

# UNION COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2013



## STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA  
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA  
Director, County Audit Section



A Report from the County Audit Section

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

April 14, 2015

Members of the Board of Supervisors  
Union County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Union 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 Union County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Union County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering", is written over a horizontal line.

Stacey E. Pickering  
State Auditor



UNION COUNTY  
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UNION COUNTY

FINANCIAL SECTION

UNION COUNTY

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

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Union County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Union County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Union County Library System, a component unit, which represents 100 percent of the assets, net position, and revenues of the aggregate discretely presented component unit. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union County, Mississippi's basic financial statements. 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 April 14, 2015, on our consideration of Union County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union County, Mississippi's internal control over financial reporting and compliance.



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 14, 2015

UNION COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

UNION COUNTY

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## UNAUDITED

### Union County Board of Supervisors

Danny Jordan, Third District, President  
Benny Rakestraw, Fifth District, Vice-President  
Dwight Pickens, First District

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NEW ALBANY, MISSISSIPPI 38652  
(662) 534-1902

Randy Owen, Fourth District  
Jimmy Yarbrough, Second District  
Thad J. Mueller, Attorney

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Annette M. Hickey, Clerk  
Terry Johnson, County Administrator

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### *INTRODUCTION*

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

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

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

### *FINANCIAL HIGHLIGHTS*

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

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

Total net position decreased \$1,971,088, which represents a 2.7% decrease from the prior fiscal year. The County's ending cash balance decreased by \$70,379, which represents a 1% decrease from the previous year.

The County had \$13,108,742 in total revenues. Property tax revenues account for \$6,806,475 or 52% of total revenues. Intergovernmental Revenues in the form of reimbursements, shared revenue or grants, account for \$2,897,170, or 22% of total revenues. Charges for services account for \$2,082,898 or 16% of total revenue. Ad valorem tax in lieu fees account for \$875,645 or 7% of total revenue. Other revenues such as road and bridge privilege taxes, interest income, and miscellaneous revenue account for the remaining 3% of total revenues.

The County had \$15,079,830 in total expenses, which represents an increase of \$213,911 or 1% from the prior fiscal year. Expenses in the amount of \$4,328,233 were offset by charges for services, grants or outside contributions. General revenues of \$8,780,509 were not adequate to cover the remaining amount of expenses, \$10,751,597. However, the County had adequate cash reserves to cover these expenses.

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Among major funds, the General Fund had \$6,488,158 in revenues and \$6,581,540 in expenditures. The General Fund also had net other financing uses of \$29,913. The General Fund's fund balance decreased \$123,295 from the prior year.

Among major funds, the Countywide Road Maintenance Fund had \$2,502,977 in revenues and \$2,349,443 in expenditures. The Countywide Road Maintenance Fund's fund balance increased \$153,534 from the prior year.

Among major funds, the Countywide Bridge Fund had \$1,406,698 in revenues and \$1,319,621 in expenditures. The Countywide Bridge Fund's fund balance increased \$87,077 from the prior year.

Among major funds, the Health Foundation Fund had \$41,581 in revenues and \$41,000 in expenditures. The Health Foundation Fund's fund balance increased \$581 from the prior year.

Capital Assets, net of accumulated depreciation, decreased by \$1,793,018. This represents a 3% decrease.

Long-term debt decreased by \$399,686 or 5%. Toyota bonds outstanding in the amount of \$7,630,000 account for 95% of all Long-term debt. This bond issue will be repaid from the in lieu of advalorem tax fee.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

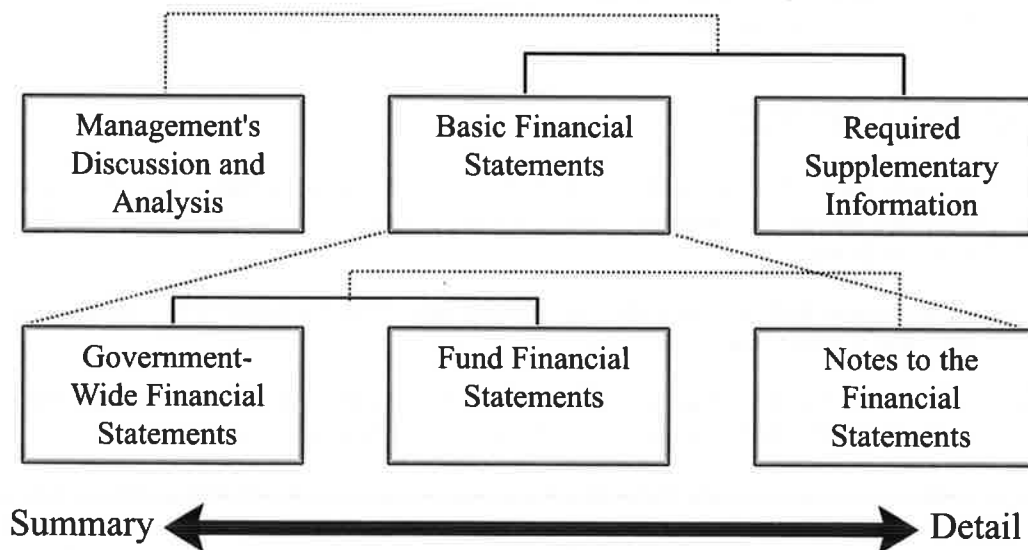


Figure 1 shows how required parts of this annual report are arranged and relate to one another.

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



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

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

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

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

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

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

The Union County Library System, a component unit which has a significant operational or financial relationship with the County, is included in the financial statements as a discretely presented component unit. It is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the primary government.

The Government-wide Financial Statements can be found on pages 17 and 18 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the "Governmental Funds Balance Sheet" and the "Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances" provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 20 and 22, respectively.

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

The basic governmental funds financial statements can be found on pages 19 and 21 of this report.

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

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Fund financial statements for the proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Solid Waste Fund is considered to be a major fund of the County. The proprietary funds financial statements can be found on pages 23 through 25 of this report.

**Fiduciary funds** are used to account for resources held for the benefit of parties outside the County government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accrual basis of accounting is used for fiduciary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County's fiduciary activities are presented in a separate Statement of Fiduciary Assets and Liabilities, which can be found on page 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 27 through 44 of this report.

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

The County adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund. This required supplementary information can be found on pages 47 through 49 of this report.

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

**Net Position** – Net position may serve over time as a useful indicator of government's financial position. In the case of Union County, assets exceeded liabilities by \$72,138,828 as of September 30, 2013.

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

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

The following table presents a summary of the County's net position at September 30, 2013 and 2012.

	Governmental Activities		
	2013	2012	Change
Current assets	\$ 32,977,625	32,775,829	1%
Capital assets, net	53,026,709	55,086,611	-4%
Total assets	86,004,334	87,862,440	-2%
Current liabilities	6,538,575	6,276,093	4%
Long-term debt outstanding	8,021,821	8,423,212	-5%
Total liabilities	14,560,396	14,699,305	-1%
Net position:			
Net investment in capital assets	53,026,709	55,086,611	-4%
Restricted	14,100,837	13,719,412	3%
Unrestricted	4,316,392	4,357,112	-1%
Total net position	\$ 71,443,938	73,163,135	-2%

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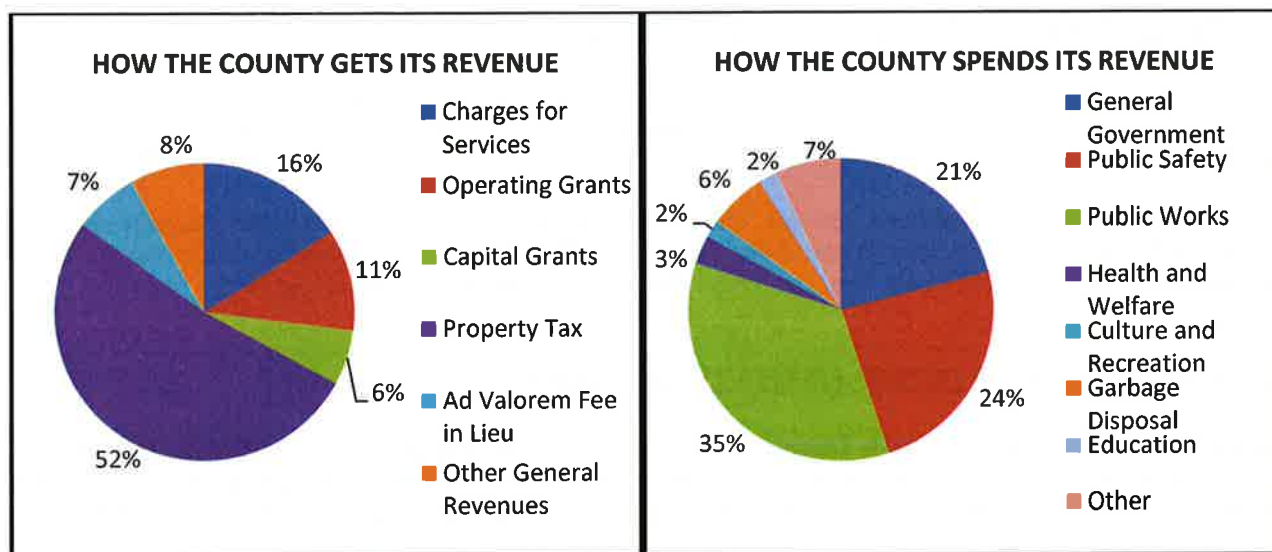
	Business-type Activities		
	2013	2012	Change
Current assets	\$ 341,461	897,121	-62%
Capital assets, net	445,171	178,287	150%
Total assets	786,632	1,075,408	-27%
Current liabilities	82,357	120,947	-32%
Long-term debt outstanding	9,385	7,680	22%
Total liabilities	91,742	128,627	-29%
Net position:			
Net investment in capital assets	445,171	178,287	150%
Restricted	249,719	768,494	-68%
Total net position	\$ 694,890	946,781	-27%

Note: The business-type activities consist of the collection and disposal of household garbage financed by a monthly fee of \$8.00 charged on each home and various charges for commercial garbage service based on the service provided such as dumpster size and number of pickups per week.

**Changes in Net Position** – Union County's total revenues for the fiscal year ended September 30, 2013 were \$13,108,742. The total cost for all services provided was \$15,079,830. The decrease in net position was \$1,971,088. The following table presents a summary of the changes in net position for the fiscal years ended September 30, 2013 and 2012.

	2013	2012	Change
Revenues:			
Program revenues			
Charges for services	\$ 2,082,898	1,875,376	11%
Operating grants	1,476,590	1,374,711	7%
Capital grants	768,745	585,837	31%
General revenues			
Property taxes	6,806,475	6,673,124	2%
Advalorem Tax in-lieu fee	875,645	441,999	98%
Other General Revenue	1,098,389	1,561,896	-30%
Total Revenues	13,108,742	12,512,943	5%
Expenses:			
General government	3,207,478	3,425,319	-6%
Public safety	3,650,876	3,352,481	9%
Public works	5,257,722	5,805,898	-9%
Health and welfare	426,795	411,124	4%
Culture and recreation	250,273	243,276	3%
Education	300,000	-	100%
Conservation of natural resources	128,480	125,419	2%
Economic development	435,750	180,060	142%
Interest on long-term debt	467,366	457,818	2%
Garbage disposal (Business type)	955,090	864,524	10%
Total Expense	15,079,830	14,865,919	1%
Prior Period Adjustment	-0-	-0-	
Decrease in Net Position	\$ (1,971,088)	(2,352,976)	-16%

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

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

	Total Costs	Net Costs
General Government	\$ 3,207,478	2,105,642
Public Safety	3,650,876	2,822,083
Public Works	5,257,722	3,868,374
Health & Welfare	426,795	342,954
Culture & Recreation	250,273	246,273
Education	300,000	300,000
Conservation of Natural Resources	128,480	128,480
Economic Development	435,750	218,379
Interest on Debt	467,366	467,366

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

**Governmental funds** – At the close of the fiscal year, Union County's governmental funds reported a combined fund balance of \$17,763,144, an increase of \$260,021 or 1% from the previous year.

The General Fund is the principal operating fund of the County. The decrease in fund balance of the General Fund for the fiscal year was \$123,295.

**Enterprise fund** – Operating Revenue from the County's Solid Waste Fund decreased by 6% to \$703,044 and expenses increased approximately 10% to \$955,090. Nonoperating Revenues in the form of interest income totaled \$155.

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

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

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

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

**Capital Assets** – As of September 30, 2013, Union County's total gross capital assets was \$112,074,243. This includes roads, bridges, other infrastructure, land, buildings, improvements other than buildings, mobile equipment, furniture and equipment and construction in progress. This amount represents an increase from the previous year of \$1,591,452 or 1%.

Total accumulated depreciation as of September 30, 2013 was \$58,602,363, including \$3,390,702 of depreciation expense for the year. The balance in total net capital assets was \$53,471,880 at year-end.

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

**Debt Administration** – At September 30, 2013, Union County had \$8,031,206 in long-term debt outstanding. This includes general obligation bonds, Mississippi Business Investment Act notes, and compensated absences. Of this debt, \$439,190 is due within one year.

Additional information on Union County's long-term debt can be found in note 11 on page 41 of this report.

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

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

UNION COUNTY

FINANCIAL STATEMENTS

UNION COUNTY

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UNION COUNTY  
Statement of Net Position  
September 30, 2013

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Union County Library System
<b>ASSETS</b>				
Cash	\$ 9,097,463	210,323	9,307,786	58,668
Investments	9,292,345		9,292,345	90,817
Accrued interest receivable	16,178		16,178	76
Property tax receivable	5,217,651		5,217,651	
Accounts receivable (net of allowance for uncollectibles of \$347,814)		133,027	133,027	
Fines receivable (net of allowance for uncollectibles of \$379,685)	102,851		102,851	
Capital leases receivable	376,324		376,324	
Intergovernmental receivables	536,802		536,802	
Other receivables	77,608	53,356	130,964	
Internal balances	55,245	(55,245)		
Ad valorem tax fee in-lieu receivable	7,925,387		7,925,387	
Deferred charges - bond issuance costs	279,771		279,771	
Restricted assets				76,846
Capital assets:				
Land and construction in progress	1,302,591		1,302,591	12,000
Other capital assets, net	51,724,118	445,171	52,169,289	113,057
Total Assets	86,004,334	786,632	86,790,966	351,464
<b>LIABILITIES</b>				
Claims payable	677,620	32,065	709,685	13,432
Intergovernmental payables	358,351		358,351	
Accrued interest payable	102,826		102,826	
Deferred revenue	5,257,328		5,257,328	
Unearned revenue		50,292	50,292	69,000
Amounts held in custody for others	142,450		142,450	
Long-term liabilities				
Due within one year:				
Non-capital debt	439,190		439,190	
Due in more than one year:				
Non-capital debt	7,582,631	9,385	7,592,016	6,278
Total Liabilities	14,560,396	91,742	14,652,138	88,710
<b>NET POSITION</b>				
Net investment in capital assets	53,026,709	445,171	53,471,880	125,057
Restricted for:				
Expendable:				
General government	40,074		40,074	
Public safety	784,031		784,031	
Public works	4,392,678	249,719	4,642,397	
Health and welfare	1,644,062		1,644,062	
Culture and recreation	36,704		36,704	
Unemployment compensation			0	1,217
Nonexpendable	7,203,288		7,203,288	
Unrestricted	4,316,392		4,316,392	136,480
Total Net Position	\$ 71,443,938	694,890	72,138,828	262,754

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

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

Exhibit 2

Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Union County Library System
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 3,207,478	720,936	380,900		(2,105,642)		(2,105,642)	
Public safety	3,650,876	658,918	169,875		(2,822,083)		(2,822,083)	
Public works	5,257,722		620,603	768,745	(3,868,374)		(3,868,374)	
Health and welfare	426,795		83,841		(342,954)		(342,954)	
Culture and recreation	250,273		4,000		(246,273)		(246,273)	
Education	300,000				(300,000)		(300,000)	
Conservation of natural resources	128,480				(128,480)		(128,480)	
Economic development and assistance	435,750		217,371		(218,379)		(218,379)	
Interest on long-term debt	467,366				(467,366)		(467,366)	
Total Governmental Activities	<u>14,124,740</u>	<u>1,379,854</u>	<u>1,476,590</u>	<u>768,745</u>	<u>(10,499,551)</u>		<u>(10,499,551)</u>	
Business-type activities:								
Solid Waste	955,090	703,044				(252,046)	(252,046)	
Total Business-type Activities	<u>955,090</u>	<u>703,044</u>	<u>0</u>	<u>0</u>		<u>(252,046)</u>	<u>(252,046)</u>	
Total Primary Government	<u>\$ 15,079,830</u>	<u>2,082,898</u>	<u>1,476,590</u>	<u>768,745</u>	<u>(10,499,551)</u>	<u>(252,046)</u>	<u>(10,751,597)</u>	
Component unit:								
Union County Library System	\$ 360,487	18,791	265,790	38,400				(37,506)
Total Component Unit	<u>\$ 360,487</u>	<u>18,791</u>	<u>265,790</u>	<u>38,400</u>				<u>(37,506)</u>
General revenues:								
Property taxes					\$ 6,806,475		6,806,475	
Road & bridge privilege taxes					302,084		302,084	
Grants and contributions not restricted to specific programs					651,835		651,835	
Ad valorem tax fee in-lieu					875,645		875,645	
Unrestricted interest income					54,252	155	54,407	1,289
Miscellaneous					90,063		90,063	
Total General Revenues					<u>8,780,354</u>	<u>155</u>	<u>8,780,509</u>	<u>1,289</u>
Changes in Net Position								
Net Position - Beginning, as previously stated								
Prior period adjustment					73,163,135	946,781	74,109,916	300,085
Net Position - Beginning, as restated					<u>73,163,135</u>	<u>946,781</u>	<u>74,109,916</u>	<u>(1,114)</u>
Net Position - Ending					<u>\$ 71,443,938</u>	<u>694,890</u>	<u>72,138,828</u>	<u>262,754</u>

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

UNION COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2013

Exhibit 3

	Major Funds				Other	Total
	General	Countywide	Countywide	Health	Governmental	Governmental
	Fund	Road Maintenance	Bridge	Foundation	Funds	Funds
		Fund	Fund	Fund		
ASSETS						
Cash	\$ 3,584,820	2,026,590	2,634,747	31,941	819,365	9,097,463
Investments	526,994			8,765,351		9,292,345
Accrued interest receivable	965			15,213		16,178
Property tax receivable	3,215,111	920,210	909,438		172,892	5,217,651
Fines receivable (net of allowance for uncollectibles of \$379,685)	102,851					102,851
Capital lease receivable					376,324	376,324
Intergovernmental receivables	221,211	24,118	11,759		145,638	402,726
Other receivables	34,067	119	92		43,330	77,608
Due from other funds	24,162	40,454	16,026		10,760	91,402
Advances to other funds	31,083					31,083
Total Assets	\$ 7,741,264	3,011,491	3,572,062	8,812,505	1,568,309	24,705,631
LIABILITIES						
Liabilities:						
Claims payable	\$ 181,560	340,588	20,639	3,000	131,833	677,620
Intergovernmental payables	358,351					358,351
Due to other funds	67,240					67,240
Deferred revenue	3,317,962	920,210	909,438		549,216	5,696,826
Amounts held in custody for others	142,450					142,450
Total Liabilities	\$ 4,067,563	1,260,798	930,077	3,000	681,049	6,942,487
Fund balances:						
Nonspendable:						
Advances	31,083					31,083
Permanent fund principal				7,172,205		7,172,205
Restricted for:						
General government					40,074	40,074
Public safety					784,031	784,031
Public works		1,750,693	2,641,985			4,392,678
Health and welfare				1,637,300	6,762	1,644,062
Culture and recreation					36,704	36,704
Economic development and assistance					19,689	19,689
Unassigned	3,642,618					3,642,618
Total Fund Balances	\$ 3,673,701	1,750,693	2,641,985	8,809,505	887,260	17,763,144
Total Liabilities and Fund Balances	\$ 7,741,264	3,011,491	3,572,062	8,812,505	1,568,309	24,705,631

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

## UNION COUNTY

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 17,763,144
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 \$57,831,651.	53,026,709
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Ad valorem tax fee in-lieu receivable	7,925,387
Fines receivable	102,851
T.V.A. in lieu receivable	132,644
Harvest permits	1,432
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,021,821)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(102,826)
Capital leases are not available to pay for current period expenditures and, therefore, are deferred in the funds.	336,647
Deferred charges - bond issuance costs	<u>279,771</u>
Total Net Position - Governmental Activities	\$ <u><u>71,443,938</u></u>

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

## UNION COUNTY Y

Exhibit 4

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

	Major Funds				Other	Total
	General	Countywide	Countywide	Health	Governmental	Governmental
	Fund	Road Maintenance	Bridge	Foundation	Funds	Funds
	Fund	Fund	Fund	Fund		
REVENUES						
Property taxes	\$ 4,284,360	1,165,880	1,136,898		219,337	6,806,475
Road and bridge privilege taxes		302,084				302,084
Licenses, commissions and other revenue	326,452				160,601	487,053
Fines and forfeitures	202,364				127,028	329,392
Intergovernmental revenues	866,877	1,034,094	268,694		593,429	2,763,094
Charges for services	281,759				276,459	558,218
In lieu tax - Toyota	454,622				833,333	1,287,955
Interest income	5,192	575	686	41,581	6,218	54,252
Miscellaneous revenues	66,532	344	420		7,767	75,063
Total Revenues	6,488,158	2,502,977	1,406,698	41,581	2,224,172	12,663,586
EXPENDITURES						
Current:						
General government	2,911,456				308,169	3,219,625
Public safety	2,687,203			41,000	590,845	3,319,048
Public works	12,372	2,349,443	1,319,621			3,681,436
Health and welfare	240,560				6,014	246,574
Culture and recreation	80,924				152,314	233,238
Education	300,000					300,000
Conservation of natural resources	128,480					128,480
Economic development and assistance	220,545				215,205	435,750
Debt service:						
Principal					422,676	422,676
Interest					448,895	448,895
Total Expenditures	6,581,540	2,349,443	1,319,621	41,000	2,144,118	12,435,722
Excess of Revenues over (under) Expenditures	(93,382)	153,534	87,077	581	80,054	227,864
OTHER FINANCING SOURCES (USES)						
Transfers in					39,192	39,192
Transfers out	(29,913)				(9,279)	(39,192)
Lease principal payments					32,157	32,157
Total Other Financing Sources and Uses	(29,913)	0	0	0	62,070	32,157
Net Changes in Fund Balances	(123,295)	153,534	87,077	581	142,124	260,021
Fund Balances - Beginning	3,796,996	1,597,159	2,554,908	8,808,924	745,136	17,503,123
Fund Balances - Ending	\$ 3,673,701	1,750,693	2,641,985	8,809,505	887,260	17,763,144

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

## UNION 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

	Amount
Net Changes in Fund Balances - Governmental Funds	\$ 260,021
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$3,282,586 exceeded capital outlays of \$1,223,377 including asset donations of \$15,000 in the current period.	(2,059,209)
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 \$693.	(693)
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.	5,191
In lieu tax - Toyota revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(833,333)
Revenues in the Statement of Activities that do not provided financial resources are not reported as revenue in the funds:	
Ad valorem tax fee-in-lieu change in discount to present value	421,023
T.V.A. in lieu receivable	132,644
Harvest permits receivable	1,432
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt repayments of \$422,676.	422,676
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Decrease in accrued interest payable	6,014
Increase in compensated absences	(18,321)
Amortization of bond issuance costs	(21,521)
Amortization of premium of bonds	10,227
Amortization of discount on bonds	(13,191)
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.	(32,157)
Change in Net Position of Governmental Activities	\$ (1,719,197)

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

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

Exhibit 5

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 210,323
Accounts receivable (net of allowance for uncollectibles of \$347,814)	133,027
Other receivables	53,356
Total Current Assets	<u>396,706</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	445,171
Total Noncurrent Assets	<u>445,171</u>
Total Assets	<u>841,877</u>
LIABILITIES	
Current liabilities:	
Claims payable	32,065
Due to other funds	24,162
Advances from other funds	31,083
Unearned revenue	50,292
Total Current Liabilities	<u>137,602</u>
Noncurrent liabilities:	
Non-capital debt:	
Compensated absences payable	9,385
Total Noncurrent Liabilities	<u>9,385</u>
NET POSITION	
Net investment in capital assets	445,171
Restricted for:	
Public works	249,719
Total Net Position	<u>\$ 694,890</u>

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

## UNION COUNTY

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2013Exhibit 6

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 703,044
Total Operating Revenues	<u>703,044</u>
Operating Expenses	
Personal services	445,701
Contractual services	274,465
Materials and supplies	102,646
Depreciation expense	108,116
Indirect administrative cost	24,162
Total Operating Expenses	<u>955,090</u>
Operating Income (Loss)	<u>(252,046)</u>
Nonoperating Revenues (Expenses)	
Interest income	155
Net Nonoperating Revenue (Expenses)	<u>155</u>
Net Income (Loss)	<u>(251,891)</u>
Changes in Net Position	<u>(251,891)</u>
Net Position - Beginning	<u>946,781</u>
Net Position - Ending	<u>\$ 694,890</u>

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



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

Exhibit 7

	Business-type Activities - Enterprise Fund
	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 704,046
Payments to suppliers	(423,559)
Payments to employees	(438,239)
Payments to General Fund for indirect costs	(14,828)
Other operating cash receipts	33,150
Net Cash Provided (Used) by Operating Activities	(139,430)
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(375,000)
Net Cash Provided (Used) by Capital and Related Financing Activities	(375,000)
Cash Flows From Investing Activities	
Interest on deposits	155
Net Cash Provided (Used) by Investing Activities	155
Net Increase (Decrease) in Cash and Cash Equivalents	(514,275)
Cash and Cash Equivalents at Beginning of Year	724,598
Cash and Cash Equivalents at End of Year	210,323
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	(252,046)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	108,116
Provision for uncollectible accounts	14,152
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(10,288)
(Increase) decrease in intergovernmental receivables	33,150
(Increase) decrease in other receivables	(4,963)
Increase (decrease) in claims payable	(40,691)
Increase (decrease) in compensated absences liability	1,705
Increase (decrease) in unearned revenue	2,101
Increase (decrease) in interfund payables	9,334
Total Adjustments	112,616
Net Cash Provided (Used) by Operating Activities	\$ (139,430)

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

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

Exhibit 8

	Agency Funds
ASSETS	
Cash	\$ 84,576
Total Assets	\$ 84,576
LIABILITIES	
Amounts held in custody for others	\$ 494
Other liabilities	279
Intergovernmental payables	83,803
Total Liabilities	\$ 84,576

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

## UNION COUNTY

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

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

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

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

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

##### B. Individual Component Unit Disclosures.

###### Discretely Presented Component Units

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

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

##### C. Basis of Presentation.

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

###### Government-wide Financial Statements:

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

The Statement of Net Position presents the financial condition of the governmental activities and business-type activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the County's governmental activities and business-type activities.

## UNION COUNTY

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

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

#### Fund Financial Statements:

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

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

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

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

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

The County reports the following major Governmental Funds:

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

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

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

## UNION COUNTY

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

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

The County reports the following major Enterprise Fund:

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

Additionally, the county reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUND TYPE

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

#### FIDUCIARY FUND TYPE

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

#### E. Account Classifications.

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

#### F. Deposits and Investments.

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

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

#### G. Receivables.

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

# UNION COUNTY

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

### H. Interfund Transactions and Balances.

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

### I. Restricted Assets.

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

### J. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental or business-type activities column in the government-wide financial 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.

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

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

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

# UNION COUNTY

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

	Capitalization Thresholds	Estimated Useful Life
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

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

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

### K. Long-term Liabilities.

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

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

### L. Equity Classifications.

#### Government-wide Financial Statements:

Equity is classified as net position and displayed in three components:

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

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

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

#### Fund Financial Statements:

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

## UNION COUNTY

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

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 or 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.

#### M. Property Tax Revenues.

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

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

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

#### N. 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.



# UNION COUNTY

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

### O. Compensated Absences.

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

### P. Changes in Accounting Standards.

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

## (2) Deposits and Investments.

### Primary Government

#### Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$9,392,362, and the bank balance was \$9,776,426. 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.

#### Investments:

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

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
<b>Governmental activities:</b>			
Certificates of deposit	One year	\$ 9,292,345	None
Total		\$ 9,292,345	

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

## UNION COUNTY

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

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

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. These 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.

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

The carrying amount of the System's deposits at September 30, 2013, was \$226,331 and the bank balance in all institutions was \$230,937. 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 Depository Insurance Corporation (FDIC).

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

<u>General</u>	
Cash on hand	\$ 109
Demand deposit, interest bearing, variable rate	58,559
Investments – certificates of deposit	90,817
<u>Restricted</u>	
Demand deposit, interest bearing, variable rate	7,846
Investments – certificates of deposit	69,000
Total	\$ <u>226,331</u>

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the System will not be able to recover deposits or collateral securities that are in the possession of an outside party. The System does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the System. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the System. As of September 30, 2013, none of the System's bank balance of \$230,937 was exposed to custodial credit risk.

**Interest Rate Risk.** The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

# UNION COUNTY

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

### (3) Ad Valorem Tax Fee-In-lieu Receivable

Union County, Pontotoc County and Lee County, collectively acting through the PUL Alliance, entered into an Ad Valorem Tax Fee-In-Lieu Agreement with the Mississippi Development Authority, the Mississippi Major Economic Impact Authority and Toyota Motor Manufacturing Mississippi, Inc. (TMMMS). The agreement provides that, beginning in January 2011, and continuing until the retirement of the Public Bonds, TMMMS will make an annual fee-in-lieu payment of \$2,500,000 to the PUL Alliance, which will then be distributed equally to the three counties. Fee payments shall be made on or before January 31 each year. The fee payment shall expire after the 2026 payment or, if the Public Bonds are retired sooner than 2026, it shall expire in the year of retirement. Union County's portion of this annual payment is one third or \$833,333.

Ad Valorem Tax Fee-In-Lieu Receivable at September 30, 2013 is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2014	\$ 833,333
2015	833,333
2016	833,333
2017	833,333
2018	833,334
2019-2023	4,166,667
2024-2028	<u>2,500,000</u>
Total	\$ <u>10,833,333</u>
Less: Discount to Present Value	<u>2,907,946</u>
Net Receivable	\$ <u><u>7,925,387</u></u>

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

### (4) Interfund Transactions and Balances.

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

#### A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 24,162
Countywide Road Maintenance Fund	General Fund	40,454
Countywide Bridge Fund	General Fund	16,026
Other Governmental Funds	General Fund	<u>10,760</u>
Total		\$ <u><u>91,402</u></u>

The payables from the General Fund represent the tax revenue collected in September 2013 but not settled until October, 2013. The payable from the Solid Waste Fund represents the indirect cost for the September 30, 2013 fiscal year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

# UNION COUNTY

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

### B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Solid Waste	\$ 31,083
Total		<u>\$ 31,083</u>

The advance from the General Fund to the Solid Waste Fund represents the indirect cost for the September 30, 2011 and 2010 fiscal year.

### C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 29,913
Other Governmental Funds	Other Governmental Funds	<u>9,279</u>
Total		<u>\$ 39,192</u>

The principal purpose of interfund transfers was to transfer funds to purchase radio equipment and to transfer code funds to rebate funds.

### (5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 111,440
Community development block grant	113,400
Reimbursement for housing prisoners	65,865
Federal/state TVA payments in lieu of tax	132,943
Motor vehicle fuel tax	19,785
Federal Victim's Assistance Coordinator grant	8,983
Federal EMPG grant	22,448
State aid road	11,759
Drug court state grant	20,223
Motor vehicle licenses	14,702
Council on Aging state grant	4,500
City of New Albany	535
Lafayette County – Drug Court	7,515
Harvest permits	1,432
Timber severance	475
Inmate litter program	<u>797</u>
Total Governmental Activities	<u>\$ 536,802</u>

# UNION COUNTY

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

### (6) Restricted Assets.

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

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

Restricted Cash	\$ 7,846
Restricted Investments	<u>69,000</u>
Total restricted assets	<u>\$ 76,846</u>

### (7) Capital Assets.

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

#### Primary Government

##### Governmental activities:

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments*	Balance Sept. 30, 2013
<b>Non-depreciable capital assets:</b>					
Land	\$ 698,505				698,505
Construction in progress	<u>537,559</u>	<u>703,520</u>		<u>(636,993)</u>	<u>604,086</u>
Total non-depreciable capital assets	<u>1,236,064</u>	<u>703,520</u>	<u>0</u>	<u>(636,993)</u>	<u>1,302,591</u>
<b>Depreciable capital assets:</b>					
Infrastructure	85,528,441	160,916		636,993	86,326,350
Buildings	14,174,257				14,174,257
Improvements other than buildings	433,231				433,231
Mobile equipment	7,840,683	344,266			8,184,949
Furniture and equipment	<u>429,232</u>	<u>14,675</u>	<u>6,925</u>		<u>436,982</u>
Total depreciable capital assets	<u>108,405,844</u>	<u>519,857</u>	<u>6,925</u>	<u>636,993</u>	<u>109,555,769</u>
<b>Less accumulated depreciation for:</b>					
Infrastructure	42,724,322	2,565,493			45,289,815
Buildings	6,048,658	270,416			6,319,074
Improvements other than buildings	294,512	6,237			300,749
Mobile equipment	5,144,720	415,339			5,560,059
Furniture and equipment	<u>343,085</u>	<u>25,101</u>	<u>6,232</u>		<u>361,954</u>
Total accumulated depreciation	<u>54,555,297</u>	<u>3,282,586</u>	<u>6,232</u>	<u>0</u>	<u>57,831,651</u>
Total depreciable capital assets, net	<u>53,850,547</u>	<u>(2,762,729)</u>	<u>693</u>	<u>636,993</u>	<u>51,724,118</u>
Governmental activities capital assets, net	<u>\$ 55,086,611</u>	<u>(2,059,209)</u>	<u>693</u>	<u>0</u>	<u>53,026,709</u>

\*Adjustments are to reclassify completed construction projects.

# UNION COUNTY

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

### **Business-type activities:**

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<b><u>Depreciable capital assets:</u></b>					
Mobile equipment	\$ 835,883	375,000			1,210,883
Furniture and equipment	5,000				5,000
Total depreciable capital assets	840,883	375,000	0	0	1,215,883
<b><u>Less accumulated depreciation for:</u></b>					
Mobile equipment	658,096	108,116			766,212
Furniture and equipment	4,500				4,500
Total accumulated depreciation	662,596	108,116	0	0	770,712
Total depreciable capital assets, net	178,287	266,884	0	0	445,171
Business-type activities capital assets, net	\$ 178,287	266,884	0	0	445,171

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

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<b><u>Governmental Activities:</u></b>					
<b><u>Capital assets not being depreciated:</u></b>					
Land	\$ 12,000				12,000
Total capital assets not being depreciated	12,000	0	0	0	12,000
<b><u>Other capital assets:</u></b>					
Library materials	458,342	36,856			495,198
Machinery and equipment	107,413	6,670			114,083
Furniture and fixtures	33,601	970			34,571
Land improvements	7,041				7,041
Total depreciable capital assets	606,397	44,496	0	0	650,893

# UNION COUNTY

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

	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
<b>Less accumulated depreciation for:</b>					
Library materials	385,023	36,769			421,792
Machinery and equipment	75,701	9,220			84,921
Furniture and fixtures	27,570	1,294			28,864
Land improvements	1,799	470			2,269
Total accumulated depreciation	<u>490,093</u>	<u>47,753</u>	<u>0</u>	<u>0</u>	<u>537,846</u>
Other capital assets, net	<u>116,304</u>	<u>(3,257)</u>	<u>0</u>	<u>0</u>	<u>113,047</u>
Governmental activities capital assets, net	<u>\$ 128,304</u>	<u>(3,257)</u>	<u>0</u>	<u>0</u>	<u>125,047</u>

Depreciation expense was charged to the following functions:

	Amount
<b>Primary Government</b>	
Governmental Activities:	
General government	\$ 20,884
Public safety	376,344
Public works	2,688,102
Health and welfare	180,221
Culture and recreation	<u>17,035</u>
Total governmental activities depreciation expense	<u>\$ 3,282,586</u>
Business-type activities:	
Solid waste	<u>\$ 108,116</u>
Total business-type activities depreciation expense	<u>\$ 108,116</u>
<b>Discretely Presented Component Unit:</b>	
<b>Union County Library System</b>	
Library materials	\$ 36,769
General government	<u>10,984</u>
Total Component unit depreciation expense	<u>\$ 47,753</u>

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
SAP-73(44)	\$ 115,844	October, 2013
County Bridge #135 on CR 120	101,680	March, 2014

# UNION COUNTY

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

### (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 Lessee:

The County has entered into certain operating leases which do not give rise to property rights. Total costs for such leases were \$29,500 for the year ended September 30, 2013.

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

The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2014	\$ 35,400
2015	35,400
2016	35,400
2017	35,400
2018	35,400
2019 – 2023	<u>147,500</u>
Total Minimum Payments Required	<u>\$ 324,500</u>

### (10) Capital Leases.

#### As Lessor:

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

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



# UNION COUNTY

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

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	\$ 31,769	5,028
2015	32,806	5,155
2016	33,164	4,796
2017	33,538	4,423
2018	33,926	4,034
2019 – 2023	132,038	13,765
2024 – 2028	<u>39,406</u>	<u>2,476</u>
Total	<u>\$ 336,647</u>	<u>39,677</u>

### (11) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
2007 GO Industrial Development Bond	\$ <u>7,630,000</u>	5.00-6.00%	07/2026
Total General Obligation Bonds	<u>\$ 7,630,000</u>		
B. Other Loans:			
Capital Improvement revolving loan	\$ 136,699	3.00%	09/2026
Capital Improvement revolving loan	<u>292,155</u>	3.00%	07/2029
Total Other Loans	<u>\$ 428,854</u>		

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

### Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>		<u>Other Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 425,000	407,500	23,529	12,541
2015	450,000	382,000	24,244	11,826
2016	470,000	359,500	24,982	11,088
2017	495,000	336,000	25,741	10,329
2018	520,000	311,250	26,525	9,545
2019 – 2023	3,030,000	1,117,875	145,224	35,122
2024 – 2028	2,240,000	250,525	141,289	12,467
2029 – 2033	<u></u>	<u></u>	<u>17,320</u>	<u>216</u>
Total	<u>\$ 7,630,000</u>	<u>3,164,650</u>	<u>428,854</u>	<u>103,134</u>

# UNION COUNTY

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

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt, that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2013, the amount of outstanding debt was equal to 2.81% of the latest property assessments.

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

	Balance Oct. 1, 2012	Additions	Reductions	Adjustments	Balance Sept. 30, 2013	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 109,202	18,321			127,523	
General obligation bonds	8,030,000		400,000		7,630,000	425,000
Less:						
Unamortized discounts	(182,850)		(13,191)		(169,659)	(13,956)
Add:						
Unamortized Premiums	15,330		10,227		5,103	4,617
Other loans	451,530		22,676		428,854	23,529
Total	\$ 8,423,212	18,321	419,712	0	8,021,821	439,190
<b>Business-type Activities:</b>						
Compensated absences	\$ 7,680	1,705	0	0	9,385	0

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

### (12) Contingencies.

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

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

**Solid Waste Revenue Refunding Bonds** - In 1998, solid waste revenue refunding bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In fiscal year 2012 the bonds were refinanced. The bonds were reissued for \$4,235,000. As part of a solid waste disposal service agreement between Union County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.04%) of the \$3,855,000 refunding bonds balance at September 30, 2013, is \$232,842.

## UNION COUNTY

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

#### (13) Joint Ventures.

The County participates in the following joint ventures:

Union County is a participant with the City of New Albany, industries and other interested parties located within the County in a joint venture, as authorized by Section 19-5-99 Miss. Code Ann. (1972), in the Union County Development Association. The joint venture was created to aid in the development of industries in Union County and is governed by 11 directors, of which Union County appoints two. The County appropriated \$89,810 for support of the Association in fiscal year 2013. Complete financial statements for the Union County Development Association can be obtained from Union County Development Association, P. O. Box 56, New Albany, MS 38652.

Union County is a participant with the City of New Albany, as authorized by Section 17-13-9, Miss. Code Ann. (1972), in the New Albany-Union County Airport Board. The joint venture was created to acquire, construct, operate and maintain the New Albany-Union County Airport. Union County appoints two of the five-member board, and the president of the Board of Supervisors, along with the mayor of New Albany, appoints an additional member as chairman. Union County appropriated \$11,942 for the support and maintenance of the airport in fiscal year 2013. Complete financial statements can be obtained from the New Albany-Union County Airport, New Albany, MS 38652.

#### (14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

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

Three Rivers Planning and Development District operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints two of the forty members of the board of directors. The County appropriated \$150,735 for the support of the district in fiscal year 2013.

Northeast Mississippi Community College operates in a district composed of the counties of Alcorn, Prentiss, Tippah, Tishomingo and Union. The Union County Board of Supervisors appoints one of the fifteen members of the college board of trustees. The County appropriated \$815,475 for the support and maintenance of the college in fiscal year 2013.

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Union County Board of Supervisors appoints one of the seven members of the board of commissioners. The County appropriated \$23,500 for support of the commission in fiscal year 2013.

Lift, Inc. operates in a district composed of the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Union County Board of Supervisors appoints one of the twenty-four members of the board of directors. The County appropriated \$2,500 in fiscal year 2013 to the organization.

Northeast Mississippi Emergency Medical Services serves the counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Union County Board of Supervisors appoints four of the thirty-six members of the board of directors. The County appropriated \$20,079 for support of the district in fiscal year 2013.

Pontotoc-Union-Lee Alliance (PUL) is an alliance amount Pontotoc, Lee and Union counties. The Union County Board of Supervisors appoints two of the nine members of the board of directors. The County did not appropriate any funds for support of the alliance in fiscal year 2013.

## UNION COUNTY

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

(15) Defined Benefit Pension Plan.

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

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 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 \$573,785, \$500,732 and \$450,098, respectively, equal to the required contributions for each year.

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Union County evaluated the activity of the County through April 14, 2015, and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

UNION COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

UNION COUNTY

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 4,169,120	4,395,177	4,395,177	
Licenses, commissions and other revenue	304,400	781,052	781,052	
Fines and forfeitures	211,500	196,282	196,282	
Intergovernmental revenues	992,486	995,349	995,349	
Charges for services	250,000	248,287	248,287	
Interest income	9,000	5,545	5,545	
Miscellaneous revenues	22,031	46,109	46,109	
Total Revenues	<u>5,958,537</u>	<u>6,667,801</u>	<u>6,667,801</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	3,243,113	3,211,314	3,211,314	
Public safety	2,485,861	2,678,120	2,678,120	
Public works	15,668	11,942	11,942	
Health and welfare	269,773	239,972	239,972	
Culture and recreation	80,800	80,842	80,842	
Conservation of natural resources	135,744	128,892	128,892	
Economic development and assistance	205,735	240,545	240,545	
Total Expenditures	<u>6,436,694</u>	<u>6,591,627</u>	<u>6,591,627</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(478,157)</u>	<u>76,174</u>	<u>76,174</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sales of capital assets	0	581	581	
Compensation for loss of capital assets	0	24,712	24,712	
Transfers in	150,000	14,828	14,828	
Transfers out	(168,000)	(29,913)	(29,913)	
Total Other Financing Sources and Uses	<u>(18,000)</u>	<u>10,208</u>	<u>10,208</u>	<u>0</u>
Net Change in Fund Balance	<u>(496,157)</u>	<u>86,382</u>	<u>86,382</u>	<u>0</u>
Fund Balances - Beginning	<u>3,088,181</u>	<u>3,731,787</u>	<u>3,731,787</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,592,024</u>	<u>3,818,169</u>	<u>3,818,169</u>	<u>0</u>

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

UNION COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Road Maintenance 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	\$ 1,143,464	1,191,649	1,191,649	
Road and bridge privilege taxes	290,000	299,565	299,565	
Intergovernmental revenues	528,000	508,797	508,797	
Interest income	2,000	520	520	
Miscellaneous revenues		343	343	
Total Revenues	<u>1,963,464</u>	<u>2,000,874</u>	<u>2,000,874</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	2,499,162	1,578,154	1,578,154	
Total Expenditures	<u>2,499,162</u>	<u>1,578,154</u>	<u>1,578,154</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(535,698)</u>	<u>422,720</u>	<u>422,720</u>	<u>0</u>
Net Change in Fund Balance	(535,698)	422,720	422,720	0
Fund Balances-Beginning	<u>15,232</u>	<u>1,260,879</u>	<u>1,260,879</u>	<u>0</u>
Fund Balances - Ending	<u>\$ (520,466)</u>	<u>1,683,599</u>	<u>1,683,599</u>	<u>0</u>

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



UNION COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 Countywide Bridge 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	\$ 1,115,083	1,163,712	1,163,712	
Intergovernmental revenues	100,000	95,222	95,222	
Interest income	2,000	629	629	
Miscellaneous revenues	0	420	420	
Total Revenues	<u>1,217,083</u>	<u>1,259,983</u>	<u>1,259,983</u>	<u>0</u>
EXPENDITURES				
Current:				
Public works	1,451,312	1,223,191	1,223,191	
Total Expenditures	<u>1,451,312</u>	<u>1,223,191</u>	<u>1,223,191</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(234,229)</u>	<u>36,792</u>	<u>36,792</u>	<u>0</u>
Net Change in Fund Balance	(234,229)	36,792	36,792	0
Fund Balances - Beginning	<u>2,141,985</u>	<u>2,637,230</u>	<u>2,637,230</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,907,756</u>	<u>2,674,022</u>	<u>2,674,022</u>	<u>0</u>

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

UNION COUNTY

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# UNION COUNTY

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

### UNAUDITED

#### A. Budgetary Information.

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

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

#### B. Basis of Presentation.

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

#### C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types		
	General Fund	Countywide Road Maintenance Fund	Countywide Bridge Fund
Budget (Cash Basis)	\$ 86,382	422,720	36,792
Increase (Decrease)			
Net adjustments for revenue accruals	(219,764)	502,103	146,714
Net adjustments for expenditure accruals	10,087	(771,289)	(96,429)
GAAP Basis	\$ (123,295)	153,534	87,077

UNION COUNTY

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UNION COUNTY

OTHER INFORMATION

UNION COUNTY

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

Name	Position	Company	Bond
Dwight "Peanut" Pickens	Supervisor District 1	EMC Insurance Company	\$100,000
Jimmy Yarbrough	Supervisor District 2	EMC Insurance Company	\$100,000
Danny Jordan	Supervisor District 3	EMC Insurance Company	\$100,000
Jesse "Randy" Owen	Supervisor District 4	EMC Insurance Company	\$100,000
Benny Rakestraw	Supervisor District 5	EMC Insurance Company	\$100,000
Terry Johnson	County Administrator	EMC Insurance Company	\$100,000
Annette Hickey	Chancery Clerk	EMC Insurance Company	\$100,000
Shellie Kent	Purchase Clerk	EMC Insurance Company	\$75,000
Kay Wicker	Assistant Purchase Clerk	EMC Insurance Company	\$50,000
Peggy Hollis	Receiving Clerk	EMC Insurance Company	\$75,000
Virginia Parker	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Larry Jarvis	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Katherine Gault	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Nancy Bell	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Tiffany Erby	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Denise Owen	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Gary Rowell	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Donald Richey	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Bobby Allen Pannell	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Jonathan Callicut	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Eddie Turner	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Bud Kiddy	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Steve Watson	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Perry Hall	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Danny Littlejohn	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Dean Dillard	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Jane Brooks	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Debra Coombs	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Mike Moore	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Kathy Butler	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Kevin Cooper	Assistant Receiving Clerk	EMC Insurance Company	\$50,000
Terry Johnson	Inventory Control Clerk	EMC Insurance Company	\$75,000
James Byers	Road Manager	EMC Insurance Company	\$50,000
PJ Doyle	Constable	Western Surety Company	\$50,000
David Garrison	Constable	Western Surety Company	\$50,000
Phyllis Stanford	Circuit Clerk	EMC Insurance Company	\$100,000
Helen Randle	Deputy Circuit Clerk	EMC Insurance Company	\$50,000
Rhonda Dowdy	Deputy Circuit Clerk	EMC Insurance Company	\$50,000
Linda Wells	Deputy Circuit Clerk	EMC Insurance Company	\$50,000
Jimmy Edwards	Sheriff	EMC Insurance Company	\$100,000
Ronnie Rakestraw	Justice Court Judge	Brierfield Insurance Company	\$50,000
Chris Childers	Justice Court Judge	Western Surety Company	\$50,000
Larissa Edwards	Justice Court Clerk	EMC Insurance Company	\$50,000
Baron Lee Baker	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Rob Anderson	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
James Province	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Avery Adair	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Tony Douglas Vandiver	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Joseph Brett Wicker	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000

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

Name	Position	Company	Bond
Amanda Chism	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Denise Owen	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Deborah Fair	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Robbie Moore	Deputy Justice Court Clerk	EMC Insurance Company	\$50,000
Randy Dunnam	Tax Assessor-Collector	EMC Insurance Company	\$100,000
Cynthia Swofford Wilbanks	Deputy Tax Collector	EMC Insurance Company	\$50,000
Leandra Pannel	Deputy Tax Collector	EMC Insurance Company	\$50,000
Stacy Frazier	Deputy Tax Collector	EMC Insurance Company	\$50,000
Sharon Medlin	Deputy Tax Collector	EMC Insurance Company	\$50,000
Dana Baker	Deputy Tax Collector	EMC Insurance Company	\$50,000
James Sullivan Brown	Deputy Tax Collector	EMC Insurance Company	\$50,000
Christy Sullivan	Deputy Tax Assessor	EMC Insurance Company	\$10,000
Bobbie Karen McMillen	Deputy Tax Assessor	EMC Insurance Company	\$10,000
Michael Meinz	Deputy Tax Assessor	EMC Insurance Company	\$10,000



## UNION COUNTY

## SPECIAL REPORTS

UNION COUNTY

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

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

Members of the Board of Supervisors  
Union County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Union 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 April 14, 2015. Our report includes a reference to another auditor. Another auditor audited the financial statements of the Union County Library System, as described in our report on Union County, Mississippi's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by the other auditor.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Union County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Responses, 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 Responses as 2013-001, 2013-002, 2013-003 and 2013-006 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2013-004 and 2013-005 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Union 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, the results of our tests disclosed an other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as 2013-002.

We also noted certain matters that we reported to the management of Union County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 14, 2015, included within this document.

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

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

### **Purpose of this Report**

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



WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 14, 2015



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

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

Members of the Board of Supervisors  
Union County, Mississippi

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

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

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.

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

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

A handwritten signature in black ink, appearing to read "Wm. R. Doss", followed by a horizontal line.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 14, 2015

UNION COUNTY

Schedule 1

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

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

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

Schedule 2

Our test results did not identify any emergency purchases.



UNION COUNTY

Schedule 3

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

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

UNION COUNTY

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**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  
Union County, Mississippi

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

In addition, for areas not considered material to Union County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 14, 2015, on the financial statements of Union County, Mississippi.

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

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

Board of Supervisors.

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

Finding

A review of Union County's security settings revealed that no passwords were set to expire. All passwords should be set to expire in accordance with policy to be determined by Union County.

Recommendation

We recommend that a policy be implemented to ensure that passwords are expired on a regular basis. In addition, Union County should conduct access reviews for information assets on a period 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 discuss this matter with our computer service providers. We do not have a separate I.T. department.

#### 2. Union County should strengthen passwords.

During our review, we noted that Union County is using some parameters associated with password strength that meet industry standard best practices. However, the County has some password parameters that would not meet these standards, thereby creating an unnecessary risk for Union County information assets.

#### Recommendation

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

#### Board of Supervisors' Response

We will comply.

#### 3. Union County needs to replace obsolete computer hardware and software.

#### Finding

Union 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 be vulnerable to hackers and malware such as viruses.

#### Recommendation

We recommend that Union County develop a plan to replace the operating systems, applications, and hardware where necessary that is associated with lack of support from vendors as soon as possible. Computers that originally came loaded with 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. Due to the possible large number of PCs that need replacing this could involve a sizeable expenditure by the County. Due to the cost and effort involved in such a project, this project should be implemented as soon as possible.

#### Board of Supervisors' Response

We will comply.

#### 4. Union County should install network banners on its internal network.

#### Finding

During our review of Union County, we noted that the system did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering assists in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator.

#### Recommendation

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

#### Board of Supervisors' Response

We will discuss this matter with our computer service providers. We do not have a separate I.T. department.

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

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

A handwritten signature in black ink, appearing to read "William R. Doss", with a long horizontal stroke extending to the right.

WILLIAM R. DOSS, CPA  
Director, Financial and Compliance Audit Division

April 14, 2015

UNION COUNTY

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UNION COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

UNION COUNTY

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UNION COUNTY

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

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |    |                                                              |            |
|----|--------------------------------------------------------------|------------|
| 1. | Type of auditor's report issued on the financial statements: | Unmodified |
| 2. | Internal control over financial reporting:                   |            |
| a. | Material weaknesses identified?                              | Yes        |
| b. | Significant deficiencies identified?                         | Yes        |
| 3. | Noncompliance material to the financial statements noted?    | No         |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2013-001.      Controls over financial statement preparation should be strengthened.

Finding

An effective system of internal control over financial statement preparation and reporting in accordance with generally accepted accounting principles should include the proper accrual of receivables and payables and recording assets at correct values. As required in the prior year's audit report, deficiencies were noted in the financial statement preparation and reporting. The following deficiencies in the financial statement preparation and reporting were noted:

- a. Intergovernmental receivables and claims payable were understated by \$113,400, due to amounts for a CDBG grant that were omitted from the financial statements.
- b. Capital assets and construction in progress were understated by \$40,883 and \$2,733 respectively due to the omission of engineering fees.
- c. The ad valorem tax fee-in-lieu receivable was understated by \$305,243 due to an error in calculating the net present value.

Audit adjustments to correct these errors in the County's financial statements and notes to the financial statements were proposed to management and made to the financial statements with management's approval.

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 accrual of receivables and payables and recording of assets at correct values.

Board of Supervisors' Response

We will discuss these adjustments with the accounting firm and continue to expect better results in the future.

UNION COUNTY

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

Material Weakness  
Other Matter

2013-002. Payments were made to medical examiner for death investigations that did not occur.

Finding

Section 41-61-75(1)(a) Miss. Code Ann (1972) states a medical examiner shall receive One Hundred Twenty-Five Dollars (\$125) for each completed report of investigation of death. An effective system of internal control over death investigations should include a review of documents submitted for payment. As reported in the prior year audit report, audit procedures noted the Board of Supervisors' approved payment for death investigations that did not occur in Union County. Failure to ensure that payments to the coroner are for valid death investigation could result in the loss of public funds.

Recommendation

The Board of Supervisors should ensure that all payments approved and made by the county are for valid claims.

Board of Supervisors' Response

We will comply.

Auditor's Note

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

The State Auditor's Office's Investigation of Mark Golding determined he submitted false claims totaling \$276,591.56 to the Union County Board of Supervisors. Golding requested fees and was paid for deaths he did not investigate. On September 12, 2013 the State Auditor's Office served a demand on Golding in the amount of \$398,418.83, which included the principal amount, interest and investigative costs. Golding will be required to pay restitution in the amount of \$363,484.93 to the Union County General Fund and \$34,933.90 to the State Auditor's Office for investigative fees.

Material Weakness

2013-003. Processing of payroll and other payroll duties are not adequately segregated.

Finding

An effective system of internal control should include an adequate segregation of duties for payroll preparation. As reported in the prior year's audit report, the maintenance of the general ledger, processing of payroll and other payroll duties are not adequately segregated for effective internal control. The payroll clerk prepares the payroll and payroll checks, distributes payroll checks and reconciles the payroll bank statement and payroll is not approved on the Board of Supervisors' minutes. Failure to have an adequate segregation of duties for payroll preparation could result in the loss of public funds.

Recommendation

The Board of Supervisors should implement a system of internal control that will ensure that proper segregation of duties exists with respect to control of the general ledger, the processing of payroll and other payroll duties and proper approval of payroll.

## UNION COUNTY

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

#### Board of Supervisors' Response

We have compensating controls in place to compensate for the lack of a large accounting department. Each employee's pay rate is authorized on the minutes and kept on file by the Administrator. A separate individual other than the Comptroller reviews payroll records for each pay period and payroll bank reconciliation each month. A totally separate individual signs each pay check. Statutory fees are approved by the Board. Department heads distribute checks to their employees. We are always willing to implement controls when practical.

#### Auditor's Note

To mitigate the segregation of duties issue, compensating controls were implemented in FY2014.

#### Significant Deficiency

2013-004. Union County should establish and test a disaster recovery process.

#### Finding

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

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

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

#### Recommendation

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

#### Board of Supervisors' Response

We will discuss this matter with our computer service providers. We do not have a separate I.T. department.

## UNION COUNTY

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

#### Significant Deficiency

2013-005. Union County should implement a formal information security policy.

##### Finding

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

##### Recommendation

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

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

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

##### Board of Supervisors' Response

We will discuss this matter with our computer service providers. We do not have a separate I.T. department.

Tax Collector.

#### Material Weakness

2013-006. Internal control in the Tax Collector's office needs to be strengthened.

##### Finding

An effective system of internal control over Tax Collector collections should include reconciliation of collections per computer reports to manual daily cash sheets. During audit interviews, we noted that the person responsible for preparing the combined check-up sheet only reconciles to the individual manual daily cash sheets and not to the collections per computer system reports. The lack of adequate reconciliations could result in the loss of public funds.

##### Recommendation

The Tax Collector should implement a system of reconciling the combined check-up sheet to the collections per computer system reports.

UNION COUNTY

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

Tax Collector's Response

The Tax Collector's office agrees with your findings and will implement a plan to utilize both the daily sheets and the computer system. Thanks for your help.