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YALOBUSHA COUNTY, MISSISSIPPI

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

YALOBUSHA COUNTY

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YALOBUSHA COUNTY

FINANCIAL SECTION

Windham and Lacey, PLLC

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Members:
American Institute of CPAs
Mississippi Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Yalobusha County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Yalobusha County, Mississippi, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the county's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Yalobusha County, Mississippi, as of September 30, 2013, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Yalobusha County, Mississippi, as of September 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

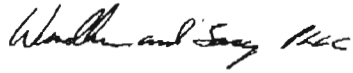
Yalobusha County, Mississippi, has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial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

Supplemental 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 September 12, 2014, on our consideration of Yalobusha County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Yalobusha County, Mississippi's internal control over financial reporting and compliance.



Windham and Lacey, PLLC
September 12, 2014

YALOBUSHA COUNTY

FINANCIAL STATEMENTS

YALOBUSHA COUNTY
Statement of Net Position
September 30, 2013

Exhibit 1

	Primary Government
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 6,590,009
Property tax receivable	3,382,674
Accounts receivable (net of allowance for uncollectibles of \$256,990)	21,879
Fines receivable (net of allowance for uncollectibles of \$1,377,879)	217,428
Intergovernmental receivables	75,001
Other receivables	24,577
Bond issue costs	61,071
Capital assets:	
Land and construction in progress	1,242,845
Other capital assets, net	16,464,118
Total Assets	<u>28,079,602</u>
LIABILITIES	
Claims payable	220,935
Intergovernmental payables	76,746
Accrued interest payable	23,445
Deferred revenue	3,382,674
Compensated absences	78,394
Other payables	34,813
Long-term liabilities	
Due within one year:	
Capital debt	294,438
Non-capital debt	100,000
Due in more than one year:	
Capital debt	2,123,080
Total Liabilities	<u>6,334,525</u>
NET ASSETS	
Net investment in capital assets	15,289,444
Restricted:	
Expendable:	
General government	547,665
Debt service	246,481
Public safety	290,176
Public works	2,089,383
Economic development	291,202
Capital projects	413,531
Unemployment compensation	52,933
Unrestricted	2,524,262
Total Net Position	<u>\$ 21,745,077</u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					Primary Government
Governmental activities:					Governmental Activities
General government	\$ 2,976,367	220,494	6,435		(2,749,438)
Public safety	1,484,419	207,935	131,897		(1,144,587)
Public works	2,666,490	477,935	784,329	1,398,139	(6,087)
Health and welfare	274,635		13,076		(261,559)
Culture and recreation	72,408				(72,408)
Conservation of natural resources	56,795				(56,795)
Economic development and assistance	58,156				(58,156)
Interest on long-term debt	94,991				(94,991)
Total Governmental Activities	7,684,261	906,364	935,737	1,398,139	(4,444,021)
Total Primary Government	\$ 7,684,261	906,364	935,737	1,398,139	(4,444,021)
General revenues:					
Property taxes					\$ 4,325,602
Road & bridge privilege taxes					147,745
Grants and contributions not restricted to specific programs					302,405
Unrestricted interest income					54,063
Miscellaneous					320,134
Total General Revenues					5,149,949
Changes in Net Position					705,928
Net Position - Beginning					21,039,149
Net Position - Ending					\$ 21,745,077

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

YALOBUSHA COUNTY
Balance Sheet - Governmental Funds
September 30, 2013

Exhibit 3

	<u>Major Funds</u>			
	<u>General Fund</u>	<u>State Aid Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 2,408,768	491,802	3,689,439	6,590,009
Property tax receivable	2,391,640		991,034	3,382,674
Accounts receivable (net of allowance for uncollectibles of \$256,990)			21,879	21,879
Fines receivable (net of allowance for uncollectibles of \$1,377,879)	217,428			217,428
Intergovernmental receivables	55,886		19,115	75,001
Other receivables	178		24,399	24,577
Advances to other funds	35,000			35,000
Due from other funds	450,000		26,716	476,716
Total Assets	<u>\$ 5,558,900</u>	<u>491,802</u>	<u>4,772,582</u>	<u>10,823,284</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Claims payable	\$ 106,642	33,067	81,226	220,935
Intergovernmental payables	75,230			75,230
Advances from other funds			35,000	35,000
Due to other funds	28,232	450,000		478,232
Other payables	30,412		4,401	34,813
Deferred revenue	2,609,068		1,012,913	3,621,981
Total Liabilities	<u>2,849,584</u>	<u>483,067</u>	<u>1,133,540</u>	<u>4,466,191</u>
Fund balances:				
Non-spendable:				
Advances	35,000			35,000
Restricted:				
General government	472,751		115,769	588,520
Public safety		8,735	290,176	298,911
Public works			2,205,506	2,205,506
Debt service			269,925	269,925
Unemployment compensation			52,933	52,933
Capital projects			413,531	413,531
Assigned:				
Economic development			291,202	291,202
Unassigned	2,201,565			2,201,565
Total Fund Balances	<u>2,709,316</u>	<u>8,735</u>	<u>3,639,042</u>	<u>6,357,093</u>
Total Liabilities and Fund Balances	<u>\$ 5,558,900</u>	<u>491,802</u>	<u>4,772,582</u>	<u>10,823,284</u>

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

YALOBUSHA COUNTY

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds (Exhibit 3)	\$ 6,357,093
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) 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 \$8,540,228.	17,706,963
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	217,428
Accounts receivable	21,879
Bond issue costs	133,820
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Long-term liabilities	(2,590,267)
Accrued interest on bonds	(23,445)
Accrued vacation	<u>(78,394)</u>
Total Net Position - Governmental Activities (Exhibit 1)	\$ <u>21,745,077</u>

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

YALOBUSHA COUNTY

Exhibit 4

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

	Major Funds			
	General Fund	State Aid Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 3,074,405		1,251,197	4,325,602
Road and bridge privilege taxes			147,745	147,745
Licenses, commissions and other revenue	81,099		5,784	86,883
Fines and forfeitures	141,680		6,959	148,639
Intergovernmental revenues	461,749	393,536	1,780,996	2,636,281
Charges for services	59,327		598,797	658,124
Interest income	27,071		26,992	54,063
Miscellaneous revenues	73,036		205,718	278,754
Total Revenues	3,918,367	393,536	4,024,188	8,336,091
EXPENDITURES				
Current:				
General government	2,191,544		370,382	2,561,926
Public safety	1,000,601		433,151	1,433,752
Public works		384,801	2,655,069	3,039,870
Health and welfare	274,635			274,635
Culture and recreation	53,916		18,092	72,008
Conservation of natural resources	56,795			56,795
Economic development and assistance	58,016		140	58,156
Debt service:				
Principal	6,103		390,749	396,852
Interest	192		87,784	87,976
Paying agent fees			2,635	2,635
Total Expenditures	3,641,802	384,801	3,958,002	7,984,605
Excess of Revenues over (under) Expenditures	276,565	8,735	66,186	351,486
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	5,175		29,455	34,630
Transfers In			332,042	332,042
Transfers Out	(316,338)		(15,704)	(332,042)
Total Other Financing Sources and Uses	(311,163)	0	345,793	34,630
Net Changes in Fund Balances	(34,598)	8,735	411,979	386,116
Fund Balances - Beginning	2,743,914		3,227,063	5,970,977
Fund Balances - Ending	\$ 2,709,316	8,735	3,639,042	6,357,093

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

YALOBUSHA COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds (Exhibit 4)	\$ 386,116
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$738,113 exceeded capital outlays \$706,832 in the current period.	(31,281)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$7,594 and the proceeds from the sale of \$34,630 in the current period.	(42,223)
Fine revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	6,940
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is increased because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	5,459
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount of debt issued of \$-0-, debt repayments of \$396,852, and change in deferred amounts of \$10,295.	386,557
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long- term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
Change in compensated absences	(277)
Change in accrued interest payable	3,280
Change in bond issue costs	(8,643)
Change in Net Position of Governmental Activities (Exhibit 2)	\$ <u>705,928</u>

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

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

Exhibit 5

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 114,282
Due from other funds	<u>1,516</u>
Total Assets	\$ <u><u>115,798</u></u>
LIABILITIES	
Intergovernmental payables	\$ <u>115,798</u>
Total Liabilities	\$ <u><u>115,798</u></u>

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

YALOBUSHA COUNTY

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

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Yalobusha General Hospital
- Yalobusha County Public Library System
- Yalobusha County Economic Development District

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

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

B. Basis of Presentation.

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

Government-wide Financial Statements:

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

YALOBUSHA COUNTY

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

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

Fund Financial Statements:

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

C. Measurement Focus and Basis of Accounting.

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

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

The county reports the following major Governmental Funds:

General Fund - This fund is used to account for all activities of the general government for which a separate fund has not been established.

State Aid Capital Projects Fund - This fund is used to account for and report resources that are restricted to expenditures for state aid road projects.

YALOBUSHA COUNTY

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

Additionally, the county reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

FIDUCIARY FUND TYPES

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

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

YALOBUSHA COUNTY

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

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Yalobusha County meets this criteria and has so elected. Therefore, the major general infrastructure assets acquired prior to October 1, 2002, are not reported in the government-wide financial statements. General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to October 1, 2002.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements. Depreciation is calculated on the straight-line basis for all assets, except land and construction-in-progress. Depreciation expense is taken from the date placed in service for all purchases of capital assets during the year. Depreciation is calculated on the number of months that each asset is owned during the year. The following schedule details those thresholds and estimated useful lives:

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

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

I. Long-term Liabilities.

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

YALOBUSHA COUNTY

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

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

J. Equity Classifications.

Government-wide Financial Statements:

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

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

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws or regulation 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 specific purposes for which amounts in those funds can be spent.

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the county classifies governmental fund balances as follows:

Non-spendable fund balance includes fund balance amounts that cannot be spent. This includes amounts that are either not in spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds from the collection of those receivables or from the sale of those properties are restricted, committed or assigned) or amounts that are legally or contractually required to be maintained intact, such as a principle balance of a permanent fund. The county currently has \$35,000 reported as non-spendable fund balance.

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. The county currently has \$3,829,326 reported as restricted fund balance.

YALOBUSHA COUNTY

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

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end. The county has no fund balance reported in this category.

Assigned fund balance includes amounts that are constrained by the county's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not classified as nonspendable and is neither restricted nor committed. The county currently has reported \$291,202 in this category.

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

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

K. Property Tax Revenues.

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

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

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

YALOBUSHA COUNTY

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

L. Intergovernmental Revenues in Governmental Funds.

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

M. Compensated Absences.

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

(2) Deposits.

The carrying amount of the county's total deposits with financial institutions at September 30, 2013, was \$6,704,291, and the bank balance was \$7,097,176. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(3) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	State Aid Capital Projects Fund	\$ 450,000
Other Governmental Funds	General Fund	26,716
Agency	General Fund	1,516
Total		\$ 478,232

Amounts listed are interfund loans for startup costs for state aid projects and for tax revenues collected but not settled until October 2013. All interfund balances are expected to be repaid within one year of the date of the financial statements.

YALOBUSHA COUNTY

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

B. Advances From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 35,000
Total		\$ 35,000

The amounts payable to the General Fund represent funds used for state aid road projects. All advances are expected to be repaid.

C. Transfers In/Out:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 316,338
Other Governmental Funds	Other Governmental Funds	15,704
Total		\$ 332,042

The purpose of these transfers were for routine allocations for various operational expenses and construction projects.

(4) Intergovernmental Receivables.

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tag credit	\$ 42,380
Housing prisoners	13,506
State programs/grants	19,115
Total Governmental Activities	\$ 75,001

YALOBUSHA COUNTY

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

(5) Capital Assets.

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

Governmental Activities:

	Beginning Balance Oct. 1, 2012	Increases	Decreases	Adjustments *	Ending Balance Sept. 30, 2013
GOVERNMENTAL ACTIVITIES					
Non-depreciable capital assets:					
Land	\$ 756,404				756,404
Construction in progress		486,441			486,441
Total non-depreciable capital assets	<u>756,404</u>	<u>486,441</u>	<u>0</u>	<u>0</u>	<u>1,242,845</u>
Depreciable capital assets:					
Buildings	13,886,102				13,886,102
Improvements other than buildings	25,325				25,325
Mobile equipment	5,692,135	191,519	110,275	85,508	5,858,887
Furniture & equipment	464,260	28,872	6,929		486,203
Leased property under capital lease	390,729			(85,508)	305,221
Infrastructure	4,442,608				4,442,608
Total depreciable capital assets	<u>24,901,159</u>	<u>220,391</u>	<u>117,204</u>	<u>0</u>	<u>25,004,346</u>
Less accumulated depreciated for:					
Buildings	2,949,404	268,002			3,217,406
Improvements other than buildings	6,593	1,013			7,606
Mobile equipment	4,159,079	315,931	68,745	37,007	4,443,272
Other furniture & equipment	383,326	25,277	6,236		402,367
Leased property under capital lease	129,780	36,788		(37,007)	129,561
Infrastructure	248,914	91,102			340,016
Total accumulated depreciation	<u>7,877,096</u>	<u>738,113</u>	<u>74,981</u>	<u>0</u>	<u>8,540,228</u>
Depreciable capital assets, net	<u>17,024,063</u>	<u>(517,722)</u>	<u>42,223</u>	<u>0</u>	<u>16,464,118</u>
Governmental activities capital assets, net	<u>\$ 17,780,467</u>	<u>(31,281)</u>	<u>42,223</u>	<u>0</u>	<u>17,706,963</u>

* Adjustments are made to transfer equipment for which the related capital lease has been paid.

Depreciation expense was charged to the following functions:

	Amount
Governmental Activities:	
General government	\$ 403,950
Public safety	97,629
Public works	236,134
Culture and recreation	400
Total governmental activities depreciation expense	<u>\$ 738,113</u>

YALOBUSHA COUNTY

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

(6) 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.

(7) Capital Leases.

As Lessee:

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

<u>Class of Property:</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 305,221
Less: Accumulated depreciation	<u>(129,561)</u>
Leased Property Under Capital Leases	<u>\$ 175,660</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	\$ 59,438	3,754
2015	28,092	1,637
2016	<u>17,737</u>	<u>587</u>
Total	<u>\$ 105,267</u>	<u>5,978</u>

YALOBUSHA COUNTY

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

(8) 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:			
Hospital bonds	\$ 100,000	4.12%	11/2013
Unlimited refunding bonds	<u>2,385,000</u>	3.11%	06/2021
Total General Obligation Bonds	<u>\$ 2,485,000</u>		
B. Capital Leases:			
2010 Case backhoe	\$ 14,700	3.44%	07/2014
2010 International dump truck	13,341	3.42%	05/2014
2009 Ford F-150	4,317	3.31%	03/2014
Case 590 loader backhoe	21,386	4.42%	12/2014
New Holland tractor	19,307	3.33%	12/2015
New Holland tractor	19,307	3.33%	12/2015
2011 Chevrolet pickup	<u>12,909</u>	3.24%	06/2016
Total Capital Leases	<u>\$ 105,267</u>		

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

Governmental Activities:

<u>Year Ending September 30</u>	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 335,000	72,888
2015	240,000	66,125
2016	245,000	60,125
2017	255,000	54,000
2018	260,000	46,350
2019-2022	<u>1,150,000</u>	<u>100,925</u>
Total	<u>\$ 2,485,000</u>	<u>400,413</u>

YALOBUSHA COUNTY

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

Legal Debt Margin - The amount of debt, excluding specific exempted debt, that can be incurred by the county, is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the county, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2013, the amount of outstanding debt was equal to 3.36% of the latest property assessments.

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

	Balance Oct. 1, 2012	Additions	Reductions	Balance Sept. 30, 2013	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 2,805,000		320,000	2,485,000	335,000
Capital leases	182,119		76,852	105,267	59,438
	2,987,119	0	396,852	2,590,267	394,438
Less deferred amount on refunded bonds	(83,044)		(10,295)	(72,749)	
Total	2,904,075	0	386,557	2,517,518	394,438
Compensated absences	78,117	277		78,394	
Total	\$ 2,982,192	277	386,557	2,595,912	394,438

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

(9) Contingencies and Commitments.

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

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

YALOBUSHA COUNTY

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

Hospital Revenue Bond Contingencies - The county issues revenue bonds to provide funds for constructing and improving capital facilities of the Yalobusha General Hospital. Revenue bonds are reported as a liability of the hospital because such debt is payable primarily from the hospital's pledged revenues. However, the county remains contingently liable for the retirement of these bonds because the full faith, credit and taxing power of the county are secondarily pledged in case of default by the hospital. The principal amount of hospital revenue bonds outstanding at September 30, 2013 is \$1,780,000.

(10) Related Organization.

The Yalobusha County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Yalobusha County Water & Sewer District, but the county's accountability for this organization does not extend beyond making the appointments. During the year, the county did not appropriate to this organization.

(11) Jointly Governed Organizations.

The county participates in the following jointly governed organizations:

Communicare operates in a district composed of the Counties of Calhoun, DeSoto, Lafayette, Marshall, Panola, Tate and Yalobusha. The Yalobusha County Board of Supervisors appoints one of the seven members of the board of commissioners. The county appropriated \$19,690 for the support of the district in fiscal year 2013.

North Central Mississippi Planning and Development District operates in a district composed of the Counties of Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Yalobusha County Board of Supervisors appoints four of the 28 members of the board of directors. The county appropriated \$39,571 for support of the district in fiscal year 2013.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Yalobusha County Board of Supervisors appoints two of the 23 members of the college board of trustees. The county appropriated \$134,814 for maintenance and support of the college in fiscal year 2013.

In 2003, the Oakland/Yalobusha Natural Gas District was formed to provide natural gas distribution infrastructure and natural gas to the Town of Oakland and parts of Yalobusha County. The Yalobusha County Board of Supervisors appoints two of the seven members of the governing board of the district. The county did not appropriate any funds for fiscal year 2013.

(12) Defined Benefit Pension Plan.

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

YALOBUSHA COUNTY

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

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the county is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The county's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$298,065, \$262,876 and \$234,965, respectively, equal to the required contributions for each year.

(13) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Walthall County has evaluated events and transactions for potential recognition or disclosure through September 12, 2014, which is the date the financial statements were available to be issued and determined the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

The county entered into a lease-purchase agreement for \$2,590,000 for the construction of a new jail. The lease is for a twenty year period with payments to be made from ad valorem taxes and charges to other governments for the housing of prisoners.

YALOBUSHA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

YALOBUSHA 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	\$ 2,976,307	3,071,375	3,071,375	
Licenses, commissions and other revenue	120,800	80,181	80,181	
Fines and forfeitures	94,700	136,730	136,730	
Intergovernmental revenues	411,483	458,385	458,385	
Charges for services	14,360	61,053	61,053	
Interest income	26,600	27,079	27,079	
Miscellaneous revenues	70,117	80,421	80,421	
Total Revenues	<u>3,714,367</u>	<u>3,915,224</u>	<u>3,915,224</u>	<u>0</u>
EXPENDITURES				
Current:				
General government	2,225,066	2,174,381	2,174,381	
Public safety	920,378	986,419	986,419	
Public works	200			
Health and welfare	326,911	274,366	274,366	
Culture and recreation	53,916	53,916	53,916	
Conservation of natural resources	64,423	55,131	55,131	
Economic development and assistance	15,474	58,016	58,016	
Debt service				
Principal		6,103	6,103	
Interest		192	192	
Total Expenditures	<u>3,606,368</u>	<u>3,608,524</u>	<u>3,608,524</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>107,999</u>	<u>306,700</u>	<u>306,700</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt				
Transfers in	183,000			
Transfers out	(290,999)	(866,338)	(866,338)	
Total Other Financing Sources and Uses	<u>(107,999)</u>	<u>(866,338)</u>	<u>(866,338)</u>	<u>0</u>
Net Change in Fund Balance	0	(559,638)	(559,638)	0
Fund Balances - Beginning	<u>2,300,000</u>	<u>2,616,559</u>	<u>2,616,559</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 2,300,000</u>	<u>2,056,921</u>	<u>2,056,921</u>	<u>0</u>

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

YALOBUSHA COUNTY

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

A. Budgetary Information.

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

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

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Type
	General Fund
Net Change in Fund Balance - Budget (Cash Basis)	\$ (559,638)
Increase (Decrease):	
Net adjustments for revenue accruals	8,318
Net adjustments for expenditure accruals	(33,278)
Net adjustments for other financing uses accruals	550,000
Net Change in Fund Balance (GAAP Basis)	\$ (34,598)

YALOBUSHA COUNTY

OTHER INFORMATION

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

Name	Position	Company	Bond
Tommy Vaughn	Supervisor District 1	Brierfield	\$100,000
Amos Sims	Supervisor District 2	Brierfield	\$100,000
John Lee McMinn	Supervisor District 3	Brierfield	\$100,000
George Suggs	Supervisor District 4	Brierfield	\$100,000
Frank J. Tillman	Supervisor District 5	Brierfield	\$100,000
Amy F. McMinn	Chancery Clerk	Brierfield	\$100,000
Janet Caulder	Purchase Clerk	Western Surety	\$75,000
Ruthie White	Assistant Purchase Clerk	Western Surety	\$50,000
Donna Massey	Receiving Clerk	Western Surety	\$75,000
Wade Woodard	Receiving Clerk	Brierfield	\$50,000
Joe Pomerlee	Receiving Clerk	Old Republic	\$50,000
David Deck	Receiving Clerk	Western Surety	\$50,000
Gaylon Gray	Receiving Clerk	Western Surety	\$50,000
Candice Boyle	Receiving Clerk	Western Surety	\$50,000
Wayne Smith	Receiving Clerk	Old Republic	\$50,000
Amy F. McMinn	Inventory Control Clerk	Brierfield	\$75,000
Randy Simmons	Constable	Brierfield	\$50,000
Brent Anderson	Constable	Brierfield	\$50,000
Daryl Burney	Circuit Clerk	Brierfield	\$100,000
Lance Humphreys	Sheriff	Western Surety	\$100,000
Gary Tippit	Justice Court Judge	Western Surety	\$50,000
Steve Riley	Justice Court Judge	Brierfield	\$50,000
Doris Shaw	Justice Court Clerk	Western Surety	\$50,000
Carol Wilburn	Justice Court Clerk	Western Surety	\$50,000
Linda Shuffield	Tax Collector/Assessor	Brierfield	\$100,000
Catherine Stark	Assistant Receiving Clerk	Old Republic	\$50,000
John Foxx	Assistant Receiving Clerk	Old Republic	\$50,000
Brenda Joiner	Assistant Receiving Clerk	Old Republic	\$50,000
Ronnie Stark	Coroner	Brierfield	\$10,000

YALOBUSHA COUNTY

SPECIAL REPORTS

Windham and Lacey, PLLC

Certified Public Accountants

2708 Old Brandon Road
Pearl, MS 39208
(601)939-8676

Members:
American Institute of CPAs
Mississippi Society of CPAs

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
Yalobusha County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Yalobusha 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 September 12, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the county's primary government unless the county also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

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

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

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. We consider the deficiency described in the accompanying Schedule of Findings and Responses as 13-1 to be a material weakness.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yalobusha 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*.

Yalobusha County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Yalobusha County's response and, accordingly, we express no opinion on it.

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.



Windham and Lacey, PLLC
September 12, 2014

Windham and Lacey, PLLC

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Mississippi Society of CPAs

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
Yalobusha County, Mississippi

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

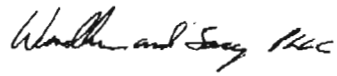
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly included examining, on a test basis, evidence about the county's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the county's compliance with specified requirements. The Board of Supervisors of Yalobusha 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 the 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, Yalobusha 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 the examination.

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

A handwritten signature in black ink, appearing to read "Windham and Lacey, PLLC".

Windham and Lacey, PLLC
September 12, 2014

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

Schedule 1

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

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

Schedule 2

Our tests results did not identify any emergency purchases.

YALOBUSHA COUNTY

Schedule 3

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

Our tests 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
Yalobusha County, Mississippi

In planning and performing our audit of the financial statements of Yalobusha County, Mississippi, for the year ended September 30, 2013, we considered Yalobusha 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 Yalobusha 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 September 12, 2014, on the financial statements of Yalobusha County, Mississippi.

Although no findings came to our attention as a result of these review procedures and compliance tests, these procedures and tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

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



Windham and Lacey, PLLC
September 12, 2014

YALOBUSHA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

YALOBUSHA COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|---------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unmodified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unmodified |
| | State Aid Capital Projects Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| a. | Material weakness identified? | Yes |
| b. | Significant deficiency identified that is not considered to be a material weakness? | None Reported |
| 3. | Noncompliance material to the financial statements? | No |

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

13-1. Finding

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

Recommendation

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

Board of Supervisors' Response

The Board will consider providing audited financial statements on its component units.