustees. The County appropriated \$398,127 for maintenance and support of the college in fiscal year 2013.

Northeast Mississippi Community Action Agency operates in a district composed of the counties of Alcorn, Benton, Marshall, Tishomingo and Prentiss. The board of directors is comprised of 21 total board members. Tishomingo County appoints five board members. The County appropriated \$75,600 for support of the agency in fiscal year 2013.

(18) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$414,772, \$375,868 and \$361,338, respectively, equal to the required contributions for each year.

TISHOMINGO COUNTY

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

(19) 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 Tishomingo County evaluated the activity of the County through February 29, 2016, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

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

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
12/23/2013	2.68%	\$ 3,500,000	Other loan	Ad valorem taxes
11/10/2014	3.00%	504,134	Other loan	Lease rental income
5/29/2015	4.00 – 5.25%	3,350,000	G.O. Refunding Bonds	Ad valorem taxes

Other Subsequent Events.

In October 2014, Dennen Steel, Inc. notified the County that they were canceling their lease with the County. Dennen continued to pay the debt obligations associated with their lease through September 2015. The County entered into a lease agreement with Hago Automotive Corporation for these industrial facilities in September 2015.

TISHOMINGO COUNTY

(This page left blank intentionally.)

TISHOMINGO COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

TISHOMINGO COUNTY

(This page left blank intentionally.)

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,636,345	1,956,261	1,956,261	
Licenses, commissions and other revenue	248,100	260,080	260,080	
Fines and forfeitures	256,400	334,119	334,119	
Intergovernmental revenues	3,416,100	3,451,237	3,451,237	
Charges for services	42,800	47,558	47,558	
Interest income	78,000	61,502	61,502	
Miscellaneous revenues	99,000	194,427	194,427	
Total Revenues	<u>6,776,745</u>	<u>6,305,184</u>	<u>6,305,184</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	3,386,961	3,093,999	3,093,999	
Public safety	1,684,430	1,673,626	1,673,626	
Health and welfare	199,450	183,688	183,688	
Culture and recreation	90,000	90,000	90,000	
Conservation of natural resources	56,761	54,624	54,624	
Economic development and assistance	203,000	212,450	212,450	
Total Expenditures	<u>5,620,602</u>	<u>5,308,387</u>	<u>5,308,387</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>1,156,143</u>	<u>996,797</u>	<u>996,797</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	15,800	14,783	14,783	
Compensation for loss of capital assets		13,297	13,297	
Transfers out	(274,500)	(151,070)	(151,070)	
Total Other Financing Sources and Uses	<u>(258,700)</u>	<u>(122,990)</u>	<u>(122,990)</u>	<u>0</u>
Net Change in Fund Balance	897,443	873,807	873,807	0
Fund Balances - Beginning	<u>1,783,079</u>	<u>338,055</u>	<u>338,055</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,680,522</u>	<u>1,211,862</u>	<u>1,211,862</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental revenues	\$	7,308	7,308	
Interest income	19,600	9,768	9,768	
Total Revenues	19,600	17,076	17,076	0
EXPENDITURES				
Current:				
Economic development and assistance		57,364	57,364	
Debt service:				
Principal		11,333	11,333	
Interest		3,129	3,129	
Total Expenditures	0	71,826	71,826	0
Excess of Revenues over (under) Expenditures	19,600	(54,750)	(54,750)	0
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		750,000	750,000	
Transfers out		(219,622)	(219,622)	
Lease principal payments	131,000	181,991	181,991	
Total Other Financing Sources and Uses	131,000	712,369	712,369	0
Net Change in Fund Balance	150,600	657,619	657,619	0
Fund Balances - Beginning	1,886,949	744,475	744,475	0
Fund Balances - Ending	\$ 2,037,549	1,402,094	1,402,094	0

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$	48,662	48,662	
Miscellaneous revenues		22,458	22,458	
Total Revenues	<u>0</u>	<u>71,120</u>	<u>71,120</u>	<u>0</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	221,700	75,163	75,163	
Interest		59,588	59,588	
Total Expenditures	<u>221,700</u>	<u>134,751</u>	<u>134,751</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(221,700)</u>	<u>(63,631)</u>	<u>(63,631)</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments	221,700	63,631	63,631	
Total Other Financing Sources and Uses	<u>221,700</u>	<u>63,631</u>	<u>63,631</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balances - Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$	266,701	266,701	
Total Revenues	<u>0</u>	<u>266,701</u>	<u>266,701</u>	<u>0</u>
EXPENDITURES				
Current:				
Debt service:				
Principal	266,600	148,456	148,456	
Interest		117,751	117,751	
Total Expenditures	<u>266,600</u>	<u>266,207</u>	<u>266,207</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(266,600)</u>	<u>494</u>	<u>494</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Lease principal payments	266,600		0	
Total Other Financing Sources and Uses	<u>266,600</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	0	494	494	0
Fund Balances - Beginning	<u>22,408</u>	<u>22,408</u>	<u>22,408</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 22,408</u>	<u>22,902</u>	<u>22,902</u>	<u>0</u>

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Total Revenues	\$ 0	0	0	0
EXPENDITURES				
Current:				
Debt service:				
Principal		30,007	30,007	
Interest		24,899	24,899	
Total Expenditures	0	54,906	54,906	0
Excess of Revenues over (under) Expenditures	0	(54,906)	(54,906)	0
OTHER FINANCING SOURCES (USES)				
Transfers in		219,622	219,622	
Total Other Financing Sources and Uses	0	219,622	219,622	0
Net Change in Fund Balance	0	164,716	164,716	0
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	\$ 0	164,716	164,716	0

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

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Miscellaneous revenues	\$ 827,000	868,449	868,449	
Total Revenues	<u>827,000</u>	<u>868,449</u>	<u>868,449</u>	<u>0</u>
EXPENDITURES				
Current:				
Economic development and assistance	856,710	732,364	732,364	
Total Expenditures	<u>856,710</u>	<u>732,364</u>	<u>732,364</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(29,710)</u>	<u>136,085</u>	<u>136,085</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Compensation for loss of capital assets		7,996	7,996	
Transfers in		384,000	384,000	
Total Other Financing Sources and Uses	<u>0</u>	<u>391,996</u>	<u>391,996</u>	<u>0</u>
Net Change in Fund Balance	(29,710)	528,081	528,081	0
Fund Balances - Beginning	<u>2,501,576</u>	<u>1,007,979</u>	<u>1,007,979</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,471,866</u>	<u>1,536,060</u>	<u>1,536,060</u>	<u>0</u>

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

TISHOMINGO COUNTY

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

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the county, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff, 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.

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types			
	General Fund	Economic Development Fund	Dennen Steel Fund	Contract Fabricators Fund
Budget (Cash Basis)	\$ 873,807	657,619	0	494
Increase (Decrease)				
Net adjustments for revenue accruals	247,890	106,833		
Net adjustments for expenditure accruals	949,102	(114,585)		
GAAP Basis	\$ <u>172,595</u>	<u>879,037</u>	<u>0</u>	<u>494</u>

TISHOMINGO COUNTY

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

	<u>Governmental Fund Types</u>	
	<u>Comfort Revolution Fund</u>	<u>Tri-State Commerce Fund</u>
Budget (Cash Basis)	\$ 164,716	528,081
Increase (Decrease)		
Net adjustments for revenue accruals		79,756
Net adjustments for expenditure accruals		4,152
Reclassification of transfer to interfund loan	(219,622)	(384,000)
Rounding difference	<u>(1)</u>	<u></u>
GAAP Basis	\$ <u>(54,907)</u>	<u>227,989</u>

TISHOMINGO COUNTY

SUPPLEMENTAL INFORMATION

TISHOMINGO COUNTY

(This page left blank intentionally.)

Tishomingo County
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development Passed-through the Mississippi Development Authority Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii*	14.228	1126-09-071-ED-01	\$ 2,500
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii*	14.228	1129-12-071-ED-01	993,561
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii*	14.228	1128-11-071-ED-01	30,191
Total U.S. Department of Housing and Urban Development			<u>1,026,252</u>
U.S. Department of Justice Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program / Grants to Units of Local Government	16.804		6,783
U.S. Department of Transportation - Federal Aviation Administration Airport Improvement Program*	20.106	3-28-0036-008-2012	98,387
Airport Improvement Program*	20.106	3-28-0036-009-2013	57,064
Airport Improvement Program*	20.106	3-28-0006-014-2012	161,463
Airport Improvement Program*	20.106	3-28-0006-015-2013	23,879
			<u>340,793</u>
U.S. Department of Transportation - Federal Highway Administration Passed-through the Mississippi Department of Transportation Highway Planning and Construction	20.205	BR-NBIS 078 B(71)	17,870
Total U.S. Department of Transportation			<u>358,663</u>
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1916-DR-MS	8,640
U.S. Department of Homeland Security Passed-through the Mississippi Emergency Management Agency Emergency Management Performance Grants	97.042		18,268
Total U.S. Department of Homeland Security			<u>26,908</u>
Total Expenditures of Federal Awards			\$ <u>1,418,606</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

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

* Denotes major federal award program

TISHOMINGO COUNTY
Reconciliation of Operating Costs of Solid Waste
For the Year Ended September 30, 2013

Operating Expenditures, Cash Basis:

Salaries	\$ 287,198
Expendable Commodities:	
Gasoline and petroleum products	113,098
Repair parts	120,473
Clothing	1,100
Insurance and fidelity bonds	350
Utilities	5,948
Engineering fees	1,000
Maintenance	3,128
Travel	233
Equipment rental	26,495
Hauling	<u>259,702</u>

Solid Waste Cash Basis Operating Expenditures	<u>818,725</u>
---	----------------

Full Cost Expenses:

Indirect administrative costs	4,840
Depreciation on equipment	<u>9,805</u>

Solid Waste Full Cost Operating Expenses	\$ <u><u>833,370</u></u>
--	--------------------------

TISHOMINGO COUNTY

OTHER INFORMATION

TISHOMINGO COUNTY

(This page left blank intentionally.)

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

Name	Position	Company	Bond
Brandon Grissom	Supervisor District 1	Western Surety	\$100,000
Nicky McRae	Supervisor District 2	Western Surety	\$100,000
Danny Ryan	Supervisor District 3	State Farm Casualty Co	\$100,000
Steve Thorne	Supervisor District 4	Western Surety	\$100,000
Greg Collier	Supervisor District 5	Western Surety	\$100,000
Peyton Cummings	Chancery Clerk	Western Surety	\$100,000
Lynn West	Purchase Clerk	Western Surety	\$75,000
Peyton Cummings	Assistant Purchase Clerk	Western Surety	\$50,000
Courtney Wilson	Receiving Clerk	Western Surety	\$75,000
Timothy Wood	Assistant Receiving Clerk	Western Surety	\$50,000
Brandon Brown	Assistant Receiving Clerk	Western Surety	\$50,000
Ronnie Woodruff	Assistant Receiving Clerk	Western Surety	\$50,000
Marcus Robinson	Assistant Receiving Clerk	Western Surety	\$50,000
Billy Payne	Assistant Receiving Clerk	Western Surety	\$50,000
Judy Robinson	Assistant Receiving Clerk	Western Surety	\$50,000
David Oakes	Assistant Receiving Clerk	Western Surety	\$50,000
Peyton Cummings	Inventory Control Clerk	Western Surety	\$75,000
Gina Underwood	Assistant Inventory Control Clerk	Western Surety	\$50,000
Jeffery Kemp	Constable	Western Surety	\$50,000
Tim Bivins	Constable	Western Surety	\$50,000
Donna Dill	Circuit Clerk	Western Surety	\$100,000
Cindy Hinton	Deputy Circuit Clerk	Western Surety	\$100,000
Rebecca Oaks	Deputy Circuit Clerk	Western Surety	\$100,000
Laura Hisaw	Deputy Circuit Clerk	Western Surety	\$50,000
Glenn Whitlock	Sheriff	Western Surety	\$100,000
Logan Vaughn	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Eric Bowman	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Jeffrey Sparks	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Brandon Lambert	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Jamie Reynolds	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Jason Williamson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Eric W. Harris	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Mark Nichols	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Kristina Shipman	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Randy Trim	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Cynthia Timbes	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Billy Ryan Glover	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000

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

Name	Position	Company	Bond
Thomas Cornelison	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Mike Kemp	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Adam Hall	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Jeff Palmer	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Ronald Brewer	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Stanley Hester	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Scotty Hughes	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
James D McDeavitt III	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Rodney Waddle	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Daniel Wigginton	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Brandon Tennyson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
James Page	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Adam Kostelansky	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Terry Jackson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Dustin Creekmore	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Western Surety	\$50,000
Donnie Sparks	Justice Court Judge	Western Surety	\$50,000
Billy Glover	Justice Court Judge	Western Surety	\$50,000
Mechelle Pounders	Justice Court Clerk	Western Surety	\$50,000
Edna Shull	Deputy Justice Court Clerk	Western Surety	\$50,000
Ann Elrod	Deputy Justice Court Clerk	Western Surety	\$50,000
Paul Whitlock	Tax Collector	Western Surety	\$100,000
Dorothy Walker	Deputy Tax Collector	Western Surety	\$10,000
Judy Vaughn	Deputy Tax Collector	Western Surety	\$10,000
Jena McNatt	Deputy Tax Collector	Western Surety	\$10,000
Kathy Helton	Deputy Tax Collector	Western Surety	\$10,000
Sandy Kirk	Deputy Tax Collector	Western Surety	\$10,000
Debbie Curtis	Deputy Tax Collector	Western Surety	\$10,000
Shirley Maxwell	Deputy Tax Assessor	Western Surety	\$10,000
Pam Watson-Rogers	Deputy Tax Assessor	Western Surety	\$10,000
Mariana Bonds	Deputy Tax Assessor	Western Surety	\$10,000
Melissa Morris	Deputy Tax Assessor	Western Surety	\$10,000

TISHOMINGO COUNTY

SPECIAL REPORTS

TISHOMINGO COUNTY

(This page left blank intentionally.)



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

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

Members of the Board of Supervisors
Tishomingo 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 Tishomingo County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 29, 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. The report is qualified on the General Fund due to management not maintaining and preserving adequate subsidiary records documenting the completeness, existence and valuation of fines receivable and the aging of fines receivable. The report is qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-001, 2013-002, 2013-003, 2013-004, 2013-005, 2013-010, 2013-011, 2013-012, 2013-013, 2013-014, 2013-015, 2013-016, 2013-017, 2013-018 and 2013-019 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2013-006, 2013-007, 2013-008 and 2013-009 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tishomingo 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*.

However, we also noted certain matters that we have reported to the management of Tishomingo 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 February 29, 2016, included within this document.

Tishomingo County's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 29, 2016



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

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

Members of the Board of Supervisors
Tishomingo County, Mississippi

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Tishomingo County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Report on Internal Control Over Compliance

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

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 29, 2016



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

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

Members of the Board of Supervisors
Tishomingo County, Mississippi

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

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

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

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

Board of Supervisors.

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

Finding

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

- a. The County purchased a bush hog with no competitive written bids and no state contract number.
- b. The County purchased a water tank with two written quotes. However, both quotes came from vendors that are associates.
- c. Audit work performed revealed that a quote presented as a second quote for a purchase was for an item that the vendor does not sell as confirmed by the auditor with the vendor.

Failure to obtain at least two competitive written bids for purchases over \$5,000 but not more than \$50,000 could result in the loss of public funds.

Recommendation

The Board of Supervisors should ensure that at least two competitive written bids are obtained prior to purchasing any items with a cost over \$5,000 but not more than \$50,000 as required by law.

Board of Supervisors' Response

We will comply with recommendation.

Purchase Clerk.

2. Purchasing documents not issued in proper sequence or with proper documentation.

Finding

Section 31-7-103, Miss. Code Ann. (1972) requires a purchase requisition, purchase order and receiving report for all purchases. During our audit, the following exceptions were noted:

- a. Vendor invoices showed delivery dates that were days after the receiving report indicated the item was received.
- b. Purchase documentation for a piece of equipment show it was purchased based on a state contract, however, the item listed was not on state contract list.
- c. Vendor invoices for equipment repairs were dated before the purchase requisition and purchase orders.
- d. Vendor invoices for courtroom repairs were dated after the receiving reports were signed.
- e. Purchase of mobile radios had no receiving documentation.
- f. Vendor invoices were noted to have been initiated by verbal order of a Supervisor

Failure to follow state purchasing laws and guidelines could result in the loss of public funds.

Recommendation

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

Purchase Clerk's Response

Purchase Clerk will comply with recommendation.

Inventory Control Clerk.

3. The Inventory Control Clerk should maintain an inventory control system that includes correct values for all assets.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. This system should include all additions and deletions to capital assets in the system including Construction in Progress. Audit procedures indicated that due to failure to add and delete assets correctly, the following asset classifications were misstated:

- Land was overstated by \$629,271
- Construction in Progress was overstated by \$5,490,727
- Buildings were overstated by \$8,696,252
- Improvements Other Than Buildings were understated by \$346,096

Failure to record assets at the proper values resulted in a material misstatement in the financial statements. Audit adjustments were proposed to management and made to the financial statements with management's approval.

Recommendation

The Inventory Control Clerk should ensure that all asset additions and deletions are recorded in the County inventory records at the proper values.

Inventory Control Clerk's Response

Inventory Clerk will comply with recommendation.

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

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

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 29, 2016

TISHOMINGO COUNTY

Schedule 1

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

<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>
5/01/13	Eventide nexlog recorder	\$	14,271	Ryan Public Safety Solution	12,120	RPPS offered more channels and capacity.

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

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



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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Tishomingo County, Mississippi

In planning and performing our audit of the financial statements of Tishomingo County, Mississippi for the year ended September 30, 2013, we considered Tishomingo 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 Tishomingo 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 February 29, 2016, on the financial statements of Tishomingo 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 that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. The County had unapproved interfund transfers and loans.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires the board minutes to be a complete and correct record of all proceedings of the Board of Supervisors. Interfund transfers and loans were made without board orders spread upon the minutes. Failure to have board approval for interfund transfers or loans spread upon the board minutes could result in illegal transfers or loans.

Recommendation

The Board of Supervisors should spread on its minutes orders relative to interfund transfers and loans.

Board of Supervisors' Response

We will comply with recommendation.

2. Controls over repayment of interfund advances should be strengthened.

Finding

As reported in the prior year's audit report, the County has interfund loans outstanding that are over a year old. These interfund loans total \$202,361 as of September 30, 2013. The Mississippi Code is silent regarding the authority of the County to make these loans. Failure to repay these loans constitutes a diversion of legally restricted funds.

Recommendation

The Board of Supervisors should ensure that these loans are repaid as soon as possible.

Board of Supervisors' Response

We will comply with recommendation.

3. The Board of Supervisors did not cite the specific authority from the Mississippi Code for each County levy and ensure that taxes collected are distributed in accordance with the official levy.

Finding

Section 27-39-317, Miss. Code Ann. (1972) requires the Board of Supervisors to specify the purpose of each tax levy when approving the tax levy. The specific authority from the Mississippi Code should be cited for each tax levy contained in the County ad valorem tax levy. The Board of Supervisors approved the fiscal year ended September 30, 2013 tax levy without citing the specific authority from the Mississippi Code for some levies. Also, road and bridge taxes were distributed in a manner different than indicated on the adopted tax levy. The omission of legal authority could lead to improper or unauthorized levies.

Recommendation

The Board of Supervisors should cite the specific authority from the Mississippi Code for each County levy and should ensure that all levies are distributed in the manner indicated on the adopted tax levy.

Board of Supervisors' Response

We will comply with recommendation.

4. The County's budgets were not recorded in the board minutes in detail.

Finding

Section 19-11-11, Miss. Code Ann. (1972) requires the Board of Supervisors to approve and adopt the budget and enter the same at length and in detail in its official minutes. The original and amended approved budgets for fiscal year ended September 30, 2013 were not recorded in detail in the board minutes. Noncompliance with Section 19-11-11, Miss. Code Ann. (1972), could result in the County spending funds in a manner not consistent with the budget approved by the board.

Recommendation

The Board of Supervisors should record the approved budgets in detail in the board minutes as required by law.

Board of Supervisors' Response

We will comply with recommendation.

5. Warrants were issued without sufficient money to pay the warrants.

Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on a fund which did not have sufficient money to pay the warrants. As reported in the prior year's audit report, at various times during the year, the following funds had negative cash balances:

- (a) General Fund
- (b) Garbage and Solid Waste Fund
- (c) EMA / 911 Fund
- (d) 1st District Volunteer Fire Department Fund
- (e) Iuka Airport Fund
- (f) Belmont Airport Fund
- (g) Dennen Steel Fund
- (h) International Converter Fund
- (i) Contract Fabricators Fund
- (j) Block Grant Fund
- (k) Payroll Clearing Fund

Failure to have sufficient cash balances in County funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

Board of Supervisors' Response

We will comply with recommendation.

6. The County should replace obsolete computer hardware and software.

Finding

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

Recommendation

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

Board of Supervisors' Response

We will comply with recommendation.

7. The County should strengthen passwords.

Finding

We noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for County information assets.

Recommendation

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

Board of Supervisors' Response

We will comply with recommendation.

8. The County should create a rotation of backups offsite.

Finding

The County is currently using an automated system to perform daily back-ups of the AS400. Upon clarification of the backup processes, it was determined that the tapes should be taken offsite, as no other copy of County data was being stored at an off-site location. Without proper off-site storage of back-up files and applications, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's building and servers. Risk and probabilities of material loss escalates in relationship to the longer an exposure goes unmitigated.

Recommendation

We recommend that the County implement a plan to ensure that all back-up files are taken offsite on a regular basis and stored in a safe and secure location. This process should be documented in the County's Disaster Recovery Plan. With close proximity of a bank it would be convenient and safe to place the backup tapes in the night deposit drop and then place them in a safe deposit box the next day. It is further recommended that tapes be kept at the bank for several days (e.g., two weeks), in case of a disaster situation that required recovery and problems in reading recovery tapes were experienced.

Board of Supervisors' Response

We will comply with recommendation.

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

Finding

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

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

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

Recommendation

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

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

Board of Supervisors' Response

We will comply with recommendation.

Tax Assessor.

10. Tax Assessor was not bonded for fiscal year 2013

Finding

Section 27-1-1, Miss. Code Ann. (1972) requires that the Tax Assessor be bonded for \$50,000. The Tax Assessor was not bonded for fiscal year 2013. Failure to comply with the statute could result in a loss of public funds.

Recommendation

The Tax Assessor should ensure that she is bonded in the amount of \$50,000, as required by law.

Tax Assessor's Response

This has been corrected.

11. Deputy Tax Assessors were not bonded for fiscal year 2013

Finding

Section 27-1-3, Miss. Code Ann. (1972) requires that Deputy Tax Assessors be bonded for \$10,000. One Deputy Tax Assessor was not bonded for fiscal year 2013. Failure to comply with the statute could result in a loss of public funds.

Recommendation

The Tax Assessor should ensure that all Deputy Tax Assessors are bonded in the amount of \$10,000, as required by law.

Tax Assessor's Response

This has been corrected.

Justice Court Clerk.

12. Justice Court Clerk has an indefinite bond.

Finding

Section 9-11-29(2), Miss. Code Ann. (1972), requires the Justice Court Clerk to execute a bond for \$50,000 to be payable, conditioned and approved by law. Section 25-1-15, Miss Code Ann. (1972), requires a new bond in an amount not less than that required by law shall be secured upon employment and coverage shall continue by the securing of a new bond every four years concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The Justice Court Clerk was bonded for an indefinite time period. This would limit the amount available for recovery if a loss occurred over multiple terms.

Recommendation

The Justice Court Clerk should ensure that the required bond has a definite beginning and ending date, running concurrent with the term of the Board of Supervisors.

Justice Court Clerk's Response

I will comply.

Sheriff.

13. Procedures for disposition of seized property should be followed

Finding

Section 41-29-181, Miss. Code Ann. (1972), requires property forfeited under this article shall be liquidated and, after deduction of court costs and the expenses of liquidation, the proceeds shall be divided and deposited as follows:

In the event more than one (1) law enforcement agency participates in the underlying criminal case out of which the forfeiture arises, eighty percent (80%) of the proceeds shall be deposited and credited to the budget of the law enforcement agency whose officers initiated the criminal case and twenty percent (20%) shall be divided equitably between or among the other participating law enforcement agencies, and shall be deposited and credited to the budgets of the participating law enforcement agencies. In the event that the other participating law enforcement agencies cannot agree on the division of their twenty percent (20%), a petition shall be filed by any one of them in the court in which the civil forfeiture case is brought and the court shall make an equitable division.

Audit procedures revealed that proceeds of drug forfeitures, net of selling costs, were deposited to the Drug Fund and no disbursement of 20% of the proceeds to another law enforcement agency that assisted with the seizure or the Mississippi Bureau of Narcotics was noted, as required by statute.

Recommendation

The Sheriff's department should remit 20% of the sale proceeds to either the law enforcement agency assisting with the seizure of property that was sold, or the Mississippi Bureau of Narcotics, in the amount of \$1,097.32.

Sheriff Response

I will comply.

14. Money collected from inmates should be reimbursed to the county

Finding

An effective system of internal control should include reimbursing money collected from inmates for medical care to the County General Fund to offset costs of medical care for inmates, incurred by the County. The County pays the cost of medical care for inmates housed in the County's jail. Inmates of the County jail are charged \$10 per visit to the nurse. Audit procedures indicated \$2,208 in medical fees which were collected and deposited into the County's jail commissary account was not remitted to the County General Fund. Failure to reimburse the County General Fund for medical charges received from inmates could result in an overstatement of expenditures for the General Fund.

Recommendation

Money collected from or on behalf of an inmate for medical services should be remitted to the County General Fund to offset costs of inmate medical care, paid by the County. The balance of medical services income of \$2,208, held in the commissary account at September 30, 2013, should be remitted to the County.

Sheriff's Response

I will comply.

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

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

February 29, 2016

TISHOMINGO COUNTY

(This page left blank intentionally.)

TISHOMINGO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TISHOMINGO COUNTY

(This page left blank intentionally.)

TISHOMINGO COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements:

Governmental activities	Qualified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
Economic Development Fund	Unmodified
Dennen Steel Fund	Unmodified
Contract Fabricators Fund	Unmodified
Comfort Revolution Fund	Unmodified
Tri-State Commerce Park Fund	Unmodified
Aggregate remaining fund information	Unmodified
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 major programs:
 - a. Material weaknesses identified? No
 - b. Significant deficiencies identified? None Reported
5. Type of auditor's report issued on compliance for major federal programs: Unmodified
6. Any audit finding(s) disclosed that are required to be reported in accordance with Section ____ .510(a) of OMB Circular A-133? No
7. Identification of major programs:
 - a. CFDA#14.228, Community Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii
 - b. CFDA#20.106, Airport Improvement Program
8. The dollar threshold used to distinguish between type A and type B programs: \$300,000
9. Auditee qualified as a low-risk auditee? No

TISHOMINGO COUNTY

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

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001. Financial data for County's component units should be included in the County's financial statements.

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 audited financial data for its discretely presented component units for inclusion in the County's financial statements.

Board of Supervisors' Response

We will comply with recommendation.

Material Weakness

2013-002. County should record liability for postemployment benefits.

Finding

Tishomingo County provides health insurance coverage through a commercial insurance company and offers retirees health insurance benefit coverage through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* as an agent multiple employer health care plan. GASB Statement No. 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits. However, the County has not recorded a liability for other postemployment benefits, nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America. The failure to properly follow generally accepted accounting principles resulted in a qualified opinion on the governmental activities.

Recommendation

The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

Board of Supervisors' Response

We will comply.

TISHOMINGO COUNTY

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

Material Weakness

2013-003. Controls over financial statement preparation should be strengthened.

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include adequate documentation for all amounts reported in the financial statements, all required disclosures in the notes to the financial statements, proper classification of funds, proper classification of revenues and expenditures and proper posting of transactions. We noted the following deficiencies in the financial statement preparation and reporting:

- a. The beginning fund balances in the County's prepared Statement of Revenues, Expenditures, and Changes in Fund Balances were understated by \$7,030 in the General Fund, overstated by \$751 in the Economic Development Fund, and understated by \$74,056 in the Other Governmental Funds. Also, the beginning net position in the Statement of Activities was overstated by \$8,000,647.
- b. Documentation to support the amounts shown in the financial statements was inadequate. There were no work papers to show how amounts were classified throughout the financial statements.
- c. As reported in the prior year's audit report, the County prepared SEFA was incomplete. The Schedule of Expenditures of Federal Awards was understated by \$77,940. Four federal programs were omitted.
- d. Interest Income was overstated by \$190,955, due to the misclassification of rent and monies received for the sale of assets.
- e. The Iuka Airport Gas Account was erroneously left off the financial statements.
- f. Based on test work performed, \$29,862 in Claims Payable was omitted in error and \$18,469 was recorded in error. Also, there was no documentation to show which claims were accrued. The auditor had to recompile based on the County's disbursement ledger.
- g. Property Tax Receivable was overstated \$391,686 in the General Funds and \$359,577 in the Other Governmental Funds.
- h. The TVA Special Fund (014), Emergency Management Fund (112), Volunteer Fire Rebate Fund (113), E-911 Fund (114), Fire Rebate Fund (121), and the Sheriff Grant Fund (115) were misclassified in the financial statements as General Funds.
- i. Advances were misstated by \$196,069, due to amounts that were repaid in previous years, but never removed from the advances in the financial statements.
- j. Checks that were voided in the subsequent year were recorded as a receivable in the current year in the amount of \$4,772.
- k. Required note disclosures for operating leases were omitted.
- l. Errors in prior year capital assets, capital leases, fund classifications and advances resulted in prior period adjustments.

Audit adjustments to correct these errors were proposed to management and made to the financial statements with management approval.

Failure to properly report assets, liabilities, fund balances, revenues, expenditures, transfers, note disclosures and properly present funds in accordance with GASB Statement No. 34 could result in inaccurate financial statements.

TISHOMINGO COUNTY

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

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles that includes proper posting of adjustments to assets, liabilities, revenues, expenditures and transfers. Funds should be presented in the financial statements in accordance with criteria established by GASB No. 34 and all required note disclosures should be presented.

Board of Supervisors' Response

We will comply with recommendation.

Material Weakness

2013-004. Controls over the allowance for uncollectible accounts should be strengthened.

Finding

An effective system of internal control over the accounting of fines receivable should include maintaining a reasonable allowance for uncollectible fines. During audit test work it was noted the allowance for uncollectible fines does not appear to be reasonable. The allowance estimate was based on the assumption that 100% of all fines less than 48 months past due would be collected. Failure to present a reasonable allowance for uncollectible fines receivable could result in erroneous amounts being reported in the financial statements.

Recommendation

The Board of Supervisors' should approve a reasonable allowance for uncollectible fines.

Board of Supervisors' Response

We will comply with recommendation.

Material Weakness

2013-005. Fleet fuel charge account lacks appropriate oversight

Finding

An effective system of internal controls over fleet fuel charge accounts should include management oversight of all aspects of charge accounts, including, but not limited to, use of charge cards, payment of charges, and assignment of charge cards.

Audit procedures revealed the following discrepancies related to the county's fleet fuel charge account:

- (a) The charge account had an outstanding balance due in the amount of \$28,163 as of September 30, 2013 that included amounts that should have been paid in prior months.
- (b) Exception codes listed on the weekly charge account reports have not been followed up on by anyone in the county.
- (c) No evidence of oversight over the assignment of charge cards was noted during the fiscal year.

Failure to properly oversee the County's fleet fuel account could result in termination of the charge account and/or misappropriation of County funds.

TISHOMINGO COUNTY

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

Recommendation

The Board of Supervisors should implement proper controls to monitor activity in the County's fleet fuel charge account to ensure amounts owed are paid in a timely manner, exception codes are investigated and resolution documented, and assignment of charge cards is documented and monitored.

Board of Supervisors' Response

We will comply with recommendation.

Significant Deficiency

2013-006. The County should perform a network access review

Finding

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

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

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

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

Recommendation

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

Board of Supervisors' Response

We will comply with recommendation.

TISHOMINGO COUNTY

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

Significant Deficiency

2013-007. The County should expire all individual passwords on a periodic basis.

Finding

A review of the County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by the County using best business practices guidelines.

Recommendation

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

Board of Supervisors' Response

We will comply with recommendation.

Significant Deficiency

2013-008. The County should implement a formal Information Security Policy

Finding

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

Recommendation

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

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

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

TISHOMINGO COUNTY

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

Board of Supervisors' Response

We will comply with recommendation.

Significant Deficiency

2013-009. The County should improve its server room environment management

Finding:

The County's computer room is not a dedicated room with limited, controlled access and proper environmental equipment for electronic equipment. The room is secure in that there are people working during business hours in and around the computer. However, the computer is in the open and has the potential to be accessed by unauthorized personnel. Although the room does have air conditioning it does not have monitoring equipment for other conditions that can have an adverse effect on electronic equipment.

Recommendation:

We recommend that the County establish an area specifically for computerized equipment that can be locked and provisioned with environmental control and monitoring equipment in relation to heat, humidity, and other conditions that might affect computerized equipment. This equipment should also have the capability to notify the proper personnel when these conditions vary outside of preset ranges. A log should also be maintained of visitors entering and exiting the computer room. In addition, access reviews should be completed on a periodic basis to determine that only authorized personnel have access to the computer room. Documentation of visitors to the computer room as well as periodic access reviews should be maintained for review by audit personnel.

Board of Supervisors' Response

We will comply with recommendation.

Chancery Clerk.

Material Weakness

2013-010. Internal controls over bank reconciliations should be strengthened.

Finding

An effective system of internal control should include adequate preparation, review, and documentation of bank reconciliations. The book balance amounts on printed bank reconciliations did not agree with cash amounts in the trial balances for several funds. As reported in the prior year's audit report, audit procedures indicated a lack of any documentation showing a review of bank reconciliations. Failure to review bank reconciliations could result in the loss of public funds.

Recommendation

The Chancery Clerk should ensure a system of review and documentation over reconciliations of the County's cash balances to bank account balances.

Chancery Clerk's Response

We will comply with recommendation. Action completed as result of last audit.

TISHOMINGO COUNTY

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

Material Weakness

2013-011. Clerk of the board should keep a uniform system of accounts.

Finding

Section 19-11-13, Miss. Code Ann. (1972), requires the clerk of the board of supervisors to enter all receipts and expenditures in a regular set of books, known as the “uniform system of accounts for the counties”, monthly, post and balance the ledgers thereof at the end of each month so that expenditures under each budgetary category are readily obtainable. Audit procedures revealed that two cash accounts held by the County are not included on the County’s general ledger, the Commissary account and the Iuka Airport fuel account, both of which have cash balances and the Iuka Airport fuel account includes revenues of the County. Failure to include all cash accounts on the County’s books could result in misleading budget reports, misappropriation of County funds, and/or a misstatement of county assets, revenues and expenditures.

Recommendation

The Chancery Clerk should ensure that all cash accounts used by the County to transact County business are included in the County’s general ledger.

Chancery Clerk’s Response

We will comply with recommendation.

Material Weakness

2013-012. Processing of payroll and other payroll duties should be adequately segregated.

Finding

An effective system of internal controls should include an adequate segregation of duties for payroll preparation. The payroll clerk sets up new employees, makes changes to existing employee’s master data, runs the payroll, signs the checks and prepares the checks for distribution. Failure to have adequate segregation of duties for payroll preparation could result in the loss or misappropriation of public funds.

Recommendation

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

Chancery Clerk’s Response

We will comply with recommendation.

Material Weakness

2013-013. Accounting functions should be adequately separated.

Finding

An effective system of internal controls over the accounting functions should include an adequate segregation of duties in the collection, deposit preparation, disbursement, general journal, recording and reconciling functions. As reported in the prior year’s audit report, it was noted that an employee was processing disbursements with the Chancery Clerk’s signature pre-printed on the checks, along with initialing her name on the checks as well. The Chancery Clerk did not review the bank statements, bank

TISHOMINGO COUNTY

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

reconciliations, checks written and related back up data supporting disbursements. The conditions could result in unrecorded transactions, misstated financial reports, undetected errors or misappropriation of funds.

Recommendation

In order to mitigate the possibility of misappropriation of funds, it is necessary to maintain adequate segregation of duties. The Chancery Clerk should not allow the employee who processes disbursements to print checks with his electronic signature on the checks. The Chancery Clerk should review bank statements and reconciliations and document as being reviewed.

Chancery Clerk's Response

We will comply.

Material Weakness

2013-014. Controls should be strengthened over cash disbursements.

Finding

An effective system of internal controls over cash disbursements should include proper documentation for all payments. It should also include a system of review to ensure that invoices are properly processed in the accounting system, are paid for the proper amount, in the proper time period and are not paid more than once. During our audit, we noted that some vendors who received payments are not included in the vendor master file, some transaction numbers are missing in the detailed general ledger and some invoices were paid more than once. Failure to establish an effective system of internal controls over cash disbursements could result in incorrect information being recorded in the county's records and the loss of public funds.

Recommendation

The Chancery Clerk should ensure that a system of internal controls over cash disbursement is established over accounting for payment of invoices. He should also ensure that a system of review is implemented to verify invoices are properly processed for the correct amounts in the proper time period and are not paid multiple times and that all vendors are included in the vendor master file.

Chancery Clerk's Response

Implementation is in progress. We will comply.

Material Weakness

2013-015 Controls over access to changes in accounting data should be restricted.

Finding

An effective system of internal control over electronic financial accounting systems should include adequate controls over access to changes in accounting data. During our audit, we noted that all employees in the Chancery Clerk's office had been assigned administrator rights in the computer system which includes the ability to delete or change data without any record of the change. Failure to restrict administrator rights resulted in unauthorized and undocumented changes to the beginning cash balances. The Economic Development Fund's beginning cash was reduced by \$187,502 and the Block Grant Project Fund's beginning cash balance was increased by \$178,620 for a net decrease of \$8,882. No explanation could be provided in regard to these changes. Audit procedures also identified unexplained changes in cash balance amounts reported in the bank reconciliation and detailed general ledger. Cash amounts included on the year end bank reconciliation for various funds do not agree with cash amounts reported in the detailed

TISHOMINGO COUNTY

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

general ledger at September 30, 2013 due to transactions being edited at a later date without any journal entries to document these changes. Failure to restrict administrator rights could result in the loss of public funds and misstatement of financial statements.

Recommendation

The Chancery Clerk should ensure that administrator rights over electronic financial accounting systems are restricted to one individual that does not have any duties involving general ledger transactions such as cash receipts, cash disbursements, payroll, general journal entries or reconciling responsibilities. Furthermore, the Chancery Clerk should ensure that any changes are made through the journal entry process and documentation to support these entries are maintained.

Chancery Clerk's Response

Implementation complete in 2015. We will comply.

Material Weakness

2013-016. Records should be maintained for compensated absences.

Finding

The County has adopted a policy of compensated absences for its employees. The Chancery Clerk, as county auditor and treasurer, should maintain records that account for the number of leave hours each employee accumulates on a monthly basis and the current hourly rate of pay for each employee. This information is needed to calculate the end of year compensated absences liability which is derived by multiplying the number of accumulated leave hours for each employee (up to the maximum that will be compensated upon leaving employment) times the current hourly rate of pay for each employee. Accounting principles generally accepted in the United States of America require the resulting liability to be reported in the financial statements. The Chancery Clerk did not maintain the necessary records to calculate the compensated absence liability. Failure to properly account for compensated absences could result in incorrect payments being made to employees leaving county service, as well as not reporting the compensated absence liability in the financial statements.

Recommendation

The Chancery Clerk should ensure that adequate records are maintained so the total compensated absences liability can be calculated and reported in the financial statements as required by accounting principles generally accepted in the United States of America.

Chancery Clerk's Response

We complied as soon as we were notified of the issue. It has been in place since January 2015.

Inventory Control Clerk.

Material Weakness

2013-017. The Inventory Control Clerk should maintain an inventory control system that includes correct values for all assets.

Finding

An effective system of internal control should include properly recording all additions and deletions to capital assets in the capital asset records including Construction in Progress. Audit procedures indicated that due to failure to add and delete assets correctly, the following asset classifications were misstated:

TISHOMINGO COUNTY

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

- Land was overstated by \$629,271
- Construction in Progress was overstated by \$5,490,727
- Buildings were overstated by \$8,696,252
- Improvements Other Than Buildings were understated by \$346,096

Failure to record assets at the proper values resulted in a material misstatement in the financial statements. Audit adjustments were proposed to management and made to the financial statements with management's approval.

Recommendation

The Inventory Control Clerk should ensure that all asset additions and deletions are recorded in the county inventory at the proper values.

Inventory Control Clerk's Response

Inventory Clerk will comply with recommendation.

Justice Court Clerk.

Material Weakness

2013-018. The Justice Court Clerk should maintain adequate subsidiary records documenting fine receivable.

Finding

An effective system of internal control over fines receivable records should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance. Based upon audit procedures performed, management did not maintain and preserve adequate subsidiary records documenting the completeness, existence and valuation of the fines receivable for Justice Court and the aging of fines receivable. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Recommendation

The Justice Court Clerk should establish procedures documenting the completeness, existence and valuation of Justice Court fines receivable records, including the aging schedules for the Justice Court fines receivable. These fines receivables amounts should include fines only.

Justice Court Clerk's Response

I will comply.

TISHOMINGO COUNTY

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

Material Weakness

2013-019. Separation of duties in the Justice Court Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. The cash collection and disbursement functions in the Justice Court office were not adequately separated for effective internal controls. The Justice Court Clerk has access to collections, prepares and makes bank deposits, prepares daily check-up sheets, reconciles the bank statements, posts the cash journal, makes monthly settlements and writes checks for all disbursements. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Board of Supervisors should take steps to ensure that there is an adequate separation of duties in the collection and disbursement functions of the Justice Court office or that there is external oversight over the operations of the Justice Court office.

Justice Court Clerk's Response

We will comply with recommendation.

Section 3: Federal Award Findings and Questioned Costs

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

TISHOMINGO COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

TISHOMINGO COUNTY

(This page left blank intentionally.)

Tishomingo County

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For Year Ended September 30, 2013

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

Gentlemen:

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

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2012 - FINDINGS:

12-1. Criteria:

Generally accepted accounting principles require an effective system of internal control over financial statement preparation and reporting.

Condition:

The County entered into a contract with an outside CPA firm to prepare their generally accepted accounting principles based financial statements. During our audit, we noted the County's financial statements did not include adequate detail to document the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenues and expenditures, proper classification of revenues and expenditures/expenses, proper classification of restricted net assets and the inclusion of all required disclosures in the notes to the financial statements.

Recommendation:

The Board of Supervisors should implement a system of adequate internal controls in accordance with generally accepted accounting principles which includes documenting the compilation of individual funds' balances and transactions as well as any adjustments to these balances and transactions, proper accrual of revenue and expenditures, proper classification of revenues and expenditures/expenses, proper classification of restricted net assets and the inclusion of all required disclosures in the notes to the financial statements.

Response:

We will comply with the above recommendation.

Current Status:

Corrective Action Was Taken

Significant Deficiency.

12-2 Criteria:

An effective system of internal control over federal grants includes properly identifying all revenues and expenditures, including accruals, on the federal grant activity schedule. The County prepared a Schedule of Expenditures of Federal Awards; however, the schedule was incomplete.

Condition:

The County did not maintain adequate subsidiary records documenting all receipts and disbursements relating to each federal grant received. As a result, several corrections were proposed by the auditor and made by the county to the Schedule of Expenditures of Federal Awards. The County erroneously omitted federal grant expenditures on the Schedule of Expenditures of Federal Awards for the year ended September 30, 2012.

Recommendation:

We recommend that the Board of Supervisors implement internal controls to aid in the identification, recording, and reporting of federal grant expenditures, thus ensuring the compliance with applicable provisions of the financial reporting requirements described in the OMB A-133 *Compliance Supplement*.

Response:

We have established a system of internal controls to ensure accurate reporting of the Schedule of Expenditures of Federal Awards.

Current Status:

Corrective Action Was Taken

Significant Deficiency.

12-3 Criteria:

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. Warrants were issued on a fund which did not have sufficient money to pay the warrants.

Condition:

The Garbage and Solid Waste Fund and First District Fire Fund had deficit cash balances for the period ending September 30, 2012.

Recommendation:

The Board of Supervisors should ensure that no warrants are written on funds when cash is not available to pay the same.

Response:

The Board of Supervisors will take the necessary steps to ensure that controls are in place to review bank reconciliations for the cash disbursements process.

Current Status:

Corrective Action Was Taken

Chancery Clerk.

Material Weakness.

12-4

Condition:

As reported in the prior year's audit report, the former Chancery Clerk is under investigation by the Mississippi State Department of Audit.

Response:

As of March 18, 2013, Tishomingo County received a check from the Mississippi Audit Department of Investigation in the amount of \$92,583.71 for funds recovered as a result of the investigation.

Material Weakness.

12-5

Criteria:

An effective system of internal control over the accounting functions should include an adequate segregation of duties in the collection, deposit preparation, disbursement, general journal, recording and reconciling functions.

Condition:

During field work, it was noted that an employee was processing disbursements with the Chancery Clerk's signature pre-printed on the checks, along with initialing her name on the checks as well. The Chancery Clerk did not review the bank statements, bank reconciliations, checks written, and related back up data supporting disbursements.

Recommendation:

In order to mitigate the possibility of misappropriation of funds, it is necessary to maintain adequate segregation of duties. The Chancery Clerk should not allow the employee to print checks with his signature on the checks and initial her name to them as well. The Chancery Clerk should review bank statements and reconciliations and document as being reviewed.

Response:

I will document my review of bank statements and reconciliations and other supporting documentation for cash disbursements.

Current Status:

Corrective Action was taken

Significant Deficiency.

12-6

Criteria:

An effective system of internal controls should include adequate preparation, review, and documentation of the bank reconciliations by the Chancery Clerk, when the bank reconciliations are prepared by the bookkeeper in the Chancery Clerk's office.

Condition:

A critical aspect of effective financial management is implementing a strong system of internal controls. The Chancery Clerk failed to document the review of bank reconciliations prepared by the bookkeeper.

Recommendation:

The Chancery Clerk should document his review of the bank reconciliations are prepared by the bookkeeper for internal control purposes.

Response:

I will comply.

Current Status:

Corrective Action Was Taken

Significant Deficiency.

12-7 Criteria:

An effective system of internal controls should include timely cash disbursements for debt payments.

Condition:

The County was aware of the missed payment and failed to make an additional payment during the fiscal year.

Recommendation:

The County should implement a system of internal controls to ensure that debt payments are made timely in the future.

Response:

I was aware that the MDA loan payments were not made due to the fact that MDA did not provide us with invoices for the amounts due during the month of October 2011.

Current Status:

Corrective Action Was Taken

Chancery Clerk – Board of Supervisors.

Significant Deficiency.

12-8 Criteria:

An effective system of internal controls should include adequate oversight of contracts and agreements.

Condition:

The County failed to monitor lease agreements to ensure that Lessee's are making rent payments and insurance reimbursements in a timely manner.

Recommendation:

The County should implement a system of internal controls to ensure that Lessee's are making timely rent payments and insurance reimbursements as required by lease agreements.

Response:

We are currently taking the necessary steps to ensure that contracts and agreements are being complied with.

Current Status:

Corrective Action Was Taken

Section 3: Federal Award Findings and Questioned Costs

Noncompliance

Significant Deficiency in Internal Control Over Compliance

CFDA # 14.228 U.S. Department of Housing and Urban Development

Pass-through the Mississippi Development Authority

Community Development Block Grants/State's Program

CFDA # 23.003 U.S. Department of Transportation

Pass-through the Mississippi Development Authority

Appalachian Development Highway System

Compliance Requirement: Davis-Bacon Act

12-9 Criteria:

The OMB *Circular A-133 Compliance Supplement* specifies that all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL.

Condition:

Management could not locate the supporting documentation for three months of the certified payrolls from the contractors or subcontractors as required per the grant agreements.

Recommendation:

The Board of Supervisors should implement procedures to ensure compliance with applicable Davis-Bacon Act policies and procedures as required by the OMB *Circular A-133 Compliance Supplement*.

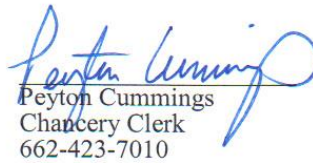
Response:

We will implement procedures to ensure all proper documentation has been obtained in accordance with applicable federal awarding agency regulations.

Current Status:

Corrective Action Was Taken

Sincerely yours,


Peyton Cummings
Chancery Clerk
662-423-7010