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

WARREN COUNTY

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WARREN COUNTY

FINANCIAL SECTION

WARREN COUNTY

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DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

MEMBERS OF
MISSISSIPPI SOCIETY OF CPA'S
AMERICAN INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Warren County, Mississippi

Report on 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 Warren County, Mississippi, as of and for the year ended September 30, 2013, and the related noted 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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the 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 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 audits, 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 Warren 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 Budgetary Comparison Schedules and corresponding notes, and the Schedule of Funding Progress – Other Postemployment Benefits 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 this required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omission of Required Supplementary Information

Warren County, Mississippi has omitted the Management's Discussion and Analysis that accounting principles - generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

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 June 23, 2014, on our consideration of Warren County, Mississippi's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*

Auditing Standards in considering Warren County, Mississippi's internal control over financial reporting and compliance.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

June 23, 2014

WARREN COUNTY

FINANCIAL STATEMENTS

WARREN COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Parks and Recreation
ASSETS				
Cash	\$ 16,947,894	\$ 1,183,922	\$ 18,131,816	\$ 102,494
Property tax receivable	15,290,317		15,290,317	
Fines receivable, (net of allowance for uncollectibles of \$2,460,787)	659,130		659,130	
Accounts receivable		51,682	51,682	
Intergovernmental receivables	386,628		386,628	
Other receivables	832,046		832,046	
Deferred charges	35,000		35,000	
Land and construction in progress	1,315,878	4,081,027	5,396,905	
Other capital assets, net	76,231,850	1,703,196	77,935,046	200,259
Total Assets	111,698,743	7,019,827	118,718,570	302,753
LIABILITIES				
Claims payable	1,095,693	58,455	1,154,148	32,659
Intergovernmental payables	419,952		419,952	
Accrued interest payable	56,820		56,820	
Deferred revenue	15,290,317		15,290,317	
Amounts held in custody for others	246,292		246,292	
Other payables	28,193		28,193	11,261
Claims and judgements payable	461,277		461,277	
Long-term liabilities				
Other postemployment benefits payable	2,156,486	43,877	2,200,363	
Due within one year:				
Capital related debt	762,867		762,867	
Due in more than one year:				
Capital related debt	3,241,058		3,241,058	
Non-capital debt	490,223	4,018	494,241	
Total Liabilities	24,249,178	106,350	24,355,528	43,920
NET ASSETS				
Net investment in capital assets	73,543,803	5,784,223	79,328,026	200,259
Restricted:				
Expendable:				
Debt service	1,458,923		1,458,923	
General Government	21,249		21,249	
Public safety	1,803,158		1,803,158	
Public works	4,647,609	1,129,254	5,776,863	
Culture and recreation	880,905		880,905	
Economic development	34,971		34,971	
Unemployment compensation	89,428		89,428	
Unrestricted	4,969,519		4,969,519	58,574
Total Net Position	\$ 87,449,565	\$ 6,913,477	\$ 94,363,042	\$ 258,833

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Parks and Recreation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 9,316,588	\$ 790,441	\$ 309,991	\$ 23,783	\$ (8,192,373)		\$ (8,192,373)	
Public safety	8,835,662	708,175	239,529	195,661	(7,692,297)		(7,692,297)	
Public works	6,973,593	108,781	789,654	2,150,410	(3,924,748)		(3,924,748)	
Health and welfare	1,092,780		49,784		(1,042,996)		(1,042,996)	
Culture and recreation	1,215,262				(1,215,262)		(1,215,262)	
Conservation of natural resources	193,436				(193,436)		(193,436)	
Economic development and assistance	779,425				(779,425)		(779,425)	
Interest on long-term debt	142,498				(142,498)		(142,498)	
Total Governmental Activities	28,549,244	1,607,397	1,388,958	2,369,854	(23,183,035)		(23,183,035)	
Business-type activities:								
Warren County Port	882,640	313,875				(568,765)	(568,765)	
Total Business-type Activities	882,640	313,875				(568,765)	(568,765)	
Total Primary Government	29,431,884	1,921,272	1,388,958	2,369,854	(23,183,035)	(568,765)	(23,751,800)	
Component Unit:								
Parks and recreation	883,866	491,852	336,000	45,086				\$ (10,928)
General revenues:								
Property taxes					17,681,558		17,681,558	
Road & bridge privilege taxes					586,445		586,445	
Grants and contributions not restricted to specific programs					4,102,162	434,160	4,536,322	
Unrestricted investment income					19,292		19,292	
Miscellaneous					294,127	586,947	881,074	
Total General Revenues					22,683,584	1,021,107	23,704,691	
Changes in Net Position					(499,451)	452,342	(47,109)	(10,928)
Net Position - Beginning					88,867,027	6,461,135	95,328,162	281,543
Prior period adjustments					(918,011)		(918,011)	(11,782)
Net Position - Beginning, as restated					87,949,016	6,461,135	94,410,151	269,761
Net Position - Ending					\$ 87,449,565	\$ 6,913,477	\$ 94,363,042	\$ 258,833

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

WARREN COUNTY
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	Major Funds		Other	Total
	General	Road	Governmental	Governmental
	Fund	Fund	Funds	Funds
ASSETS				
Cash	\$ 8,280,070	\$ 2,990,754	\$ 5,677,070	\$ 16,947,894
Property tax receivable	10,844,053	2,434,307	2,011,957	15,290,317
Fines receivable, net	659,130			659,130
Intergovernmental receivables	259,265		127,363	386,628
Other receivables	207,673		624,373	832,046
Due from other funds	127,384	73,923	19,960	221,267
Total Assets	20,377,575	5,498,984	8,460,723	34,337,282
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	702,697	200,423	192,573	1,095,693
Claims and judgments payable	461,277			461,277
Intergovernmental payables	419,952			419,952
Due to other funds	112,861		127,384	240,245
Deferred revenue	11,503,183	2,434,307	2,011,957	15,949,447
Other payables	9,215			9,215
Amounts held in custody	246,292			246,292
Total Liabilities	13,455,477	2,634,730	2,331,914	18,422,121
Fund balances				
Restricted for:				
General government			21,249	21,249
Public safety			1,803,158	1,803,158
Public Works		2,864,254	1,783,355	4,647,609
Culture and recreation			880,905	880,905
Economic development and assistance			34,971	34,971
Unemployment compensation			89,428	89,428
Debt service			1,515,743	1,515,743
Unassigned	6,922,098			6,922,098
Total Fund Balances	6,922,098	2,864,254	6,128,809	15,915,161
Total Liabilities and Fund Balances	\$ 20,377,575	\$ 5,498,984	\$ 8,460,723	\$ 34,337,282

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

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

	<u>Amount</u>
Total fund balance - Governmental Funds	\$ 15,915,161
Amounts reported for governmental services 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 \$97,985,629.	77,547,728
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	659,130
Long-term liabilities are not due and payable in the current-period and, therefore, are not reported in the funds.	(6,650,634)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(56,820)
Unamortized bond issue cost carried as deferred charges in the Statement of Net Position	<u>35,000</u>
Total Net Position - Governmental Activities	<u>\$ 87,449,565</u>

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

WARREN COUNTY

Exhibit 4

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

	Major Funds		Other	Total
	General	Road	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 12,666,312	\$ 2,828,906	\$ 2,186,340	\$ 17,681,558
Road and bridge privilege taxes		586,445		586,445
Licenses, commissions and other revenue	305,951		13,262	319,213
Fines and forfeitures	414,680		13,088	427,768
Intergovernmental revenues	3,997,978	2,544,820	659,397	7,202,195
Charges for services	150,652		1,373,669	1,524,321
Interest income	19,186		106	19,292
Miscellaneous revenues	177,428	9,339	107,360	294,127
Total Revenues	17,732,187	5,969,510	4,353,222	28,054,919
EXPENDITURES				
Current:				
General government	8,376,904		26,516	8,403,420
Public safety	7,092,842		1,323,065	8,415,907
Public works	796,024	5,537,464	525,126	6,858,614
Health and welfare	1,072,922			1,072,922
Culture and recreation	370,930		782,815	1,153,745
Conservation of natural resources	179,678		10,001	189,679
Economic development and assistance	70,491		708,934	779,425
Debt service:				
Principal	13,479	78,166	671,401	763,046
Interest	1,150	19,346	128,260	148,756
Total Expenditures	17,974,420	5,634,976	4,176,118	27,785,514
Excess of Revenues over (under) Expenditures	(242,233)	334,534	177,104	269,405
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	8,597	23,123		31,720
Total Other Financing Sources and Uses	8,597	23,123	-	31,720
Net Changes in Fund Balances	(233,636)	357,657	177,104	301,125
Fund Balances - Beginning	7,155,734	2,564,680	5,951,705	15,672,119
Prior period adjustments		(58,083)		(58,083)
Fund Balances - Beginning, as restated	7,155,734	2,506,597	5,951,705	15,614,036
Fund Balances - Ending	\$ 6,922,098	\$ 2,864,254	\$ 6,128,809	\$ 15,915,161

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

WARREN COUNTY**Exhibit 4-1****Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2013**

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 301,125
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$2,031,554 exceeded depreciation of \$2,343,969 in the current period.	(312,415)
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 and loss from the sale of capital assets decreases financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of (\$422,272) and the the proceeds from the sale of assets \$31,720 in the current period.	(453,992)
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.	(5,126)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$763,046 exceed proceeds of \$0.	763,046
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 and bond issue cost is amortized over the life of the bond, instead of being recognized when paid. Thus, the change in net position differs from the change in fund balances by the amount of (increase) or decrease in interest payable, other postemployment benefits payable, compensated absences and deferred charges.	(792,089)
Change in Net Position of Governmental Activities	<u>(499,451)</u>

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

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

Exhibit 5

	Business-type Activities
	Enterprise Fund
	Warren County
	Port
ASSETS	
Cash	\$ 1,183,922
Accounts receivable	51,682
Total Current Assets	<u>1,235,604</u>
Noncurrent assets:	
Land	4,081,027
Other capital assets, net	<u>1,703,196</u>
Total Noncurrent Assets	<u>5,784,223</u>
Total Assets	<u><u>7,019,827</u></u>
LIABILITIES	
Claims payable	58,455
Total Current Liabilities	<u>58,455</u>
Noncurrent liabilities:	
Other postemployment benefits payable	43,877
Non-capital debt:	
Compensated absences payable	<u>4,018</u>
Total Noncurrent Liabilities	<u>47,895</u>
Total Liabilities	<u><u>106,350</u></u>
NET POSITION	
Net investment in capital assets	5,784,223
Restricted for public works	<u>1,129,254</u>
Total Net Position	<u><u>\$ 6,913,477</u></u>

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

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

	Business-type Activities
	Enterprise Fund Warren County Port
Operating Revenues	
Charges for services	\$ 313,875
Other income	587,806
Total Operating Revenues	<u>901,681</u>
Operating Expenses	
Personal services	267,357
Contractual services	551,763
Consumable supplies	4,464
Depreciation expense	59,056
Total Operating Expenses	<u>882,640</u>
Operating Income (Loss)	<u>19,041</u>
Nonoperating Revenues (Expenses)	
Intergovernmental grants	434,160
Interest income	(859)
Net Nonoperating Revenue (Expenses)	<u>433,301</u>
Change in Net Position	452,342
Net Position - Beginning	6,461,135
Net Position - Ending	<u>\$ 6,913,477</u>

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

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

Exhibit 7

	<u>Business-type Activities Enterprise Fund Warren County Port</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 908,616
Payments to suppliers	(548,129)
Payments to employees for services	(252,838)
Net Cash Provided (Used) by Operating Activities	<u>107,649</u>
Cash Flows From Non-capital Financing Activities	
Capital grants received	434,160
Acquisition and construction of capital assets	(537,762)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(103,602)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	4,047
Cash and Cash Equivalents at Beginning of Year	<u>1,179,875</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,183,922</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (Loss)	\$ 19,041
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	59,056
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	6,935
Increase (decrease) in claims payable	8,507
Increase (decrease) in other post employment benefits payable	15,053
Increase (decrease) in compensated absences liability	(943)
Total Adjustments	<u>88,608</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 107,649</u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 138,344
Due from other funds	18,978
Total Assets	<u>157,322</u>
LIABILITIES	
Intergovernmental payables	157,322
Total Liabilities	<u>\$ 157,322</u>

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

WARREN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

A. Financial Reporting Entity.

Warren 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 Warren County to present these financial statements on the primary government and its component units which has a significant operational or financial relationship 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
- * Tax Collector
- * Sheriff

B. Individual Component Unit Disclosures.

Blended Component Units

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

Warren County - Vicksburg Library - The mission of the library is to provide library services that meet the general and specialized needs of the citizens of Warren County. The Board of Supervisors of Warren County appoints the five members of the library's Board of Trustees.

Warren County Port Commission (Business-type) - was created by a special act of the Mississippi Legislature in 1973, for the purpose of overseeing the operations of the Port. A five member board of commissioners is appointed by the Warren County Board of Supervisors.

Discretely Presented Component Unit

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.

Warren County Parks and Recreation Commission - Created for the purpose of operating Clear Creek Golf Course, a public golf course that serves the citizens of Warren and surrounding counties. Additionally, the commission oversees various recreational facilities and playing fields

WARREN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

in the county. The Warren County Board of Supervisors appoints the five members of the commission.

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 the Statement of Activities display information concerning the county as a whole. The statements include all non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange 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. 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. Non-major 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

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recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or non-operating. 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 non-operating.

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.

Road Fund - Accounts for monies from specific revenue sources that are restricted for highway maintenance.

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 expenditures for specified purposes other than debt service or capital projects.

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

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

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.

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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, 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 market value. However, the county did not invest in any governmental securities during the fiscal year.

G. Receivables.

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

H. Inter-fund 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." Inter-fund 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. 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 extents 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

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respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital 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 non-capitalization of interest does not have a material effect on the county's financial statements. Donated capital assets are recorded at their fair value at the time of donation.

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

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

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

J. Long-term liabilities.

Long-term liabilities are the un-matured 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.

K. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

Government fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the county:

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

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 expenditures are 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.

L. Property Tax Revenues.

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

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

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

M. Intergovernmental Revenues in Governmental Funds.

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

N. Compensated Absences.

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

NOTE (2) PRIOR PERIOD ADJUSTMENTS.

A summary of significant equity adjustments is as follows:

Exhibit 2 - Statement of Activities:

Explanation	Amount
Adjustments are due to duplicate recordings related to CIP project by the county engineer.	(\$859,928)
FEMA money refunded by county related to the 2011 flood.	(58,083)
Total prior period adjustment(s)	(\$918,011)

Exhibit 4 - Statement of Revenues, Expenditures, and Changes in Fund Balances:

Road Fund -FEMA money refunded by county related to the 2011 flood.	(\$58,083)
Total prior period adjustment(s)	(\$58,083)

NOTE (3) DEPOSITS.

Deposits:

The carrying amount of the county's total deposits with financial institutions at September 30, 2013, was \$18,270,160 and the bank balance was \$18,356,898. The collateral for public entities' deposits in financial institutions are 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

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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.

NOTE (4) INTER-FUND TRANSACTIONS AND BALANCES.

The following is a summary of inter-fund balances at September 30, 2013:

Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
Road	General	\$73,923
Other Governmental	General	19,960
General	Other Governmental	127,384
Agency	General	18,978
Total		\$240,245

NOTE (5) INTERGOVERNMENTAL RECEIVABLES.

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

Governmental Activities:

Description	Amount
State Legislative Tax Credit	\$245,454
MEMA	13,811
CDBG	127,363
Total	\$386,628

NOTE (6) OTHER RECEIVABLES.

The other receivables at September 30, 2013, consisted of the following:

Description	Amount
Special assessments arising from an agreement between the county and three residential subdivisions for paving projects	\$624,373
Circuit clerk for over cap fees and payments to kinship in the first degree	200,000
Tax collector receivable	7,673
Total	\$832,046

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NOTE (7) CAPITAL ASSETS.

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

Governmental Activities:	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 1,315,878				\$ 1,315,878
Construction in progress	1,213,117	169,794		-1,382,911	-
Total non-depreciable capital assets	<u>2,528,995</u>	<u>169,794</u>	<u>-</u>	<u>(1,382,911)</u>	<u>1,315,878</u>
Depreciable capital assets:					
Infrastructure	154,833,091	1,328,043	1,318,919	522,983	155,365,198
Buildings	9,439,649				9,439,649
Mobile equipment	6,140,517	467,590	131,050		6,477,057
Furniture and equipment	1,889,395	66,127	510,575		1,444,947
Leased property under capital leases	1,490,628				1,490,628
Total depreciable capital assets	<u>173,793,280</u>	<u>1,861,760</u>	<u>1,960,544</u>	<u>522,983</u>	<u>174,217,479</u>
Less accumulated depreciation for:					
Infrastructure	87,734,318	1,422,742	934,073		88,222,987
Buildings	2,833,480	212,068			3,045,548
Mobile equipment	4,637,265	427,341	117,946		4,946,660
Furniture and equipment	1,408,036	86,420	454,533		1,039,923
Leased property under capital leases	535,113	195,398			730,511
Total accumulated depreciation	<u>97,148,212</u>	<u>2,343,969</u>	<u>1,506,552</u>	<u>-</u>	<u>97,985,629</u>
Total depreciable capital assets, net	<u>76,645,068</u>	<u>(482,209)</u>	<u>453,992</u>	<u>522,983</u>	<u>76,231,850</u>
Governmental activities capital assets, net	<u>\$ 79,174,063</u>	<u>(312,415)</u>	<u>453,992</u>	<u>(859,928)</u>	<u>\$ 77,547,728</u>

Adjustments are due to duplicate recordings in relation to CIP project by the county engineer.

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Business-type activities:	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Non-depreciable capital assets:					
Land	\$ 4,081,027				\$ 4,081,027
Total non-depreciable capital assets	4,081,027				4,081,027
Depreciable capital assets:					
Infrastructure		537,762			537,762
Buildings	1,728,690				1,728,690
Mobile equipment	242,535		8,587		233,948
Furniture and equipment	42,568				42,568
Leased property under					
Total depreciable capital assets	2,013,793	537,762	8,587		2,542,968
Less accumulated depreciation for:					
Infrastructure		21,510			21,510
Buildings	540,200	34,575			574,775
Mobile equipment	214,905	483	7,728		207,660
Furniture and equipment	33,339	2,488			35,827
Total accumulated depreciation	788,444	59,056	7,728		839,772
Total depreciable capital assets, net	1,225,349	478,706	859		1,703,196
Business-Type activities capital assets, net	\$ 5,306,376	478,706	859		\$ 5,784,223

Capital Assets - Component Units

Parks & Recreation	Balance Oct. 1, 2012	Additions	Deletions	Adjustments	Balance Sept. 30, 2013
Depreciable capital assets:					
Buildings	\$ 123,336				\$ 123,336
Furniture and equipment	177,024	45,086			222,110
Total depreciable capital assets	300,360	45,086			345,446
Less accumulated depreciation for:					
Buildings	4,936	2,468			7,404
Furniture and equipment	118,179	19,604			137,783
Total accumulated depreciation	123,115	22,072			145,187
Total capital assets, net	\$ 177,245	23,014			\$ 200,259

Depreciation expense was charge to the following functions:

Governmental Activities:	Amount
General government	\$ 205,566
Public safety	351,833
Public works	1,744,473
Health & welfare	13,650
Culture & recreation	28,447
Total governmental activities depreciation expense	2,343,969

WARREN COUNTY, MISSISSIPPI
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Business-type Activities:

Public works	59,056
Total business-type activities	<u>59,056</u>

Component Unit: Parks and Recreation

Culture & recreation	22,072
Total Component Unit	<u>\$ 22,072</u>

NOTE (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.

The county finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-serving organization with the county retaining the risk of loss on all claims to which the county is exposed. Premium payments to the pool are determined on an actuarial basis. The county has reinsurance which functions on a specific stop loss coverage. This coverage is purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$50,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs).

The following table provides changes in the balances of claims liabilities for fiscal years 2012 and 2013:

	2012	2013
Unpaid Claims, Beginning of Fiscal Year	\$ 275,828	\$ 294,222
Plus: Incurred Claims (Including IBNRs)	2,435,431	3,149,922
Less: Claims payments	(2,417,037)	(2,982,867)
Unpaid Claims, End of Fiscal Year	\$ 294,222	\$ 461,277

WARREN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
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NOTE (9) CAPITAL LEASES.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment - Road Fund	\$ 902,757
AS 400 Computer and E-911 equipment	587,871
	<u>1,490,628</u>
Less: Accumulated depreciation	(730,511)
Leased Property Under Capital Leases	<u>\$ 760,117</u>

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2014	176,908	19,344
2015	507,899	12,658
2016	36,113	3,238
2017	28,225	2,592
2018	131,801	196
Total	<u>\$ 880,946</u>	<u>\$ 38,028</u>

NOTE (10) OTHER POSTEMPLOYMENT BENEFITS (OPEB).

Plan Description

The Warren County Board of Supervisors administers the county's health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The county's health insurance plan may be amended by the Warren County Board of Supervisors. The county is self-insured through the Mississippi Public Entity Employee Benefit Trust, with reinsurance purchased from a commercial carrier that is effective for claims in excess of \$50,000. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the county has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit health care plan. Effective October 1, 2009, the county implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The county does not issue a publicly available financial report of the Plan.

Funding Policy

Employees' premiums are funded by the county with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board of Supervisors, acting in conjunction with the commercial insurance company, has the sole authority for setting health insurance premiums for the county's health insurance plan.

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Per Section 25-15-103, Mississippi Code Ann. (1972), any retired employee electing to purchase retiree health insurance must pay the full cost of the insurance premium monthly to the county. For the year ended September 30, 2013, retiree premiums range from \$347 to \$848 depending on dependent coverage and Medicare eligibility.

Actuarial Valuation

The County's Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of October 1, 2013. The plan presently has an actuarial valuation performed bi-annually, in order to be in compliance with GASB Statement 45.

Annual OPEB Cost and Net OPEB Obligation

The county's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC is determined assuming the plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The current ARC of \$867,417 is 12 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal years 2011, 2012 and 2013:

	2011	2012	2013
Annual required contribution	\$ 737,063	\$ 799,857	\$ 867,417
Interest on prior year net OPEB obligation	-0-	30,472	63,428
Adjustment to annual required contribution	-0-	(32,071)	(67,508)
Annual OPEB cost	737,063	798,258	863,337
Contributions made	59,098	65,899	72,488
Increase in net OPEB obligation	677,155	732,359	790,849
Net OPEB obligation – beginning of year	345,000	677,155	1,409,514
Net OPEB obligation – end of year	\$ 677,155	\$ 1,409,514	\$ 2,200,363

The following table provides the county's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the fiscal years 2011, 2012 and 2013:

	Annual OPEB Cost (a)	Amount and Percentage of Annual OPEB Cost Contributed (b)		Net OPEB obligation (a) – (b)
2011	\$737,063	\$59,908	8.13%	\$677,155
2012	\$798,258	\$65,899	8.25%	\$732,359
2013	\$863,337	\$72,489	8.40%	\$790,848

WARREN COUNTY, MISSISSIPPI
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Funding Status and Funding Progress

The following tables provide funding information for the most recent actuarial valuation date:

Plan Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)
2010-2011	\$0	\$4,771,560	\$4,771,560
2011-2012	\$0	\$5,446,125	\$5,446,125
2012-2013	\$0	\$6,170,908	\$6,170,908

Plan Year	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010-2011	0%	\$7,214,289	66%
2011-2012	0%	\$7,214,289	76%
2012-2013	0%	\$7,214,289	86%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	October 1, 2013
Actuarial cost method	Entry Age
Amortization method	30 Year Level Percentage of Pay
Remaining amortization period	Twenty-eight Years
Asset valuation method	Entry Age Normal Method
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	2 % per annum
Healthcare cost trend rate	9.5% graded down to 5% over 9 years
Ultimate trend rate	5%
Year of ultimate trend rate	2022

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NOTE (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>
Governmental Activities:			
A. General Obligation Bonds:			
Public improvement refunding	\$ 415,000	1.10 to 3.75	12-2013
Port Capital Improvement	<u>2,070,000</u>	3.75 to 4.50	10-2027
Total General Obligation Bonds	<u>\$ 2,485,000</u>		
B. Special Assessment Debt with Commitments			
Subdivision Paving Projects	<u>637,979</u>	3.31	04-2021
Total Special Assessment Debt	<u>\$ 637,979</u>		
C. Capital Leases:			
AS-400 Server System-SN10503CR	\$ 48,212	2.07	02-2017
E911 CAD Equipment	83,025	3.13	06-2014
2011 CAT 430E Backhoe Loader	58,688	2.80	01-2015
2102 CAT 950K Loader	218,134	1.78	10-2017
CAT Motorgrader SN: B9F00986	157,629	2.70	07-2015
CAT Motorgrader SN: B9F00991	157,629	2.70	07-2015
CAT Motorgrader SN: B9F00993	157,629	2.70	07-2015
Total Capital Leases	<u>\$ 880,946</u>		

WARREN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Special Assessment	
	Principal	Interest	Principal	Interest
2014	515,000	87,700	70,959	21,117
2015	100,000	75,919	73,308	18,768
2016	105,000	71,819	75,735	16,342
2017	110,000	67,519	78,242	13,835
2018	120,000	62,919	80,831	11,245
2019-2023	680,000	239,942	258,904	17,326
2024-2028	855,000	88,500		
Totals	\$ 2,485,000	\$ 694,318	\$ 637,979	\$ 98,633

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 counties issue 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 .67% of the latest property assessments.

Special Assessment Debt with Commitments - During the fiscal year 2011, the county obtained a special assessment loan in the amount of \$800,000 of which \$610,613 was drawn in fiscal 2011 and \$173,034 in fiscal 2012. The county will not draw the remainder of the funds. The debt was issued to provide funds for the paving of streets in the Fairways, Forest Cove and Amberleaf subdivisions. The loan is secured by the full faith and credit of the county. The county levied a special assessment tax upon all taxable property in the benefited area. The tax is adequate and sufficient to provide for the payment of the principal and interest on the loan. The balance remaining at September 30, 2013 was \$637,979.

WARREN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

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

	Balance Oct. 1, 2012	Additions	Reductions	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 470,172	\$ 20,051		\$ 490,223	
General obligation bonds	2,980,000		495,000	2,485,000	\$ 515,000
Special assessment debt with commitments	706,665		68,686	637,979	70,959
Capital leases	1,080,306		199,360	880,946	176,908
Total	\$ 5,237,143	\$ 20,051	\$ 763,046	\$ 4,494,148	\$ 762,867
Blended Component Unit - Port Fund					
	Balance Oct. 1, 2012	Additions	Reductions	Balance Sept. 30, 2013	Amount due within one year
Business-Type Activities:					
Compensated absences	\$ 4,961		\$ 943	\$ 4,018	
Total	\$ 4,961		\$ 943	\$ 4,018	

Compensated absences will be paid by the funds from which the employees' salaries were paid which are generally the General Fund, Road Fund, Other Governmental, and Business-Type Port Fund.

NOTE (12) CONTINGENCIES.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purpose. 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 statement.

Litigation - The County is part to legal proceedings, many of which occur in the normal course of governmental operations. The following proceeding warranted additional disclosure:

The county is involved in legal proceedings brought forth by the former circuit clerk, Shelly Ashley-Palmertree. The clerk is claiming that amounts due the county in excess statutory compensation (\$402,033) and payments made to kinship in the first degree (\$163,700) accumulated from 2006 to 2011 should be offset by amounts due her father from terms he served as circuit clerk.

It is not possible at the present time to estimate ultimate outcome or liability, if any, of the county with respect to this and other 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.

WARREN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for which that debt was issued and includes debt that either bears the county's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the county other than possibly an agreement to assist creditors to borrow, the principal amount of such debt outstanding at year end disclosed as follows:

Description	Balance at September 30, 2013
Industrial Revenue Bonds	\$215,745

NOTE (13)

OTHER COMMITMENTS.

As of September 30, 2013, the county had the following commitments:

On March 1, 1995, the Warren County Board of Supervisors entered into an agreement with the City of Vicksburg to pledge to the city, for payment of a portion of the principal, interest, fees and expenses of the bonds for the Vicksburg Factory Outlet Mall Project, the avails of the added incremental increase in county ad-valorem taxes levied against the real property constituting the project. County ad-valorem taxes on personal property or for school district purposes shall not be subject to the pledge of ad-valorem taxes. The pledge of tax revenues is irrevocable until such time as the entirety of the principal, interest, fees and expenses relating to the bonds are paid in full. In the event the incremental increase in city and county ad-valorem tax revenues derived from the project exceed the principal, interest, fees and expenses related to the bonds, the city and the county shall annually be entitled to a portion of such surplus to be determined based on the percentage of ad-valorem tax revenue respectively made available by the city and county.

On December 1, 1997, the Warren County Board of Supervisors entered into an agreement with the City of Vicksburg to pledge to the city, for payment of a portion of the principal, interest, fees and expenses of the bonds for the Horne Development, L.P., Shopping Center Project, the avails of the added incremental increase in county ad-valorem taxes levied against the real property and improvements constituting the project. County ad-valorem taxes on personal property for school district purposes shall not be subject to the pledge of ad-valorem taxes. The pledge of tax revenues is irrevocable until such time as the entirety of the principal, interest, fees and expenses relating to the bonds are paid in full. In the event the incremental increase in city and county ad-valorem tax revenues derived from the project exceed the principal, interest, fees and expenses related to the bonds, the city and the county shall annually be entitled to a portion of such surplus to be determined based on the percentage of ad-valorem tax revenue respectively made available by the city and the county.

NOTE (14)

RELATED ORGANIZATIONS.

The county Board of Supervisors are responsible for appointing a voting majority of the members of the boards of the following organizations, but the county's accountability for these organizations does not extend beyond making the appointments to these organizations:

Culkin Water District and Vicksburg Bridge Commission

WARREN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

NOTE (15) JOINT VENTURE.

The county participates in the following joint venture:

Warren County is a participant with the City of Vicksburg, Madison Parish, Louisiana, and the City of Tallulah, Louisiana, in a joint venture, authorized by Section 61-3-5, Miss. Code. Ann. (1972), to operate the Vicksburg-Tallulah Regional Airport. The joint venture was created to provide air service to the area and is governed by a five-member board of commissioners appointed as follows: Warren County, one; Madison Parish, Louisiana, one; City of Vicksburg, one; City of Tallulah, Louisiana, one. The fifth member is jointly approved. The county appropriated \$60,246 to support the airport in fiscal year 2013. Complete financial statements for the Vicksburg-Tallulah Regional Airport can be obtained from P.O. Box 1311, Vicksburg, Ms. 39181.

Warren County is participating with the City of Vicksburg in a joint venture, authorized by local and private legislation to operate the Vicksburg-Warren Convention and Visitors Bureau. The joint venture is governed by an eleven member board with five appointed by the city and five appointed by the county. The eleventh member is jointly approved. The county did not appropriate any funds to the organization in the fiscal year 2013. Complete financial statements may be obtained from the Vicksburg-Warren Convention and Visitors Bureau, P.O. Box 110, Vicksburg, MS 39181.

NOTE (16) JOINTLY GOVERNED ORGANIZATIONS.

The county participates in the following jointly governed organizations:

Hinds Community College operates in a district composed of the counties of Claiborne, Copiah, Hinds, Rankin and Warren. The college's board of trustees is composed of 15 members. The Warren County Board of Supervisors appoints one of those members. The county appropriated \$1,194,747 for support and maintenance of the college in fiscal 2013.

Central Mississippi Planning and Development District operates in a district composed of the counties of Copiah, Hinds, Madison, Rankin, Simpson, Warren and Yazoo. The governing body is a thirty three member board of directors, of which, three are appointed by the Warren County Board of Supervisors. The county appropriated \$18,154 in support of the district in fiscal year 2013.

Central Mississippi Emergency Medical Services District operates in a district composed of the counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Warren County Board of Supervisors appoints two of the 26 board members. The county did not appropriate any funds to the organization in fiscal year 2013.

NOTE (17) DEFINED BENEFIT PENSION PLAN.

Plan Description - Warren 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

WARREN COUNTY, MISSISSIPPI
NOTES TO FINANCIAL STATEMENTS
September 30, 2013

information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1055 or by calling 1-800-444-PERS.

Funding Policy - PERS members are required to contribute 9.0% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 14.26% 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) for the years ending September 30, 2013, 2012 and 2011 were \$1,321,891, \$1,174,751, and \$1,070,768 respectively equal to the required contributions for each year.

NOTE (18)

SUBSEQUENT EVENTS.

Events that occur after the statement of net assets 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 assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of Warren County evaluated the activity of the County through June 23, 2014 (the date the financial statements were available to be issued), and determined that no subsequent event has occurred that requires disclosure in the notes to the financial statements.

WARREN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 12,574,277	\$ 12,652,286	\$ 12,652,286	\$ -
Licenses, commissions and other revenue	407,000	319,222	319,222	-
Fines and forfeitures	466,000	437,590	437,590	-
Intergovernmental revenues	4,196,372	3,989,418	3,989,418	-
Charges for services	75,000	150,652	150,652	-
Interest income	10,800	19,189	19,189	-
Miscellaneous revenues	120,000	186,025	186,025	-
Total Revenues	<u>17,849,449</u>	<u>17,754,382</u>	<u>17,754,382</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	7,972,580	8,331,226	8,331,226	-
Public safety	7,132,964	6,759,874	6,759,874	-
Public works	925,250	1,126,228	1,126,228	-
Health and welfare	1,113,515	1,064,043	1,064,043	-
Culture and recreation	413,000	369,047	369,047	-
Conservation of natural resources	165,978	181,652	181,652	-
Economic development and assistance	28,154	70,491	70,491	-
Principal paid	14,269	13,479	13,479	-
Interest paid		1,150	1,150	-
Total Expenditures	<u>17,765,710</u>	<u>17,917,190</u>	<u>17,917,190</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>83,739</u>	<u>(162,808)</u>	<u>(162,808)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers-out	(299,444)	(66,069)	(66,069)	-
Proceeds from sale of assets		-	-	-
Transfers-In	85,665	55,868	55,868	-
Total Other Financing Sources (Uses)	<u>(213,779)</u>	<u>(10,201)</u>	<u>(10,201)</u>	<u>-</u>
Net Change in Fund Balance	(130,040)	(173,009)	(173,009)	-
Fund Balance - Beginning	<u>3,655,728</u>	<u>8,696,679</u>	<u>8,696,679</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,525,688</u>	<u>\$ 8,523,670</u>	<u>\$ 8,523,670</u>	<u>\$ -</u>

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

Warren County
 Budgetary Comparison Schedule
 Budget and Actual (Non-GAAP Basis)
 Road Fund
 For the Year Ended September 30, 2013

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 2,906,366	\$ 2,826,752	\$ 2,826,752	\$ -
Road and bridge privilege taxes	575,000	584,254	584,254	-
Intergovernmental revenues	822,000	1,113,032	1,113,032	-
Miscellaneous revenues	500	55,003	55,003	-
Total Revenues	<u>4,303,866</u>	<u>4,579,041</u>	<u>4,579,041</u>	<u>-</u>
EXPENDITURES				
Current:				
Public works	4,177,739	4,130,372	4,130,372	-
Debt service:				
Principal	197,790	78,169	78,169	-
Interest		19,343	19,343	-
Total Expenditures	<u>4,375,529</u>	<u>4,227,884</u>	<u>4,227,884</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>(71,663)</u>	<u>351,157</u>	<u>351,157</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of assets	-	23,123	23,123	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>23,123</u>	<u>23,123</u>	<u>-</u>
Net Change in Fund Balance	(71,663)	374,280	374,280	-
Fund Balance - Beginning	<u>1,076,152</u>	<u>3,519,088</u>	<u>3,159,088</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,004,489</u>	<u>\$ 3,893,368</u>	<u>\$ 3,533,368</u>	<u>\$ -</u>

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

Warren County
Schedule of Funding Progress – Other Postemployment Benefits
For the Year Ended September 30, 2013

Plan Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)
2010-2011	\$0	\$4,771,560	\$4,771,560
2011-2012	\$0	\$5,446,125	\$5,446,125
2012-2013	\$0	\$6,170,908	\$6,170,908

Plan Year	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010-2011	\$0	\$7,214,289	66%
2011-2012	\$0	\$7,214,289	76%
2012-2013	\$0	\$7,214,289	86%

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

WARREN COUNTY, MISSISSIPPI
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2013

A. Budgetary Information.

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

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

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budget 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	Road Fund
Budget (Cash Basis)	\$ (173,009)	\$ 374,280
Increase (Decrease)		
Net adjustments for revenue accruals	(14,909)	62,426
Net adjustments for expense accruals	(45,718)	(79,049)
Net Change in Fund Balance - GAAP Basis	<u>\$ (233,636)</u>	<u>\$ 357,657</u>

WARREN COUNTY

OTHER INFORMATION

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

Name	Position	Company	Bond Amount
John Arnold	Supervisor District 1	Western Surety Company	\$100,000
William H. Banks, Jr.	Supervisor District 2	EMC Insurance Company	\$100,000
Charles Selmon	Supervisor District 3	Travelers Casualty & Surety Co.	\$100,000
William Lauderdale	Supervisor District 4	Travelers Casualty & Surety Co.	\$100,000
Richard George	Supervisor District 5	Travelers Casualty & Surety Co.	\$100,000
John C. Smith	County Administrator	Western Surety Company	\$100,000
Donna F. Hardy	Chancery Clerk	Western Surety Company	\$100,000
Shelly A. Palmertree	Circuit Clerk	Western Surety Company	\$100,000
Martin Pace	Sheriff	Western Surety Company	\$100,000
Antonia Flaggs-Jones	Tax Collector	Western Surety Company	\$100,000
Tonga Vinson	Purchase Clerk	Western Surety Company	\$75,000
Hazel D. Tubwell	Receiving Clerk	Travelers Casualty & Surety Co.	\$75,000
Dexter Jones	Inventory Control Clerk	EMC Insurance Company	\$75,000
William Poole	Road Manager	Western Surety Company	\$50,000
Angela Brown	Tax Assessor	Western Surety Company	\$50,000
Paula Benard	Assistant Receiving Clerk	Western Surety Company	\$50,000
Patricia Heggins	Assistant Receiving Clerk	Western Surety Company	\$50,000
Jeanne K. Baxley	Assistant Receiving Clerk	Western Surety Company	\$50,000
Carrie Mitchell	Assistant Receiving Clerk	Western Surety Company	\$50,000
Chrissy Young	Assistant Receiving Clerk	Western Surety Company	\$50,000
Beverly Steward	Assistant Receiving Clerk	Western Surety Company	\$50,000
Lakeisha King	Assistant Receiving Clerk	Western Surety Company	\$50,000
Jeff Crevitt	Justice Court Judge	EMC Insurance Company	\$50,000
Edwin Woods	Justice Court Judge	Travelers Casualty & Surety Co.	\$50,000
James E. Jefferson, Jr.	Justice Court Judge	Western Surety Company	\$50,000
Carla Fields	Justice Court Clerk	Western Surety Company	\$50,000
Bridgett Jabour	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Chrissy M. Young	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Princess Jackson	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Angela Chiplin	Deputy Justice Court Clerk	Western Surety Company	\$50,000
John H. Heggins	Constable	Travelers Casualty & Surety Co.	\$50,000
Glenn McKay	Constable	Travelers Casualty & Surety Co.	\$50,000
Randy Naylor	Constable	Travelers Casualty & Surety Co.	\$50,000

WARREN COUNTY

SPECIAL REPORTS



DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

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

Members of the Board of Supervisors
Warren 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 Warren 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 June 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Warren 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 Warren County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the county's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Warren County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to the management of Warren County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated June 23, 2014 within this document.

Purpose of this Report

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


Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

June 23, 2014



BRIDGERS & GOODMAN, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Corporation

DAVID I. BRIDGERS, JR., CPA
L. KARL GOODMAN, CPA, MBA

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

Members of the Board of Supervisors
Warren County, Mississippi

We have examined Warren County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Section 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 Warren County, Mississippi is responsible for 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 Warren 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, Warren 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 Warren 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.

Bridgers & Goodman, PLLC

Bridgers & Goodman, PLLC

Certified Public Accountants

Vicksburg, Mississippi

June 23, 2014

WARREN 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 not made from the lowest bidder.

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

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



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LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Warren County, Mississippi

In planning and performing our audit of the financial statements of Warren County, Mississippi for the year ended September 30, 2013, we considered Warren 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 Warren 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 June 23, 2014, on the financial statements of Warren County, Mississippi.

Due to the reduced scope, these review procedures and compliance test 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 immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Circuit Clerk

1. Finding

Section 9-1-43, MS Code Ann. (1972), establishes a salary cap of \$90,000 for the Circuit Clerk after taking deductions for employee salaries and benefits, and other expenses allowed as deductions on Schedule C, Form 1040, by the Internal Revenue Code and require the clerk to keep a journal of all transactions. As reported in the prior years' audit report, during our review of the Circuit Clerk's fee journal, we noted sub-contractor fees in the amount of \$4,720, with no supporting documentation. This amount along with the amount from prior years (\$179,040 for 2006-2012) total \$ 183,760.

Recommendation

The Circuit Clerk should reimburse the county \$4,720 for the sub-contractor fees paid without supporting documentation to substantiate the expenditure.

Circuit Clerk's Response

On May 19, 2014 the Circuit Clerk was removed from office by the Board of Supervisors and was unavailable for response.

2. Finding

Section 9-1-43, MS Code Ann. (1972), establishes a salary cap of \$90,000 for the Circuit Clerk after taking deductions for employee salaries and benefits and other expenses allowed as deductions on Schedule C, Form 1040, by the Internal Code and require that the clerk keep a journal of all transactions. During our review of the Circuit Clerk's fee journal, we noted expenses that were considered unallowable, unreasonable, or unnecessary as follows: unallowable attorney and accountant fees \$99,769, unreasonable bond insurance premium \$11,119, unreasonable and unnecessary vehicle depreciation \$3,868 and telephone expense of \$2,733 totaling \$117,489.

Recommendation

The Circuit Clerk should reimburse the county \$117,489 for the unallowable, unreasonable and unnecessary expenditures.

Circuit Clerk's Response

On May 19, 2014 the Circuit Clerk was removed from office by the Board of Supervisors and was unavailable for response.

3. Finding

Section 9-1-43, MS Code Ann. (1972), establishes a salary cap of \$90,000 for the Circuit Clerk after taking deductions for employee salaries and benefits and other expenses allowed as deductions on Schedule C, Form 1040, by the Internal Code. Amounts reported in excess of the \$90,000 salary cap are to be paid to the county by April 15th of the following year. As reported in the prior years' audit report, the Circuit Clerk has failed to pay amounts of \$90,953 for 2012, \$143,709 for 2011, \$150,418 for 2010, \$77,282 for 2009, \$13,036 for 2008, \$47,969 for 2007 and \$35,166 for 2006 totaling \$558,533.

Recommendation

The Circuit Clerk must pay the amounts due the county as required by Section 9-1-43, MS Code Ann. (1972).

Circuit Clerk's Response

On May 19, 2014 the Circuit Clerk was removed from office by the Board of Supervisors and was unavailable for response.

4. Finding

The Mississippi code established statutory fees and charges for which the circuit clerk of each county is entitled to receive as compensation for carrying out the assigned duties of the office. Part of the fees due are derived from matters involving criminal and civil cases processed within the county court system.

During our analysis and review of fees earned and fees withdrawn recorded from criminal and civil cash journals and bank accounts, it came to our attention that the circuit clerk had withdrawn amounts in excess of fees due by \$122,253 for the 2013 year. Further, in reviewing the circuit clerk's fee account journals, the clerk had recorded accumulative amounts drawn in excess of amounts earned of \$308,717 (inclusive of the 2013 amount). The clerk is only entitled to withdraw fees earned with the remainder of account balances entrusted to the clerk for disbursement to the appropriate party or parties involved in the criminal or civil court cases.

Recommendation

The clerk should only withdraw amounts earned.

Circuit Clerk's Response

On May 19, 2014 the Circuit Clerk was removed from office by the Board of Supervisors and was unavailable for response

Youth Court

1. Finding

As reported in the prior year's audit report, bank reconciliations are not being performed on each account on a timely basis.

Recommendation

In order to maintain accuracy in recording receipts and disbursements, bank accounts should be reconciled on a monthly basis.

Youth Court Response

Reconciliations will be done on a timely basis.

We have taken exception to certain costs. The details of the exceptions and dispositions are as follows:

1.	Exception issued on:	Ms. Shelly Ashley-Palmertree, Circuit Clerk
	Nature of exception:	Wages paid to family members within the first degree
	Amount of exception:	\$4,720 for 2013 and \$179,040 for years 2006-2012 for a total of \$183,760
	Disposition of exception	This matter has been referred to the Investigative division of the Office of the State Auditor.

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| 2. | Exception issued on:
Nature of exception: | Ms. Shelly Ashley-Palmertree, Circuit Clerk
Unallowable fees paid to attorneys and accountants involving the lawsuits filed by the circuit clerk against Warren County and the Office of the State Auditor. |
| | Amount of exception: | \$81,075 for 2013 and \$18,964 for 2012 for a total of \$99,769. |
| | Disposition of exception | This matter has been referred to the Investigative division of the Office of the State Auditor. |
| 3. | Exception issued on:
Nature of exception: | Ms. Shelly Ashley-Palmertree, Circuit Clerk
Unreasonable and unnecessary expense related to bond insurance, vehicle depreciation and telephone services. |
| | Amount of exception: | \$17,720 for 2013 (bond insurance premium \$11,119, vehicle depreciation \$3,868 and telephone services \$2,733) |
| | Disposition of exception | This matter has been referred to the Investigative division of the Office of the State Auditor. |
| 4. | Exception issued on:
Nature of exception: | Ms. Shelly Ashley-Palmertree, Circuit Clerk
Amounts withdrawn in excess of amounts earned from civil and criminal accounts. |
| | Amount of exception: | \$122,253 for 2013 and \$186,464 for prior years for a total of \$308,717. |
| | Disposition of exception | This matter has been referred to the Investigative division of the Office of the State Auditor. |

Warren 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.

Bridgers & Goodman, PLLC
Bridgers & Goodman, PLLC
Certified Public Accountants
Vicksburg, Mississippi

June 23, 2014

WARREN COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

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

Section 1: Summary of Auditor's Results

Financial Statements:

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|---|---------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiency identified? | None reported |
| 3. Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

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