

ATTALA COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2015



STACEY E. PICKERING

STATE AUDITOR

Stephanie Palmertree, CPA
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA
Director, County Audit Section



A Report from the County Audit Section

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

December 5, 2017

Members of the Board of Supervisors
Attala County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Attala County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

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

Respectfully submitted,

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

Stacey E. Pickering
State Auditor

ATTALA COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION	1
INDEPENDENT AUDITOR’S REPORT	3
FINANCIAL STATEMENTS	7
Statement of Net Position.....	9
Statement of Activities	10
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Fiduciary Assets and Liabilities	15
Notes to Financial Statements	17
REQUIRED SUPPLEMENTARY INFORMATION	35
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund	37
Schedule of the Count’s Proportionate Share of the Net Pension Liability.....	38
Schedule of County Contributions	39
Notes to the Required Supplementary Information	41
OTHER INFORMATION	43
Schedule of Surety Bonds for County Officials	45
SPECIAL REPORTS.....	47
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Independent Accountant’s Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules (Required by Section 31-7-115, Miss. Code Ann. (1972)).....	51
Limited Internal Control and Compliance Review Management Report	57
SCHEDULE OF FINDINGS AND RESPONSES	59

ATTALA COUNTY

FINANCIAL SECTION

ATTALA COUNTY

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

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Attala 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 Attala County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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 Unit

The financial statements do not include financial data for the County's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit 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 unit. 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 unit has not been determined.

Adverse Opinion

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

Unmodified Opinions

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

Change in Accounting Principles

As described in Note 2 to the financial statements, the County has elected to present its financial statements in conformity with accounting principles generally accepted in the United States of America, which is a change from the prior year presentation on the basis of cash receipts and disbursements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Omission of Required Supplementary Information

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

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 December 5, 2017 on our consideration of Attala 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 Attala County, Mississippi's internal control over financial reporting and compliance.

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

JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 5, 2017

ATTALA COUNTY

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ATTALA COUNTY

FINANCIAL STATEMENTS

ATTALA COUNTY

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ATTALA COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
ASSETS	
Cash	\$ 10,722,993
Restricted assets - investments	2,962,618
Property tax receivable	5,869,451
Fines receivable (net of allowance for uncollectibles of \$862,925)	138,410
Intergovernmental receivables	229,382
Other receivables	28,953
Capital assets:	
Land and construction in progress	818,162
Other capital assets, net	19,869,106
Total Assets	<u>40,639,075</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	1,381,833
Total Deferred Outflows of Resources	<u>1,381,833</u>
LIABILITIES	
Claims payable	329,018
Intergovernmental payables	177,250
Accrued interest payable	83,567
Amounts held in custody for others	86,956
Long-term liabilities	
Net pension liability	7,859,016
Due within one year:	
Capital debt	235,035
Non-capital debt	129,266
Due in more than one year:	
Capital debt	850,079
Non-capital debt	4,856,051
Total Liabilities	<u>14,606,238</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	144,039
Deferred revenues - property taxes	5,869,451
Total deferred inflows of resources	<u>6,013,490</u>
NET POSITION	
Net investment in capital assets	19,602,154
Restricted for:	
Expendable:	
General government	102,656
Public safety	329,642
Public works	4,611,301
Health and welfare	2,967,422
Economic development and assistance	839
Debt service	8,915
Unemployment compensation	48,961
Unrestricted	(6,270,710)
Total Net Position	<u>\$ 21,401,180</u>

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

ATTALA COUNTY
Statement of Activities
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 4,733,080	459,298	172,192		(4,101,590)
Public safety	2,080,452	399,785	91,263		(1,589,404)
Public works	2,705,338		939,488	68,590	(1,697,260)
Health and welfare	3,726,709		21,707		(3,705,002)
Culture and recreation	116,474				(116,474)
Conservation of natural resources	94,058				(94,058)
Economic development and assistance	200,010				(200,010)
Interest on long-term debt	131,002				(131,002)
Pension expense	883,703				(883,703)
Total Governmental Activities	<u>14,670,826</u>	<u>859,083</u>	<u>1,224,650</u>	<u>68,590</u>	<u>(12,518,503)</u>
General revenues:					
Property taxes					\$ 6,628,734
In lieu taxes - Texas Gas					225,787
Road & bridge privilege taxes					233,538
Grants and contributions not restricted to specific programs					411,113
Unrestricted interest income					9,458
Miscellaneous					<u>788,073</u>
Total General Revenues					<u>8,296,703</u>
Changes in Net Position					<u>(4,221,800)</u>
Net Position - Beginning, as previously reported					11,278,088
Change in accounting principles					20,826,748
Prior period adjustments					<u>(6,481,856)</u>
Net Position - Beginning, as restated					<u>25,622,980</u>
Net Position - Ending					<u>\$ 21,401,180</u>

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

ATTALA COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	Major Funds			
	General Fund	Hospital Bond Proceeds Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 5,464,692		5,258,301	10,722,993
Restricted assets - investments		2,962,618		2,962,618
Property tax receivable	4,085,777		1,783,674	5,869,451
Fines receivable (net of allowance for uncollectibles of \$862,925)	138,410			138,410
Intergovernmental receivables	136,075		93,307	229,382
Other receivables	4,291		24,662	28,953
Due from other funds			37,478	37,478
Advances to other funds	320,000			320,000
Total Assets	\$ 10,149,245	2,962,618	7,197,422	20,309,285
LIABILITIES				
Liabilities:				
Claims payable	\$ 184,108		144,910	329,018
Intergovernmental payables	177,250			177,250
Due to other funds	37,478			37,478
Advances from other funds			320,000	320,000
Amounts held in custody for others	86,956			86,956
Total Liabilities	\$ 485,792	0	464,910	950,702
DEFERRED INFLOWS OF RESOURCES:				
Deferred revenue - property taxes	4,085,777		1,783,674	5,869,451
Deferred revenue - fines	138,410			138,410
Total deferred inflows of resources	\$ 4,224,187	0	1,783,674	6,007,861
Fund balances:				
Nonspendable:				
Advances	320,000			320,000
Restricted for:				
General government			102,656	102,656
Public safety			329,642	329,642
Public works			4,612,553	4,612,553
Health and welfare		2,962,618	4,931	2,967,549
Economic development and assistance			839	839
Debt service			91,103	91,103
Unemployment compensation			48,961	48,961
Unassigned	5,119,266		(241,847)	4,877,419
Total Fund Balances	\$ 5,439,266	2,962,618	4,948,838	13,350,722
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 10,149,245	2,962,618	7,197,422	20,309,285

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

ATTALA COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
September 30, 2015

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 13,350,722
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$13,535,174.	20,687,268
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	138,410
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(6,070,431)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(83,567)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(7,859,016)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	1,381,833
Deferred inflows of resources related to pensions	<u>(144,039)</u>
Total Net Position - Governmental Activities	\$ <u><u>21,401,180</u></u>

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

ATTALA COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

	Major Funds			Total
	General	Hospital	Other	Total
	Fund	Bond Proceeds	Governmental	Governmental
	Fund	Fund	Funds	Funds
REVENUES				
Property taxes	\$ 4,838,942		1,789,792	6,628,734
In lieu taxes - Texas Gas	224,866		921	225,787
Road and bridge privilege taxes			233,538	233,538
Licenses, commissions and other revenue	286,312		6,934	293,246
Fines and forfeitures	206,440		3,388	209,828
Intergovernmental revenues	457,697		1,246,656	1,704,353
Charges for services	167,804		176,503	344,307
Interest income	5,233	1,799	2,426	9,458
Miscellaneous revenues	671,162		116,911	788,073
Total Revenues	6,858,456	1,799	3,577,069	10,437,324
EXPENDITURES				
Current:				
General government	3,255,729		343,815	3,599,544
Public safety	2,060,394		194,265	2,254,659
Public works	153,505		2,057,951	2,211,456
Health and welfare	2,187,137	1,501,508		3,688,645
Culture and recreation	101,542			101,542
Conservation of natural resources	102,634			102,634
Economic development and assistance	137,452			137,452
Debt service:				
Principal			269,900	269,900
Interest			56,307	56,307
Bond issue costs		522,990		522,990
Total Expenditures	7,998,393	2,024,498	2,922,238	12,945,129
Excess of Revenues over (under) Expenditures	(1,139,937)	(2,022,699)	654,831	(2,507,805)
OTHER FINANCING SOURCES (USES)				
Long-term capital debt issued		5,000,000		5,000,000
Proceeds from sale of capital assets	4,000		20,210	24,210
Transfers in			523,219	523,219
Transfers out	(80,179)		(443,040)	(523,219)
Discount on bonds issued		(14,683)		(14,683)
Total Other Financing Sources and Uses	(76,179)	4,985,317	100,389	5,009,527
Net Changes in Fund Balances	(1,216,116)	2,962,618	755,220	2,501,722
Fund Balances - Beginning, as previously reported	6,626,331		4,651,757	11,278,088
Change in accounting principles	29,051		(458,139)	(429,088)
Fund Balances - Beginning, as restated	6,655,382	0	4,193,618	10,849,000
Fund Balances - Ending	\$ 5,439,266	2,962,618	4,948,838	13,350,722

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

ATTALA 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, 2015

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ 2,501,722
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 \$908,401 exceeded capital outlays of \$214,269 in the current period.	(694,132)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$842,966 and the proceeds from the sale of \$24,210 in the current period.	(867,176)
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.	11,702
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt proceeds of \$5,000,000 exceeded debt repayments of \$269,900.	(4,730,100)
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:	
The amount of increase in accrued interest payable.	(74,695)
The amount of increase in bond discounts	14,683
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(883,703)
Recording of contributions made during the year	499,899
Change in Net Position of Governmental Activities	\$ <u>(4,221,800)</u>

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

ATTALA COUNTY
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 87,970
Total Assets	\$ 87,970
LIABILITIES	
Amounts held in custody for others	625
Due to other funds	87,345
Total Liabilities	\$ 87,970

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

ATTALA COUNTY

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ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

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

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

- Montfort Jones Memorial Hospital

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, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

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

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

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

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, proprietary and fiduciary. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

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

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

The County reports the following major Governmental Funds:

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

Hospital Bond Proceeds Fund - This fund is used to account for the proceeds and expenditures of a \$5,000,000 general obligation bond issued June 1, 2015. These proceeds were used to provide funds for the current operations of the Montfort Jones Memorial Hospital.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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

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

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

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.

D. Account Classifications.

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

E. Deposits and Investments.

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

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

F. Receivables.

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

G. Interfund Transactions and Balances.

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

H. Restricted Assets.

Certain assets in the Hospital Bond Proceeds Fund required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets. The county has set aside \$2,962,618 of general obligation bond proceeds for payments of expenditures incurred by Montfort Jones Memorial Hospital, and for the retirement of the general obligation bonds issued in June 2015. When both restricted and nonrestricted assets are available for use, the policy is to use restricted assets first.

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

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
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. Deferred Outflows/Inflows of Resources:

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

Deferred outflows related to pensions – This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Property tax for future reporting period/unavailable revenue – property taxes – Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

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

Deferred inflows related to pensions – This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

K. Pensions.

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

L. Long-term Liabilities.

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

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

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

M. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Net Position Flow Assumption:

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

Fund Financial Statements:

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

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

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

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

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

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

Fund Balance Flow Assumption:

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

N. 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.

O. 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.

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

P. Changes in Accounting Standards.

The County implemented the following standards issued by the Governmental Accounting Standards Board (GASB) in the current fiscal year as required: GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*; GASB Statement No. 69, *Government Combinations and Disposal of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The provisions of these standards have been incorporated into the financial statements and notes.

Q. Change in Accounting Principle

For the fiscal year ended September 30, 2014 the County's financial statements were presented using a cash basis of accounting wherein amounts are recognized when received or disbursed. This basis of accounting differs from accounting principles generally accepted in the United States of America, which require revenues to be recognized when they become available and measurable or when they are earned, and expenditures or expenses to be recognized when the related liabilities are incurred. For the fiscal year ended September 30, 2015, the basic financial statements are prepared using the accrual basis of accounting.

(2) Change in Accounting Principle Adjustment

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

Exhibit 2 – Statement of Activities.

Explanation	Amount
To record the changes from cash basis to full accrual	\$ 20,826,748

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

Explanation	Amount
General Fund:	
To record the changes from cash basis to accrual basis.	\$ 29,051
Other Governmental Funds:	
To record the changes from cash basis to accrual basis.	(458,139)
Total adjustments to fund equity due to changes in accounting principles	\$ (429,088)

(3) Prior Period Adjustments.

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

Exhibit 2 – Statement of Activities.

Explanation	Amount
Implementation of GASB 68 and 71:	
Net Pension Liability (June 30, 2014)	\$ (6,361,857)
Deferred Outflows - contributions made from July - September, 2014	124,439
To remove construction in progress from capital assets	(244,438)
Total prior period adjustments	\$ (6,481,856)

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

(4) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$10,810,963, and the bank balance was \$11,061,714. 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.

Restricted Asset - Investments:

As provided in Section 91-13-8, Miss. Code Ann. (1972), the following investments of the County are handled through a trust indenture between the County and the trustee related to the \$5,000,000 Taxable General Obligation Bonds Series 2015 Montfort Jones Memorial Hospital.

Investments balances at September 30, 2015, are as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
Federated Prime Obligation Fund	Less than one year	\$ 2,962,618	AAAm

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

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

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. The investments in the Federated Prime Obligations Fund Money Market Mutual Fund are uninsured and unregistered and are not backed by the full faith and credit of the federal government.

(5) Interfund Transactions and Balances.

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 37,478

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

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

B. Advances from/to Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ <u>320,000</u>

The interfund advances are to provide money for operating purposes until the fund is able to repay the loan.

C. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	80,179
Other Governmental Funds	Other Governmental Funds	<u>443,040</u>
Total		\$ <u>523,219</u>

The purpose of interfund transfers was to reimburse the Road Maintenance Funds for the Bridge and Culvert Funds' share of payroll expenditures, alleviate deficit fund balances, and provide operating funds for the Central Construction Fund and Jail Construction Fund. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(6) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 97,976
Motor vehicle fuel tax	61,823
Motor vehicle licenses	20,728
MDEQ grant	15,950
Housing Inmates	10,395
Reimbursement for Drug Court	7,404
Reimbursement from Department of Human Services	5,839
Reimbursement from State Aid Road	4,443
Timber severance tax	2,266
MDOT litter grant	1,305
Miscellaneous	<u>1,253</u>
Total Governmental Activities	\$ <u>229,382</u>

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

(7) Capital Assets.

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

Governmental activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments**	Balance Sept. 30, 2015
<u>Non-depreciable capital assets*:</u>					
Land	\$ 929,162	-	111,000	-	818,162
Construction in progress	1,865,913	68,590	-	(1,934,503)	-
Total non-depreciable capital assets	2,795,075	68,590	111,000	(1,934,503)	818,162
<u>Depreciable capital assets*:</u>					
Infrastructure	15,294,412	-	-	1,690,065	16,984,477
Buildings	9,079,425	-	1,538,770	-	7,540,655
Mobile equipment	7,577,909	126,515	76,815	319,019	7,946,628
Furniture and equipment	395,925	19,164	69,762	-	345,327
Leased property under capital leases	906,212	-	-	(319,019)	587,193
Total depreciable capital assets	33,253,883	145,679	1,685,347	1,690,065	33,404,280
<u>Less accumulated depreciated for:</u>					
Infrastructure	2,839,452	382,029	-	-	3,221,481
Buildings	4,422,073	141,162	800,160	-	3,763,075
Mobile equipment	5,799,629	312,152	59,947	87,964	6,139,798
Furniture and equipment	332,583	15,303	69,064	-	278,822
Leased property under capital leases	162,208	57,755	-	(87,964)	131,999
Total accumulated depreciation	13,555,945	908,401	929,171	-	13,535,175
Total depreciable capital assets, net	19,697,938	(762,722)	756,176	1,690,065	19,869,105
Governmental activities capital assets, net \$	22,493,013	(694,132)	867,176	(244,438)	20,687,267

* Beginning balances were disclosed in the prior year audit report, however, they were presented as unaudited supplemental schedules. Current year presentation is in accordance with accounting principles generally accepted in the United States of America.

** Adjustments are to reclassify paid off capital lease equipment to mobile equipment, to reclassify completed construction in progress to infrastructure, and to remove construction in progress for a jail that the county has elected not to complete.

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental activities:	
General government	\$ 45,429
Public safety	63,140
Public works	679,782
Health and welfare	38,064
Culture and recreation	19,428
Economic development and assistance	<u>62,558</u>
 Total governmental activities depreciation expense	 \$ <u>908,401</u>

(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, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

The county receives income from property it leases under noncancellable operating leases. Total income from such leases was \$710,731 for the year ended September 30, 2015.

Baxter Brinkmann International Corporation

On January 5, 2005, Attala County entered into an operating lease with Baxter Brinkmann International Corporation for the lease of certain real property, building and all other improvements located at 200 Highway 35 Bypass, Kosciusko, MS. The operating lease stipulated that the lessee, Baxter Brinkmann International Corporation, would pay approximately \$7,764 per month in lease payments commencing February 15, 2005 for a period of 20 years and ending on February 1, 2025. Upon the expiration or termination of this lease, lessee will vacate the premises and give lessor possession of the property unless the lessee by notifying lessor in writing thereof elects to purchase the premises for the sum of all then outstanding base rent payable for the remainder of the term and \$100. In November 2013, after a merger with the Baxter Brinkmann International Corporation, Malibu Lighting Corporation took over the lease payments per the terms of the original lease. In April 2016 the Malibu Lighting Corporation filed for bankruptcy and ceased operating lease payments in April 2016. In August 2016 the Malibu Lighting Corporation settled \$150,000 to terminate the operating lease. Future minimum lease receivables reflect this subsequent lease termination.

Louisiana Extended Care Centers, Inc.

On November 14, 1994, Attala County entered into an operating lease with Louisiana Extended Care Centers, Inc. for the lease of certain property to be used for a nursing home for the purpose of safeguarding community health interest and enhance and promote the public health and general welfare of its citizens. The operating lease stipulated that commencing November 1, 1994 the lessee, Louisiana Extended Care Centers, Inc., would pay the maximum amount of rent allowed by the Mississippi Medicaid Commission and beginning July 1, 1995 and on the first day of

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

July thereafter during the primary term of this lease that the annual rental will be changed to a figure as allowed by the Medicaid Commission per month in lease payments. The term of the primary sublease began on the closing date, November 14, 1994 and ended December 1, 2005. Louisiana Extended Care Centers, Inc. had an option to renew the lease for an additional 10 year period and exercised the option to renew effective January 1, 2006 and ending December 31, 2015 on the same terms and conditions contained in the original lease.

Ability Works, Inc.

On June 1, 2012, Attala County entered into an operating lease with Ability Works, Inc. for the lease of certain property located at 610 West Jefferson Street Kosciusko, MS. The primary operating lease which stipulated that the lessee, Ability Works, Inc., would pay approximately \$500 per month in lease payments began June 1, 2012 and ended on May 31, 2015. Ability Works, Inc. had an option to renew the lease for an additional 3 year period and exercised the option to renew effective June 1, 2015 on the same terms and conditions contained in the original lease.

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

Year Ending September 30	Brinkmann	Louisiana Extended Care	Ability Works	Total
2016	\$ 204,351	555,964	6,500	766,815
2017		564,958	6,000	570,958
2018		569,838	4,000	573,838
2019		142,460		142,460
Total Minimum Payments Required	\$ 204,351	1,833,220	16,500	2,054,071

(10) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2015:

Classes of Property	Governmental
Mobile equipment	\$ 587,193
Less: Accumulated depreciation	(131,999)
Leased Property Under Capital Leases	\$ 455,194

The following is a schedule by years of the total payments due as of September 30, 2015:

Year Ending September 30	Governmental Activities	
	Principal	Interest
2016	\$ 90,035	5,754
2017	83,435	3,657
2018	70,045	1,794
2019	31,599	422
Total	\$ 275,114	11,627

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

(11) Defined Benefit Pension Plan.

General Information about the Pension Plan

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

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

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$499,899, \$484,801 and \$443,412, respectively, equal to the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the County reported a liability of \$7,859,016 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.050841 percent, which was a decrease of 0.001571 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$883,703. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 120,946	
Net difference between projected and actual earnings on pension plan investments	459,837	
Changes of assumptions	677,027	
Changes in the proportion and differences between the County's contributions and proportionate share of contributions		144,039
County contributions subsequent to the measurement date	124,023	
Total	\$ 1,381,833	144,039

\$124,023 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2016	\$ 355,376
2017	355,376
2018	288,059
2019	114,959
Total	\$ 1,113,770

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

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

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

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

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

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

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

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

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

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

	<u>1% Decrease (6.75%)</u>	<u>Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
County's proportionate share of the net pension liability	\$ 10,358,903	7,859,016	5,784,577

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

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

(12) Long-term Debt.

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

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
Governmental Activities:			
A. General Obligation Bonds:			
Series 2005 industrial bonds (Jack Post Property)	\$ 810,000	4.88-5.50%	02/2020
Taxable General Obligation Bonds Series 2015	<u>5,000,000</u>	3.00-4.75%	09/2035
Total General Obligation Bonds	<u>\$ 5,810,000</u>		
B. Capital Leases:			
2 Lifepak Defibrillators	\$ 8,175	2.20%	01/2016
Case 580N Backhoe	30,000	2.25%	07/2017
Caterpillar 12M Road Grader	113,826	2.79%	07/2018
Caterpillar 12M Road Grader	<u>123,113</u>	1.75%	07/2019
Total Capital Leases	<u>\$ 275,114</u>		

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

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2016	\$ 275,000	288,418
2017	330,000	237,781
2018	340,000	221,935
2019	360,000	205,705
2020	375,000	188,465
2021 - 2025	1,095,000	808,418
2026 - 2030	1,345,000	558,313
2031 - 2035	<u>1,690,000</u>	<u>208,525</u>
Total	<u>\$ 5,810,000</u>	<u>2,717,560</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2015, the amount of outstanding debt was equal to 3.13% of the latest property assessments.

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

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

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
Governmental Activities:					
General obligation bonds	\$ 945,000	5,000,000	135,000	5,810,000	275,000
Less:					
Discounts		(14,683)		(14,683)	(734)
Capital leases	410,014		134,900	275,114	90,035
Total	\$ 1,355,014	4,985,317	269,900	6,070,431	364,301

(13) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balances at September 30, 2015:

Fund	Deficit Amount
Jail Construction Fund	\$ 241,847

(14) Contingencies.

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

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

Hospital Special Obligation Bond Contingencies - The County issued special obligation bonds to provide funds for constructing and improving capital facilities of the Montfort Jones Memorial Hospital. Special obligation 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 is secondarily pledged in case of default by the hospital. The principal amount of hospital special obligation bonds outstanding at September 30, 2015, is \$6,145,000.

(15) Joint Ventures.

The County participates in the following joint ventures:

Attala County is participant with the City of Kosciusko in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Attala County Airport Commission. The joint venture was created to manage, control and operate the Attala County Airport, and it is governed by a five-member board of commissioners appointed as follows: Attala County, two; City of Kosciusko, two; rotation, one. The County has contributed \$16,250 from the General Fund to the joint venture in fiscal year 2015. Financial statements are not available for the Attala County Airport Commission.

ATTALA COUNTY

Notes to the Financial Statements For the Year Ended September 30, 2015

(16) Jointly Governed Organizations.

The County participates in the following jointly governed organizations.

Holmes Community College operates in a district composed of the following Counties: Attala, Carroll, Choctaw, Grenada, Holmes, Madison, Montgomery, Webster and Yazoo. The Attala County Board of Supervisors appoints two of the 22 members of the college board of trustees. The County contributed \$496,349 for maintenance and support of the college in fiscal year 2015.

Mid-Mississippi Regional Library System operates in a district composed of the following Counties: Attala, Holmes, Leake, Montgomery and Winston. The Attala County Board of Supervisors appoints one of the five members of the library board of directors. The County contributed \$271,204 for maintenance and support of the library in fiscal year 2015.

Region Six Mental Health/Mental Retardation Center Life Help operates in a district composed of the following Counties: Attala, Carroll, Grenada, Holmes, Humphreys, Leflore, Montgomery and Sunflower. The Attala County Board of Supervisors appoints one of the eight members of the board of commissioners. The County contributed \$50,000 for maintenance and support of the center in fiscal year 2015.

Central Mississippi Emergency Medical Services District operates in a district composed of the following Counties: Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Rankin, Scott, Smith, Warren and Yazoo. The Attala County Board of Supervisors appoints two of the 26 members of the board of commissioners. The County did not provide any support for the district in fiscal year 2015.

North Central Planning and Development District operates in a district composed of the following Counties: Attala, Carroll, Grenada, Holmes, Leflore, Montgomery and Yalobusha. The Attala County Board of Supervisors appoints five of the 35 members of the board of directors. The County contributed \$56,452, for support of the district in fiscal year 2015.

(17) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Attala County evaluated the activity of the County through December 5, 2017, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2015, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>		<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
05/09/2017	2.90%	\$	100,000	Capital Lease	Advalorem Taxes
05/09/2017	2.90%		111,918	Capital Lease	Advalorem Taxes
05/09/2017	2.90%		100,000	Capital Lease	Advalorem Taxes

ATTALA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

ATTALA COUNTY

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ATTALA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 General Fund
 For the Year Ended September 30, 2015
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 4,692,023	5,065,950	5,065,950	
Licenses, commissions and other revenue	267,300	285,514	285,514	
Fines and forfeitures	191,450	206,440	206,440	
Intergovernmental revenues	428,800	438,382	438,382	
Charges for services	116,500	186,871	186,871	
Interest income	22,700	5,182	5,182	
Miscellaneous revenues	565,828	697,768	697,768	
Total Revenues	6,284,601	6,886,107	6,886,107	0
EXPENDITURES				
Current:				
General government	3,358,348	4,486,101	4,486,101	
Public safety	1,879,519	2,079,705	2,079,705	
Public works	180,820	154,817	154,817	
Health and welfare	242,800	187,278	187,278	
Culture and recreation	115,108	100,711	100,711	
Conservation of natural resources	111,728	102,976	102,976	
Economic development and assistance	127,452	137,452	137,452	
Total Expenditures	6,015,775	7,249,040	7,249,040	0
Excess of Revenues over (under) Expenditures	268,826	(362,933)	(362,933)	0
OTHER FINANCING SOURCES (USES)				
Other financing uses	(100,000)	(12,000)	(12,000)	
Total Other Financing Sources and Uses	(100,000)	(12,000)	(12,000)	0
Net Change in Fund Balance	168,826	(374,933)	(374,933)	
Fund Balances - Beginning	5,750,000	6,626,331	6,626,331	0
Fund Balances - Ending	\$ 5,918,826	6,251,398	6,251,398	0

ATTALA COUNTY
Schedule of the County's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years*
For the Year Ended September 30, 2015

	<u>2015</u>
County's proportion of the net pension liability (asset)	0.050841%
County's proportionate share of the net pension liability (asset)	\$ 7,859,016
County's covered-employee payroll	\$ 3,176,248
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.43%
Plan fiduciary net position as a percentage of the total pension liability	61.70%

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

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

ATTALA COUNTY
Schedule of County Contributions
Last 10 Fiscal Years*
For the Year Ended September 30, 2015

	<u>2015</u>
Contractually required contribution	\$ 499,899
Contributions in relation to the contractually required contribution	<u>499,899</u>
Contribution deficiency (excess)	\$ <u>-</u>
County's covered-employee payroll	\$ 3,173,962
Contributions as a percentage of covered-employee payroll	15.75%

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

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

ATTALA COUNTY

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ATTALA COUNTY

Notes to the Required Supplementary Information For the Year Ended September 30, 2015

UNAUDITED

A. Budgetary Information.

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

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - Hospital Bond Proceeds Fund is not presented because this fund was not individually budgeted.

B. Basis of Presentation.

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

C. Budget/GAAP Reconciliation.

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

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

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

		<u>General Fund Types</u>
		General Fund
Budget (Cash Basis)	\$	(374,933)
Increase (Decrease)		
Net adjustments for revenue accruals		(23,651)
Net adjustments for expenditure accruals		(817,532)
		<hr/>
GAAP Basis	\$	<u><u>(1,216,116)</u></u>

ATTALA COUNTY

Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

UNAUDITED

D. Unbudgeted Fund.

The following fund was not budgeted for the year ended September 30, 2015:

Special Revenue Fund:
Hospital Bond Proceeds Fund

The unbudgeted funds are in violation of state law. However, the County has no liability associated with the violation.

Pension Schedules

A. Changes of assumptions

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

ATTALA COUNTY

OTHER INFORMATION

ATTALA COUNTY

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ATTALA COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2015
UNAUDITED

Name	Position	Company	Bond
John Edward Womble	Supervisor District 1	Travelers	\$100,000
Charles Fancher	Supervisor District 2	Travelers	\$100,000
Troy R. Hodges	Supervisor District 3	Travelers	\$100,000
Kary Ellington	Supervisor District 4	Travelers	\$100,000
Timothy C. Pinkard	Supervisor District 5	Travelers	\$100,000
Gerry Taylor	Chancery Clerk	Travelers	\$100,000
Kristian Shane Cook	Purchase Clerk	Travelers	\$75,000
Betty Jackson	Receiving Clerk	Travelers	\$75,000
Brenda Williams	Receiving Clerk	Travelers	\$75,000
Beth Wheeless	Assistant Receiving Clerk	Travelers	\$50,000
Lula G. Thompson	Assistant Receiving Clerk	Travelers	\$50,000
Robert "Tim" Nail	Assistant Receiving Clerk	Travelers	\$50,000
Gerry Taylor	Inventory Control Clerk	Travelers	\$75,000
William V. Roby	Constable	Travelers	\$50,000
Terry Ray	Constable	Travelers	\$50,000
Wanda Fancher	Circuit Clerk	Travelers	\$100,000
Lula G. Thompson	Deputy Circuit Clerk	Travelers	\$50,000
Cheryl "Thompson" Pettit	Deputy Circuit Clerk	Travelers	\$50,000
Robert "Tim" Nail	Sheriff	Travelers	\$100,000
Sylvia Lawrence (Secretary/ dispatcher)	Deputy Sheriff's	Travelers	\$50,000
Robert T. Jordan	Justice Court Judge	Travelers	\$50,000
Ronald Stewart	Justice Court Judge	Travelers	\$50,000
Murilean Hogsett	Justice Court Clerk	Travelers	\$50,000
Angela Shaw	Deputy Justice Court Clerk	Travelers	\$50,000
Donna Mangrum	Deputy Justice Court Clerk	Travelers	\$50,000
Kempe T. Hodges	Tax Assessor/Collector	Travelers	\$100,000
Patti Biggart	Deptuty Tax Assessor	Travelers	\$10,000
Andrea "Hunt" Edwards	Deptuty Tax Assessor	Travelers	\$10,000
Brenda F. Williams	Deptuty Tax Assessor	Travelers	\$10,000
Tammy R. Miles	Deptuty Tax Collector	Travelers	\$50,000
Cindy Ray	Deptuty Tax Collector	Travelers	\$50,000
Regina Roundtree	Deptuty Tax Collector	Travelers	\$50,000
Sheila L. Rockett	Deptuty Tax Collector	Travelers	\$50,000
Brenda F. Williams	Deptuty Tax Collector	Travelers	\$50,000
Rebecca A Thrasher	Deptuty Tax Collector	Travelers	\$50,000
Tina White	Deptuty Tax Collector	Travelers	\$50,000

ATTALA COUNTY

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ATTALA COUNTY

SPECIAL REPORTS

ATTALA COUNTY

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

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

Members of the Board of Supervisors
Attala 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 major fund, and the aggregate remaining fund information of Attala County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 5, 2017. Our report includes an adverse opinion on the discretely presented component unit due to the omission of the discretely presented component unit which is 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 includes the financial data for its component unit.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2015-001, 2015-002 and 2015-003 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2015-004 and 2015-005 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Attala County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2015-003.

We also noted certain matters which we have reported to the management of Attala County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated December 5, 2017, included within this document.

Attala County's Responses to Findings

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

Purpose of this Report

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



JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 5, 2017



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

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

Members of the Board of Supervisors
Attala County, Mississippi

We have examined Attala County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Attala County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

Inventory Control Clerk.

Capital asset purchases and deletions should be recorded in capital asset records.

Finding

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal controls over capital assets should include proper recording of additions and deletions. As reported in the prior three years' audit reports the subsidiary records did not include all additions for capital asset purchases totaling \$19,164. Further, capital assets totaling \$1,649,770 were not deleted from the subsidiary records, and an adjustment to remove construction in progress totaling \$244,438 was not recorded. Failure to record all capital asset transactions could result in the loss of capital assets.

Recommendation

The Inventory Control Clerk should properly record additions and deletions in the capital asset subsidiary records.

Inventory Control Clerk's Response

We will follow the recommendations of the audit department.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Attala County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

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

This report is intended for use in evaluating Attala County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 5, 2017

ATTALA COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder

For the Year Ended September 30, 2015

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

ATTALA COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

Our tests did not identify any emergency purchases.

ATTALA COUNTY

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2015

Schedule 3

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

ATTALA COUNTY

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

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Attala County, Mississippi

In planning and performing our audit of the financial statements of Attala County, Mississippi for the year ended September 30, 2015, we considered Attala 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 Attala 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 December 5, 2017, on the financial statements of Attala County, Mississippi.

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

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

Board of Supervisors.

1. A budget should be prepared for all funds.

Finding

Section 19-11-11, Miss. Code Ann. (1972), requires the Board of Supervisors to prepare a budget for all funds, except Trust and Agency Funds. During the course of the audit period and testwork, a budget was not prepared for the Hospital Bond Proceeds Fund. Failure to prepare a budget for all funds is a violation of state law.

Recommendation

The Board of Supervisors should prepare a budget for all funds, except Trust and Agency Funds.

Board of Supervisors' Response

We will follow the recommendations of the Audit Department.

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

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

A handwritten signature in black ink, appearing to read "Joe E. McKnight". The signature is fluid and cursive, with a long horizontal stroke at the end.

JOE E. MCKNIGHT, CPA
Director, County Audit Section

December 5, 2017

ATTALA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

ATTALA COUNTY

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ATTALA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental activities	Unmodified
Aggregate discretely presented component units	Adverse
General Fund	Unmodified
Hospital Bond Proceeds Fund	Unmodified
Aggregate remaining fund information	Unmodified

2. Internal control over financial reporting:

a.	Material weaknesses identified?	Yes
b.	Significant deficiencies identified?	Yes

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2015-001. Component unit should be included in County's financial statements.

Finding

Generally accepted accounting principles require the financial data of the County's component unit 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 unit. The financial statements do not include the financial data for the County's legally separate component unit. The failure to properly follow generally accepted accounting principles resulted in an adverse opinion on the discretely presented component unit.

Recommendation

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

Board of Supervisors' Response

Concerning the Montfort Jones Memorial Hospital, it isn't feasible at this time to have an audit completed.

Material Weakness

2015-002. Internal control should be strengthened over financial statement preparation and reporting.

Finding

An effective system of internal control over financial statements preparation and reporting should include a review of the financial statements and underlying work papers by management to ensure that they are

ATTALA COUNTY

Schedule of Findings and Responses For the Year Ended September 30, 2015

complete, appropriately documented and supported by the County's underlying accounting records. The financial statements were incomplete and contained inconsistencies with the prior year audit balances. We noted the following:

- a. Beginning fund balances reported on the prepared financial statements for the Governmental Activities, General Fund, and Other Governmental Funds did not agree with ending balances in the prior year's audit report.
- b. Interfund transfers in the financial statements and note disclosure did not include amounts transferred between Other Governmental Funds totaling \$443,040.
- c. The financial statements did not include prior year advances to/from balances totaling \$320,000
- d. Some capital asset beginning balances reported in the notes to the financial statements did not agree to ending balances in the prior year.
- e. Compensation for loss of capital assets included amounts that were not associated with the disposal of capital assets. The actual proceeds from the disposals were not included in the gain or loss calculation.
- f. Several intergovernmental revenues were misclassified as property taxes, fines and forfeitures, charges for services, and miscellaneous revenues on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.
- g. The operating leases note disclosure in the prepared financial statements for the County as lessor did not agree with the support provided by the County's management. The note disclosure did not account for a renewed lease agreement entered into on June 1, 2015.

Audit adjustments were proposed to correct these errors and were recorded with management's approval. Failure to review the financial statements and underlying documentation prior to submission for audit resulted in numerous misstatements in the financial statements and notes.

Recommendation

The Board of Supervisors should implement a system of internal control over financial statement preparation and reporting that includes a review of the financial statements and underlying documentation by management to ensure they are complete, appropriately documented and supported by the County's underlying accounting records.

Board of Supervisors' Response

The County will ask the CPA to follow the recommendations of the Audit Department.

ATTALA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2015

Inventory Control Clerk.

Material Weakness

Material Noncompliance

2015-003. Capital asset purchases and deletions should be recorded in capital asset records.

Finding

An effective system of internal controls over capital assets should include proper recording of additions and deletions. As reported in the prior three years' audit reports the subsidiary records did not include all additions for capital asset purchases totaling \$19,164. Further, capital assets totaling \$1,649,770 were not deleted from the subsidiary records, and an adjustment to remove construction in progress totaling \$244,438 was not recorded. Failure to record all capital asset transactions could result in the loss of capital assets.

Recommendation

The Inventory Control Clerk should properly record additions and deletions in the capital asset subsidiary records.

Inventory Control Clerk's Response

We will follow the recommendations of the audit department.

Tax Assessor-Collector.

Significant Deficiency

2015-004. Credit card transactions should be reconciled.

Finding

An effective system of internal control over tax collections should include the maintenance and reconciliation of records documenting daily collections. As reported in prior seven years' audit reports, the Tax Assessor-Collector was unable to reconcile credit card transactions. Failure to implement adequate controls over the collection, recording and disbursement functions could result in the loss of public funds.

Recommendation

The Tax Assessor-Collector should ensure that records of the credit card transactions are properly maintained and reconciled to the bank accounts in a timely manner.

Tax Collector's Response

The credit card transactions on the last two working days of the month will not show up until the first day of the next month. This will make an adjustment each month on the bank county statements.

Auditor's Note

The Tax Assessor-Collector needs to obtain a detailed listing of all specific credit card amounts remitted to the bank in order to reconcile to the bank account because all transactions are not always remitted to the bank by month end and without this information it is not possible to reconcile the amounts in the cash journal to the bank account.

ATTALA COUNTY

Schedule of Findings and Responses
For the Year Ended September 30, 2015

Circuit Clerk.

Significant Deficiency

2015-005. Separation of duties in the Circuit Clerk's office should be strengthened.

Finding

An effective system of internal control should include an adequate separation of duties. As reported in the prior seven years' audit reports, cash collection and disbursement functions are not adequately separated for effective internal control. The Circuit Clerk receipts collections, makes deposits, calculates the monthly settlements, posts the cash journal, reconciles the bank statements and disburses funds. Failure to have an adequate separation of duties could result in the loss of public funds.

Recommendation

The Circuit Clerk should implement a system for review of the accounting records by another person

Circuit Clerk's Response

I do not feel the finding is correct. The deputy clerks receipt collections, make the deposits, and disburse funds. I will implement a review of records by the deputy clerks.

Auditor's Note

Although the Circuit Clerk does delegate some responsibilities, most bookkeeping functions are still performed by the Circuit Clerk. She does not collect receipts or make deposits often; however, she still has the authority to do so.