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

Fortenberry & Ballard, PC
Certified Public Accountants

Calhoun County, Mississippi
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FINANCIAL REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Calhoun County, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit, and the aggregate remaining fund information of Calhoun 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances,

but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of Calhoun County, Mississippi, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, 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 and the other auditors 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

Calhoun 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Calhoun County, Mississippi's basic financial statements. The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018, on our consideration of the Calhoun 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 Calhoun County, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 18, 2018

Certified Public Accountants

FINANCIAL STATEMENTS

CALHOUN COUNTY, MISSISSIPPI
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Calhoun County Health Services
ASSETS				
Cash	\$ 2,868,724	220,194	3,088,918	2,667,386
Cash - patient funds held by facility				63,154
Investments				5,666,910
Property tax receivable	4,385,791		4,385,791	
Accounts receivable (net of allowance for uncollectibles of \$327,223)		78,998	78,998	
Patient accounts receivable (net of allowance for uncollectibles of \$2,543,923)				3,955,091
Fines receivable (net of allowance for uncollectibles of \$1,018,179)	245,828		245,828	
Intergovernmental receivables	156,380	12,232	168,612	
Other receivables	46,758		46,758	371,851
Internal balances	95,505	(95,505)		
Estimated third-party payor settlements				9,278
Prepaid items				218,018
Inventories				258,158
Other assets				252,932
Capital assets:				
Land and construction in progress	1,942,593		1,942,593	24,800
Other capital assets, net	17,759,875	398,162	18,158,037	1,882,079
Total Assets	27,501,454	614,081	28,115,535	15,369,657
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount related to pensions	867,169	76,843	944,012	
Total Deferred Outflows of Resources	867,169	76,843	944,012	-
LIABILITIES				
Claims payable	477,865	33,725	511,590	2,476,067
Intergovernmental payables	161,575		161,575	
Accrued interest payable	26,875		26,875	
Amounts held in custody for others	13,308		13,308	203,254
Claims and judgments payable	135,285		135,285	
Long-term liabilities				
Due with one year:				
Capital debt	364,415	62,291	426,706	48,812
Non capital debt	3,543		3,543	
Due in more than one year:				
Capital debt	3,376,051	122,804	3,498,855	88,133
Non-capital debt	155,880	23,557	179,437	
Net Pension Liability	4,871,508	431,678	5,303,186	
Total Liabilities	9,586,305	674,055	10,260,360	2,816,266
DEFERRED INFLOWS OF RESOURCES				
Property tax for future reporting period	4,385,791		4,385,791	
Unearned revenue for future reporting period		55,593	55,593	
Total Deferred Inflows of Resources	4,385,791	55,593	4,441,384	-
NET POSITION				
Net investment in capital assets	15,962,002	213,067	16,175,069	1,769,934
Restricted for:				
Expendable:				
General government	53,415		53,415	
Public safety	121,194		121,194	
Public works	1,075,858		1,075,858	
Culture and recreation	25,357		25,357	
Economic development and assistance	26,561		26,561	
Debt service	252,161		252,161	
Unrestricted	(3,120,021)	(251,791)	(3,371,812)	10,783,457
Total Net Position	\$ 14,396,527	(38,724)	14,357,803	12,553,391

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

CALHOUN COUNTY, MISSISSIPPI
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			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	Unit
					Governmental Activities	Business-type Activities		Calhoun County Health Services
Primary government								
Government activities								
General government	\$ 3,169,811	97,137	929,013		(2,143,661)		(2,143,661)	
Public safety	1,392,788	213,307	82,995	3,194	(1,093,292)		(1,093,292)	
Public works	2,711,814		814,828	1,260,736	(636,250)		(636,250)	
Health and welfare	181,483		33,570		(147,913)		(147,913)	
Culture and recreation	32,843				(32,843)		(32,843)	
Education	164,463				(164,463)		(164,463)	
Conservation of natural resources	82,274				(82,274)		(82,274)	
Economic dev. and assistance	60,184				(60,184)		(60,184)	
Interest on long-term debt	178,167				(178,167)		(178,167)	
Pension Expense	583,435				(583,435)		(583,435)	
Total Governmental Activities	8,557,262	310,444	1,860,406	1,263,930	(5,122,482)		(5,122,482)	
Business-type activities:								
Solid Waste	752,824	725,842	6,693			(20,289)	(20,289)	
Total Business-type Activities	752,824	725,842	6,693	-	-	(20,289)	(20,289)	
Total Primary Government	9,310,086	1,036,286	1,867,099	1,263,930	(5,122,482)	(20,289)	(5,142,771)	
Component unit:								
Calhoun County Health Services	17,566,622	18,536,176						969,554
Total Component Unit	17,566,622	18,536,176	-	-				969,554
General revenues:								
Property taxes				\$ 4,972,514			4,972,514	
Road & bridge privilege taxes				220,960			220,960	
Grants and contributions not restricted to specific programs				510,632			510,632	
Unrestricted interest income				4,222		195	4,417	1,203
Miscellaneous				285,899		1,541	287,440	132,361
Total General Revenues				5,994,227		1,736	5,995,963	133,564
Changes in Net Position					871,745	(18,553)	853,192	1,103,118
Net Position - Beginning of year, as previously reported					17,259,469	310,771	17,570,240	11,450,273
Prior period adjustments					(3,734,687)	(330,942)	(4,065,629)	
Net Position - Beginning of year, as restated					13,524,782	(20,171)	13,504,611	11,450,273
Net Position - End of year				\$	14,396,527	(38,724)	14,357,803	12,553,391

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

CALHOUN COUNTY, MISSISSIPPI

Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	Major Funds			
	General Fund	State Aid Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 1,142,962	36,661	1,689,101	2,868,724
Property tax receivable	2,762,132		1,623,659	4,385,791
Fines receivable (net of allowance for uncollectibles of \$1,018,179)	245,828			245,828
Intergovernmental receivables	90,963	1,961	63,456	156,380
Other receivables	29,684		17,074	46,758
Due from other funds	103,372		45,597	148,969
Advances to other funds	108,633		22,732	131,365
Total Assets	\$ 4,483,574	38,622	3,461,619	7,983,815
LIABILITIES				
Liabilities:				
Claims payable	\$ 133,441	9,051	335,373	477,865
Intergovernmental payables	160,373		1,202	161,575
Due to other funds	45,597		86,500	132,097
Advances from other funds	16,795		35,937	52,732
Amounts held in custody for others	13,308			13,308
Claims and judgments payable	135,285			135,285
Total Liabilities	504,799	9,051	459,012	972,862
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	2,762,132		1,623,659	4,385,791
Unavailable revenue - fines	245,828			245,828
Total Deferred Inflows of Resources	3,007,960	-	1,623,659	4,631,619
FUND BALANCES				
Nonspendable:				
Advances	108,633			108,633
Restricted for:				
General government			53,415	53,415
Public safety			121,194	121,194
Public works		29,571	1,046,287	1,075,858
Culture and recreation			25,357	25,357
Economic development and assistance			26,561	26,561
Debt service			279,036	279,036
Unassigned	862,182		(172,902)	689,280
Total Fund Balances	970,815	29,571	1,378,948	2,379,334
Total Liabilities, Deferred Inflows and Fund Balance	\$ 4,483,574	38,622	3,461,619	7,983,815

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

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 2,379,334
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 \$7,587,826.	19,702,468
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. Fines receivable	245,828
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(3,899,889)
Pension obligations are not due and payable in the current period and, therefore are not reportable in the funds.	(4,871,508)
Deferred outflows of resources related to pension obligations are applicable to future periods and, therefore are not reported in the funds.	867,169
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(26,875)</u>
Total Net Position - Governmental Activities	\$ <u><u>14,396,527</u></u>

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

CALHOUN COUNTY, MISSISSIPPI

Exhibit 4

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

	Major Funds			
	General Fund	State Aid Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 3,146,621		1,825,893	4,972,514
Road and bridge privilege taxes			220,960	220,960
Licenses, commissions and other revenue	49,406		14,745	64,151
Fines and forfeitures	303,246		20,850	324,096
Intergovernmental revenues	712,548	1,119,895	1,802,525	3,634,968
Charges for services	36,890		142,246	179,136
Interest income	2,066		2,156	4,222
Miscellaneous revenues	154,550		131,349	285,899
Total Revenues	<u>4,405,327</u>	<u>1,119,895</u>	<u>4,160,724</u>	<u>9,685,946</u>
EXPENDITURES				
Current:				
General government	2,949,011		264,828	3,213,839
Public safety	894,937		575,555	1,470,492
Public works		1,124,809	2,044,998	3,169,807
Health and welfare	154,152			154,152
Culture and recreation			22,553	22,553
Education	164,463			164,463
Conservation and natural resources	92,212		8,085	100,297
Economic development and assistance	23,787		36,397	60,184
Debt service:				
Principal			1,264,443	1,264,443
Interest			199,050	199,050
Total Expenditures	<u>4,278,562</u>	<u>1,124,809</u>	<u>4,415,909</u>	<u>9,819,280</u>
Excess of Revenues over (under) Expenditures	<u>126,765</u>	<u>(4,914)</u>	<u>(255,185)</u>	<u>(133,334)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	54,775		283,818	338,593
Transfers out	(260,772)		(77,821)	(338,593)
Total Other Financing Sources (Uses)	<u>(205,997)</u>	<u>-</u>	<u>205,997</u>	<u>-</u>
Net Changes in Fund Balances	<u>(79,232)</u>	<u>(4,914)</u>	<u>(49,188)</u>	<u>(133,334)</u>
Fund Balances - Beginning of year	<u>1,050,047</u>	<u>34,485</u>	<u>1,428,136</u>	<u>2,512,668</u>
Fund Balances - End of year	<u>\$ 970,815</u>	<u>29,571</u>	<u>1,378,948</u>	<u>2,379,334</u>

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

CALHOUN COUNTY, MISSISSIPPI

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

Amount

Net Changes in Fund Balances - Governmental Funds

\$ (133,334)

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental Funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense. Thus, the change in net position
differs from the change in fund balances by the amount that capital outlays of
\$853,407, exceeded depreciation of \$599,849, in the current period.

253,558

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.

(256,939)

Debt proceeds provide current financial resources to Governmental Funds, but
issuing debt increases long-term liabilities in the Statement of Net Position. Repayment
of debt principal is an expenditure in the Governmental Funds, but the repayment
reduces long-term liabilities in the Statement of Net Position. Thus, the change in
net position differs from the change in fund balances by the amount of debt
repayments of \$1,264,443.

1,264,443

Items reported in the Statement of Activities relating to the implementation of GASB 68 are
not reported in the governmental funds. These activities include:

Recognition of pension expense for the current year

(583,435)

Recognition of contributions made during the fiscal year

313,783

Under the modified accrual basis of accounting used in the Governmental Funds,
expenditures are not recognized for transactions that are not normally paid with
expendable available financial resources. However, in the Statement of Activities,
which is presented on the accrual basis, expenses and liabilities are reported
regardless of when financial resources are available. In addition, interest on
long-term debt is recognized under the modified accrual basis of accounting when
due, rather than as it accrues. Thus, the change in net position differs from the change
in fund balances by a combination of the following items:

Decrease in accrued interest payable

20,883

Increase in compensated absences

(7,214)

Change in Net Position of Governmental Activities\$ 871,745

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

CALHOUN COUNTY, MISSISSIPPI
Statement of Net Position - Proprietary Fund
September 30, 2015

Exhibit 5

	Solid Waste Fund
ASSETS	
Current assets:	
Cash	\$ 220,194
Accounts receivable (net of allowance for uncollectibles of \$327,223)	78,998
Intergovernmental receivables	12,232
Total Current Assets	<u>311,424</u>
Noncurrent assets:	
Capital assets:	
Other capital assets, net	398,162
Total Noncurrent Assets	<u>398,162</u>
Total Assets	<u>709,586</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount related to pensions	76,843
Total Deferred Outflows of Resources	<u>76,843</u>
LIABILITIES	
Current liabilities:	
Claims payable	33,725
Due to other funds	16,872
Advances from other funds	78,633
Capital debt:	
Capital leases payable	62,291
Total Current Liabilities	<u>191,521</u>
Noncurrent liabilities:	
Capital debt:	
Capital leases payable	122,804
Non-capital debt:	
Compensated absences payable	23,557
Net pension liability	431,678
Total Noncurrent Liabilities	<u>578,039</u>
Total Liabilities	<u>769,560</u>
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue for future reporting period	55,593
Total Deferred Inflows of Resources	<u>55,593</u>
NET POSITION	
Net Investment in Capital Assets	213,067
Unrestricted	(251,791)
Total Net Position	<u>\$ (38,724)</u>

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

CALHOUN COUNTY, MISSISSIPPI

Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund
 For the Year Ended September 30, 2015

Exhibit 6

	Solid Waste Fund
Operating Revenues	
Charges for services	\$ 725,842
Intergovernmental revenues	6,693
Other Income	1,541
Total Operating Revenues	<u>734,076</u>
Operating Expenses	
Personal services	251,096
Contractual services	201,119
Materials and supplies	172,294
Depreciation expense	54,917
Indirect administrative cost	16,872
Pension Expense	51,700
Total Operating Expenses	<u>747,998</u>
Operating Income (Loss)	<u>(13,922)</u>
Nonoperating Revenues (Expenses)	
Interest income	195
Interest expense	(4,826)
Net Nonoperating Revenue (Expenses)	<u>(4,631)</u>
Net Income (Loss)	<u>(18,553)</u>
Net Position - Beginning of year, as previously reported	310,771
Prior period adjustments	(330,942)
Net Position - Beginning of year, as restated	<u>(20,171)</u>
Net Position - Ending	<u>\$ (38,724)</u>

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

CALHOUN COUNTY, MISSISSIPPI
Statement of Cash Flows - Proprietary Fund
For the Year Ended September 30, 2015

Exhibit 7

	Solid Waste Fund
Cash Flows From Operating Activities	
Receipts from customers	\$ 778,013
Payments to suppliers	(372,280)
Payments to employees	(276,118)
Other operating cash receipts	8,234
Net Cash Provided (Used) by Operating Activities	<u>137,849</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(30,000)
Principal paid on long-term debt	(75,386)
Interest paid on debt	(4,826)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(110,212)</u>
Cash Flows From Investing Activities	
Interest on deposits	195
Net Cash Provided (Used) by Investing Activities	<u>195</u>
Net Increase (Decrease) in Cash and Cash Equivalents	27,832
Cash and Cash Equivalents at Beginning of Year	<u>192,362</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 220,194</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>(13,922)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	54,917
Changes in assets, deferred outflows of resources and liabilities:	
(Increase) decrease in accounts receivable	168
(Increase) decrease in intergovernmental receivable	(12,232)
(Increase) decrease in other receivables	59,469
(Increase) decrease in other deferred outflows of resources	(70,100)
Increase (decrease) in claims payable	1,133
Increase (decrease) in compensated absences liability	2,785
Increase (decrease) in unearned revenue	4,766
Increase (decrease) in pension liability	93,993
Increase (decrease) in interfund payable	16,872
Total Adjustment	<u>151,771</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 137,849</u></u>

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

CALHOUN COUNTY, MISSISSIPPI
Statement of Fiduciary Assets and Liabilities
September 30, 2015

Exhibit 8

Agency
Funds

ASSETS

Cash

\$ 73,605

Total Assets

73,605

LIABILITIES

Other liabilities

5,342

Intergovernmental payables

68,263

Total Liabilities

\$ 73,605

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

Calhoun County, Mississippi

Notes to the Financial Statements
For the year ended September 30, 2015

Calhoun County, Mississippi

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

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

Calhoun 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 Calhoun County, Mississippi to present these financial statements on the primary government and its component units which have significant operational or financial relationship with the County.

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

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

B. Individual Component Unit Disclosures

Discretely Presented Component Unit

The component unit's column in the financial statements include the financial data of the following component unit of the County. It is reported in a separate column to emphasize that it is legally separate from the County. A majority of the members of the governing body of this component unit are appointed by the County Board of Supervisors.

Calhoun County Health Services - It was created on October 1, 2000, with the combination of Calhoun County Nursing Home which was owned by Calhoun County, Mississippi, and Hillcrest Hospital which was owned by Calhoun City, Mississippi. The facility is governed by a Board of Trustees appointed by the Board of Supervisors of Calhoun County, Mississippi, and the Board of Alderman of Calhoun City, Mississippi.

Calhoun County, Mississippi

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

C. Basis of Presentation

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

Government-wide Financial Statements:

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

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

Fund Financial Statements:

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

Calhoun County, Mississippi

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

the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

D. Measurement Focus and Basis of Accounting

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

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

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

The County reports the following major Governmental Fund:

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

State Aid Fund - This fund accounts for monies from specific revenue sources that are restricted for state aid projects.

Calhoun County, Mississippi

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

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

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 Project 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.

PROPRIETARY FUND TYPES

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

FIDUCIARY FUND TYPES

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

E. Account Classifications

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

Calhoun County, Mississippi

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

F. Deposits and Investments

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

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

G. Receivables

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

H. Interfund Transactions and Balances

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

I. Inventories and Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items, such as prepaid insurance, are not reported for Governmental Fund Types since the costs of such items are accounted for as expenditures in the period of acquisition.

Calhoun County, Mississippi

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

J. Capital Assets

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the (applicable) governmental or business-type activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets, other than infrastructure, costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Calhoun 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.

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

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

Calhoun County, Mississippi

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

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

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

K. 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) 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 16 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 and so will not be recognized as an inflow of resources (revenue) until then. The County has deferred inflows which are presented as a deferred inflow for property tax and a deferred inflow for unavailable revenue.

Property taxes for future reporting period - Unavailable revenue - property tax - 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.

Calhoun County, Mississippi

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

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 and in the Proprietary Fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or Proprietary Funds Statement of Net Position. Bond premiums and discounts 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.

M. 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.

N. Equity Classifications

Government-wide Financial Statements:

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

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.
2. 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.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Calhoun County, Mississippi

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

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.

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 items 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.

Calhoun County, Mississippi

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

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.

O. Property Tax Revenues

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

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

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

P. 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 the expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

Calhoun County, Mississippi

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

Q. Compensated absences

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

R. 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.

(2) Prior Period Adjustment

Exhibit 2 - Statement of Activities

Governmental Activities

Explanation	Amount
To record beginning balance of net pension liability in accordance with GASB statement 68.	\$ (3,810,777)
To record beginning balance of deferred outflows in accordance with GASB statement 68.	76,090
Total	\$ <u>(3,734,687)</u>

Calhoun County, Mississippi

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

Business-type Activities

Explanation	Amount
To record beginning balance of net pension liability in accordance with GASB statement 68.	\$ (337,685)
To record beginning balance of deferred outflows in accordance with GASB statement 68.	6,743
Total	\$ (330,942)

Exhibit 6 - Statement of Revenues, Expenditures and Changes in Fund Balances - Proprietary Funds

Explanation	Amount
To record beginning balance of net pension liability in accordance with GASB statement 68.	\$ (337,685)
To record beginning balance of deferred outflows in accordance with GASB statement 68.	6,743
Total	\$ (330,942)

(3) Deposits

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$3,162,523 and the bank balance was \$3,371,925. 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 the 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.

Calhoun County, Mississippi

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

(4) Interfund Transactions and Balances

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

A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 16,872
	Other Governmental Funds	86,500
Other Governmental Funds	General Fund	45,597
Total		<u>\$ 148,969</u>

The receivables represent indirect cost, tax revenue collected but not settled until October 2015 and loans to cover negative cash balances.

B. Advances From/To Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 78,633
	Other Governmental Funds	30,000
Other Governmental Funds	General Fund	16,795
	Other Governmental Funds	5,937
Total		<u>\$ 131,365</u>

The advances represent prior year indirect cost, prior year grant administrative cost and errors in posting tax revenue to the wrong account.

C. Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 54,775
Other Governmental Funds	General Fund	260,772
	Other Governmental Funds	23,046
Total		<u>\$ 338,593</u>

The purpose of the interfund transfer was to cover negative cash balances, provide funds to cover operating expenses and to close a fund. All interfund transfers were routine and consistent with activities of the fund making the transfer.

Calhoun County, Mississippi

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

(5) Intergovernmental Receivables

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

Governmental Activities:

<u>Description</u>	<u>Amount</u>
Legislative tax credit	\$ 70,326
Reimbursement for welfare	2,578
Lieu taxes	3,286
State aid road	1,961
Youth Court Grant	1,042
Reimbursement for housing prisoners	5,480
Timber severance tax	542
Emergency Management Performance Grant	7,533
Motor vehicle fuel tax	49,291
Truck and bus privilege	12,957
Miscellaneous	1,384
Total Governmental Activities	\$ <u>156,380</u>

Business-type Activities:

City of Calhoun City	\$ 7,788
Town of Derma	4,444
Total Business-type Activities	\$ <u>12,232</u>

Calhoun County, Mississippi

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

(6) 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	Completed Construction	Balance Sept. 30, 2015
Non-depreciable capital assets:				
Land	\$ 593,687			593,687
Construction in progress	4,602,851	762,417	(4,016,362)	1,348,906
Total non-depreciable capital assets	5,196,538	762,417	(4,016,362)	1,942,593
Depreciable capital assets:				
Infrastructure	5,944,124		4,016,362	9,960,486
Buildings	10,214,079			10,214,079
Improvements other than buildings	414,442			414,442
Mobile equipment	3,674,894	44,299		3,719,193
Furniture and equipment	289,509	46,691		336,200
Property under capital leases	703,301			703,301
Total depreciable capital assets	21,240,349	90,990	4,016,362	25,347,701
Less accumulated depreciation for:				
Infrastructure	1,006,896	195,404		1,202,300
Buildings	2,591,233	177,245		2,768,478
Improvements other than buildings	127,513	16,578		144,091
Mobile equipment	2,876,196	122,381		2,998,577
Furniture and equipment	224,547	19,000		243,547
Property under capital leases	161,592	69,241		230,833
Total accumulated depreciation	6,987,977	599,849	0	7,587,826
Total depreciable capital assets, net	14,252,372	(508,859)	4,016,362	17,759,875
Governmental activities capital assets, net	\$ 19,448,910	253,558	0	19,702,468

Calhoun County, Mississippi

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

Commitments with respect to unfinished capital projects at September 30, 2015, consisted of the following:

<u>Description of Commitment</u>	<u>Remaining Financial Commitment</u>	<u>Expected Date of Completion</u>
Airport Hangers	\$ 240,000	September 2016
SAP - 07(75) CR177 Bridge Repair	556,000	March 2016
Total Governmental Activities	<u>\$ 796,000</u>	

Business-type Activities:

	<u>Balance Oct. 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2015</u>
Depreciable capital assets:				
Mobile equipment	665,732	30,000	79,168	616,564
Furniture and equipment	29,000			29,000
Property under capital leases	325,494			325,494
Total depreciable capital assets	<u>1,020,226</u>	<u>30,000</u>	<u>79,168</u>	<u>971,058</u>
Less accumulated depreciation for:				
Mobile equipment	534,172	21,894	79,168	476,898
Furniture and equipment	14,915	3,729		18,644
Property under capital leases	48,060	29,294		77,354
Total accumulated depreciation	<u>597,147</u>	<u>54,917</u>	<u>79,168</u>	<u>572,896</u>
Total depreciable capital assets, net	<u>423,079</u>	<u>(24,917)</u>	<u>0</u>	<u>398,162</u>
Business-type activities capital assets, net	<u>\$ 423,079</u>	<u>(24,917)</u>	<u>0</u>	<u>398,162</u>

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 118,798
Culture and recreation	10,290
Public safety	82,802
Public works	357,658
Health and welfare	27,331
Conservation of Natural Resources	<u>2,970</u>
Total depreciation expense	<u>\$ 599,849</u>

Calhoun County, Mississippi

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

	<u>Amount</u>
Business-type Activities:	
Solid waste	\$ <u>54,917</u>

(7) 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.

The County finances its exposure to risk of loss relating to employee health and accident coverage through the Mississippi Public Entity Employee Benefit Trust, a public entity risk pool. The pool is a claims-servicing organization with the County retaining the risk of loss on all claims to which the County is exposed. Premium payments to the pool are determined on an actuarial basis.

The County has reinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$35,000 and the aggregate policy covers all submitted claims in excess of \$1,000,000. Claims expenses and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The following table provides changes in the balances of claims liabilities for fiscal years 2014 and 2015:

Calhoun County, Mississippi

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

		2014	2015
Unpaid claims, Beginning of Fiscal Year	\$	105,345	126,668
Plus: Incurred Claims (Including IBNRs)		1,316,160	1,308,332
Less: Claims Payments		(1,294,837)	(1,299,715)
Unpaid Claims, End of Fiscal Year	\$	<u>126,668</u>	<u>135,285</u>

(8) Operating Leases

As Lessor:

On May 5, 2014, Calhoun County entered into a non-cancellable operating lease agreement with Sabougla Volunteer Fire Department, Inc. for the lease of a building owned by the County for the purpose of operating a fire house. The operating lease stipulated that the lease would pay approximately \$1,161.21 per quarter in lease payments commencing on May 5, 2014, for a term of 10 years.

The County received income from property it leases under non-cancellable operating lease. Total income from such a lease was \$5,791 for the year ended September 30, 2015. The future minimum lease receivables for these leases are as follows:

Year Ending September 30,	Amount
2016	\$ 4,645
2017	4,645
2018	4,645
2019	4,645
2020	4,645
2021-2024	<u>19,888</u>
Total Minimum Payments Required	\$ <u>43,113</u>

As Lessee:

On November 22, 2011, Calhoun County entered into an operating lease with Three Rivers Planning Development District, Inc., for the lease of a computer system and operating software owned by Three Rivers Planning Development District for the purpose of maintaining County records. The operating lease stipulated the lessee would pay \$12,000 per year in lease payments commencing October 1, 2011 for a term of 5 years. The total cost for this lease was \$12,000 for the year ended September 30, 2015. The future minimum lease payment for these leases is as follows:

Calhoun County, Mississippi

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

Year Ending September 30,	Amount
2016	\$ <u>12,000</u>

(9) 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 Activities	Business-type Activities
Mobile equipment	\$ 549,192	325,494
Other furniture and equipment	154,109	
Less: accumulated depreciation	<u>(230,833)</u>	<u>(77,354)</u>
Leased Property Under Capital Leases	\$ <u>472,468</u>	<u>248,140</u>

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

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 149,247	4,953	62,291	3,228
2017	103,089	1,659	122,804	2,009
2018	32,009	332		
2019	2,695			
Total	\$ <u>287,040</u>	<u>6,944</u>	<u>185,095</u>	<u>5,237</u>

Calhoun County, Mississippi

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

(10) Long-Term Debt

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<u>Governmental Activities:</u>			
A. General Obligation Bonds:			
Road bonds, Series 2008	\$ 75,000	3.30%	02/2018
Public improvement bonds, Series 2009	1,585,000	4.00-5.50%	03/2029
Building bonds, Series 2012	<u>1,793,426</u>	3.875%	05/2030
Total General Obligation Bonds	\$ <u><u>3,453,426</u></u>		
B. Capital Leases:			
2011 John Deere 6115D tractor	\$ 4,878	2.29%	02/2016
2 Caterpillar 12M motor graders	117,618	2.69%	04/2017
Case 580SN backhoe	26,603	2.21%	05/2017
John Deere tractor	5,238	4.30%	05/2016
John Deere tractor	23,338	2.17%	07/2017
911 System	96,919	1.91%	10/2018
2014 Dodge Ram 1500	<u>12,446</u>	2.09%	08/2018
Total Capital Leases	\$ <u><u>287,040</u></u>		
C. Other Loans:			
Fire house loan	\$ <u><u>37,433</u></u>	3.00%	10/2024
<u>Business-type Activities:</u>			
A. Capital Leases:			
2011 Isuzu garbage truck	10,422	2.77%	02/2016
2013 Ram garbage truck and side loader	46,054	2.07%	11/2016
2014 Freightliner truck	<u>128,619</u>	1.91%	08/2017
Total Capital Leases	\$ <u><u>185,095</u></u>		

Calhoun County, Mississippi

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

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

Governmental Activities:

Year Ending September 30,	General Obligation Bonds		Other Loans	
	Principal	Interest	Principal	Interest
2016	\$ 215,168	143,303	3,543	1,102
2017	219,988	133,888	3,656	989
2018	235,019	124,018	3,769	876
2019	220,269	113,960	3,883	762
2020	230,750	104,541	4,002	643
2021 - 2025	1,319,727	373,485	18,580	1,308
2026 - 2030	1,012,505	86,919		
Total	\$ 3,453,426	1,080,114	37,433	5,680

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 by 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 4.05% of the latest property assessments.

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
<u>Governmental Activities:</u>					
General obligation bonds	\$ 4,561,987		1,108,561	3,453,426	215,168
Capital leases	440,355		153,315	287,040	149,247
Other loans	40,000		2,567	37,433	3,543
Compensated absences	114,776	7,214		121,990	
Total	\$ 5,157,118	7,214	1,264,443	3,899,889	367,958

Calhoun County, Mississippi

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

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
<u>Business-type Activities:</u>					
Capital leases	\$ 260,481		75,386	185,095	62,291
Compensated absences	20,772	2,785		23,557	
Total	<u>\$ 281,253</u>	<u>2,785</u>	<u>75,386</u>	<u>208,652</u>	<u>62,291</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid which is generally the General Fund, the Road Maintenance Funds, Calhoun Transportation Services, Youth Court, Reappraisal, Volunteer Fire, Bridge Funds, E-911, Emergency Management, and Solid Waste Fund.

(11) Contingencies

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

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

Solid Waste Revenue Refunding Bonds - In 1998, Solid Waste Revenue Refunding Bonds were issued by the Three Rivers Solid Waste Management Authority for \$8,210,000. In 2011, Three Rivers Solid Waste Management Authority issued \$4,235,000 of Solid Waste Revenue Bonds to refund the 1998 bonds and to finance the other landfill projects. As part of the solid waste disposal service agreement between Calhoun County and Three Rivers Solid Waste Management Authority, the County has agreed to pay its pro rata share of any obligations of the Authority that are not covered by fees generated from solid waste disposal services. The County's pro rata share (6.02%) of the \$4,235,000 refunding bonds balance at September 30, 2015, is \$186,018.

Calhoun County, Mississippi

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

(12) Deficit Fund Balances of Individual Funds

The following fund reported deficits in fund balance at September 30, 2015:

Fund	Deficit amount
E-911	\$ 64,112
County Airport Maintenance	10,714
Horse Arena Maintenance	642
Law Library	766
Emergency Management	4,978
Countywide Road	61,690
\$900,000 HUD Grant	30,000

(13) Joint Venture

The County participates in the following joint venture:

Calhoun County is a participant with Chickasaw and Pontotoc Counties in a joint venture, authorized by Section 39-3-11, Miss. Code Ann. (1972), to operate the Dixie Regional Library System. The Regional Library is governed by a five member board appointed by the Boards of Supervisors: two from the Library Board of Calhoun County, one from the Library Board of Chickasaw County, and two from the Library Board of Pontotoc County. The County appropriated \$76,326 for the joint venture in fiscal year 2015. Complete financial statements for the Dixie Regional Library can be obtained from the Dixie Regional Library System, 111 North Main Street, Pontotoc, Mississippi, 38863.

(14) Jointly Governed Organizations

The County participates in the following jointly governed organizations:

Three Rivers Planning and Development District operated in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Calhoun County Board of Supervisors appoints five of the forty members of the board of directors. The County appropriated \$18,086 for support of the district in fiscal year 2015.

Calhoun County, Mississippi

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

Communicare operates in a district composed of the Counties of Calhoun, Lafayette, Marshall, Panola, Tate, and Yalobusha. The Calhoun County Board of Supervisors appoints one of the six members of the board of commissioners. The County appropriated \$25,057 for Communicare in fiscal year 2015.

Northwest Mississippi Community College operates in a district composed of the Counties of Benton, Calhoun, DeSoto, Lafayette, Marshall, Panola, Quitman, Tallahatchie, Tate, Tunica and Yalobusha. The Calhoun County Board of Supervisors appoints two of the twenty three members of the college board of trustees. The County appropriated \$152,945 for maintenance and support of the college in fiscal year 2015.

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc, and Union. The Calhoun County Board of Supervisors appoints one of the seven members of the board. The entity is fiscally independent of the members. Members are billed based on the volume of solid waste disposal.

(15) Related Organizations

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosacoona 1 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Loosacoona 2 Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the year, the County levied a 50 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Topashaw Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 20 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Yalobusha Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 13 cent per acre tax for the district.

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Persimmon Creek Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 25 cent per acre tax for the district.

Calhoun County, Mississippi

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

The Calhoun County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Otoucalofa Drainage District, but the County's accountability for this organization does not extend beyond making appointments. During the tax year, the County levied a 50 cent per acre tax for the district.

(16) Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. Calhoun 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

Calhoun County, Mississippi

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

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 \$341,593, \$325,615 and \$313,532, 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 \$5,303,186 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 .034307 percent, which was an increase of .00013 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$635,135. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 81,613
Net difference between projected and actual earnings on pension plan investments	310,293
Change of assumptions	456,851
Changes in proportion and differences between County contributions and proportionate share of contributions	8,398
County contributions subsequent to the measurement date	86,857
Total	\$ <u>944,012</u>

Calhoun County, Mississippi

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

\$86,857 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	\$	278,626
2017		278,626
2018		222,331
2019		77,572
Total	\$	<u>857,155</u>

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	3.0 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.

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:

Calhoun County, Mississippi

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00%
Emerging Markets Equity	8%	5.45%
Fixed Income	20%	0.25%
Real Assets	10%	4.00%
Private Equity	8%	6.15%
Cash	1%	-0.50%
Total	100%	

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:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 6,990,085	\$ 5,303,186	\$ 3,903,375

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

Calhoun County, Mississippi

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

(17) Effect of Deferred Amounts on Net Position

The governmental activities' unrestricted net position amount of (\$3,120,021) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$79,786 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. The \$787,383 balance of the deferred outflow of resources related to pensions at September 30, 2015, will be recognized in pension expense over the next 4 years.

The governmental activities' unrestricted net position amount of (\$3,120,021) includes the effect of recognition of deferring the recognition of revenue resulting from property taxes. The \$4,385,791 balance of deferred inflows of resources at September 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next few years.

The business-type activities' unrestricted net position amount of (\$251,791) includes the effect of deferred outflows of resources related to pensions. A portion of the deferred outflow of resources related to pension in the amount of \$7,070 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. The \$69,773 balance of the deferred outflow of resources related to pensions at September 30, 2015, will be recognized in pension expense over the next 3 years.

The business-type activities' unrestricted net position amount of (\$251,791) includes the effect of recognition of deferring the recognition of unearned revenues for future reporting period. The \$55,593 balance of deferred inflows of resources at September 30, 2015, will be recognized as revenue and will increase the unrestricted net position over the next few years.

(18) 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 Calhoun County evaluated the activity of the County, through the date the financial statements were available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements.

Calhoun County, Mississippi

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

The County issued the following debt obligations:

Issue Date	Interest Rate	Issue Amount	Type of Financing	Source of Financing
04/04/2016	1.72%	\$ 113,366	Capital lease	Ad valorem tax
08/01/2016	1.96%	\$ 36,674	Capital lease	Ad valorem tax
08/04/2016	1.99%	\$ 63,995	Capital lease	Ad valorem tax
08/04/2016	1.99%	\$ 388,543	Capital lease	Ad valorem tax
08/04/2016	1.99%	\$ 137,268	Capital lease	Ad valorem tax
10/27/2016	2-2.50%	\$ 3,140,000	G.O. Refunding Bond	Ad valorem tax

On July 5, 2016, the Calhoun County Board of Supervisors approved a resolution to execute the lease of Calhoun Health Services to Baptist Memorial Hospital-Calhoun, Inc. and Baptist Nursing Home-Calhoun, Inc. The initial lease term is for 30 years, with the option to extend the lease for two consecutive ten year terms. The lease commencement date will be October 1, 2016.

Component Unit
Calhoun Health Services

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

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity - Calhoun Health Services was created on October 1, 2000, with the combination of Calhoun County Nursing Home which was owned by Calhoun County, Mississippi, and Hillcrest Hospital which was owned by Calhoun City, Mississippi. The facility consists of a 21-bed acute short-term care hospital, 9 bed geriatric psychiatric unit and a 120-bed long-term care facility which is owned by Calhoun County, Mississippi (85.72%) and Calhoun City, Mississippi (14.48%). The facility provides inpatient, psychiatric, outpatient, emergency care and long-term care services for residents of Calhoun County, Mississippi and surrounding areas. The facility is governed by a Board of Trustees appointed by the Board of Supervisors of Calhoun County, Mississippi, and the Board of Aldermen of Calhoun City, Mississippi.

Under *Governmental Accounting Standards Board (GASB) Statement Number 14: The Financial Reporting Entity*, the facility is defined as a component unit of Calhoun County, Mississippi. These financial statements present only the financial position and results of operations and cash flows of Calhoun Health Services.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include allowance for uncollectibles and third-party settlements.

Proprietary Fund Accounting - The facility utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual. Based on *Governmental Accounting Standards Board (GASB) Statement No. 20: Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the facility has elected to apply the provisions and all pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict or contradict GASB pronouncements.

Cash and Cash Equivalents - Cash and cash equivalents include all cash and restricted cash of the facility.

Accounts Receivable - Patient receivables are reduced by an allowance for uncollectible accounts. The allowance for uncollectible accounts is based upon management's assessment of historical and expected net collections considering historical and economic conditions, trends in healthcare coverage, major payor sources and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payor category. The results of this review are then used to make modifications to the provision for uncollectible accounts to establish an appropriate allowance for uncollectible receivables. After satisfaction of amounts due from insurance, established guidelines are used for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts.

Capital Assets - The facility's policy is to capitalize acquisition and construction costs greater than \$5,000 which will provide benefit to future periods. Capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation, using the following asset lives:

Land improvements	5 to 20 years
Buildings and building improvements	20 to 40 years
Equipment, computers, and furniture	3 to 7 years

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

Grants and Contributions - From time to time, Calhoun Health Services receives grants from Calhoun County and the State of Mississippi, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Net Position - Net position of Calhoun Health Services is classified in two components. *Net position invested in capital assets net of related debt* consists of capital assets net of accumulated depreciation and is reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Unrestricted net position* is the remaining net position that does not meet the definition of *invested in capital assets net of related debt*.

Net Patient Services Revenue - The facility has agreements with third-party payors that provide for payments to the facility at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Operating Revenues and Expenses - Calhoun Health Services' statements of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - Calhoun Health Services' principal activity. Nonexchange revenues, including grants and contributions received for purposes other than capital assets acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Cost of Borrowing - Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the hospital's interest cost was capitalized in either 2015 or 2014.

Restricted Resources - When the hospital has both restricted and unrestricted resources available to finance a particular program, it is the hospital's policy to use restricted resources before unrestricted resources.

Compensated Absences - Calhoun Health Services' employees earn vacation days at varying rates depending on years of service. Vacation days are earned in the current year of employment and are taken the following year. Vacation days are intended to be taken and cannot be accumulated from one year to the next. Employees also earn sick leave benefits based on varying rates depending on years of service. Employees may accumulate sick leave up to a specified maximum. Employees are not paid for accumulated sick leave.

Risk Management - The facility is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The facility purchases coverage of risks of loss related to torts and malpractice up to \$500,000 per case from the Healthcare Providers Insurance Company. The facility purchases coverage of risks of loss related to theft of, damage to and destruction of assets from various commercial insurance carriers. The facility purchases coverage of risks of loss related to workers' compensation claims from Healthcare Employers Resources Exchange.

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 1: Description of Reporting Entity and Summary of Significant Accounting Policies (Continued)

Risk Management (Continued) - Under *Governmental Accounting Standards Board Statement Number 10: Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, a liability for claim must be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. The facility has not been exposed to any risk of loss above the applicable insurance coverage amounts at September 30, 2015; therefore, no liability has been accrued at this time.

Investments in Equity Securities - Investments in equity securities are carried at fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in equity securities are included in nonoperating income currently.

Income Taxes - As a political subdivision of the State of Mississippi, the facility qualifies as a tax-exempt organization under existing provisions of the Internal Revenue Code, and its income is not subject to federal or state income taxes.

Inventories of Supplies and Drugs - Inventories of supplies and drugs are stated at the lower of cost (first-in, first-out) or market.

Excess of Revenue Over Expenses - The statements of revenues, expenses, and changes in net position includes excess of revenues over expenses. Changes in net position which are excluded from excess of revenues over expenses, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purpose of acquiring such assets).

Electronic Health Record Incentive Program - The Centers for Medicare and Medicaid Services (CMS) have implemented provisions of the American Recovery and Reinvestment Act of 2009 that provide incentive payments for the meaningful use of certified electronic health record (EHR) technology. CMS has defined meaningful use as meeting certain objectives and clinical quality measures based on current and updated technology capabilities over predetermined reporting periods as established by CMS. The Medicare EHR incentive program provides annual incentive payments to eligible professionals, eligible hospitals, and critical access hospitals, as defined, that are meaningful users of certified EHR technology. The Medicaid EHR incentive program provides annual incentive payments to eligible professionals and hospitals for efforts to adopt, implement, and meaningfully use certified EHR technology. The EHR reporting period for hospitals is based on the federal fiscal year, which runs from October 1 through September 30. For the years ended September 30, 2015 and 2014 the facility received EHR incentive revenue of \$0 and \$25,250, respectively. EHR incentive revenues are included in operating revenues in the accompanying statements of revenues, expenses and changes in net position.

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 2: Cash and Other Deposits

The facility deposits funds in financial institutions selected by the Board of Trustees and invests excess funds in investment instruments that are allowed by statutes. Various restrictions on deposits and investments are imposed by statutes.

The collateral for public entities' deposits in financial institutions is now 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. All hospital funds eligible to be included in the state's collateral pool program were properly included and were fully collateralized as of September 30, 2015.

Note 3: Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codifications (ASC) 820, Fair Value Measurements and Disclosures, provide the framework for measuring fair value. That framework provides a fair value hierarchy that provides the inputs to valuation techniques used to measure fair value. Investments with readily available active quoted prices for which fair value can be measured from actively quoted prices generally will have a higher degree of market prices observability and a lesser degree of judgement used in measuring fair value. In the absence of actively quoted prices and observable inputs, the hospital estimates prices based on available historical data and near term future pricing information that reflects its market assumptions. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted market prices in active markets for identical assets and liabilities.

Level 2 - Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 - Unobservable inputs that are not corroborated by market data.

Fair value of assets measured on a recurring basis at September 30, 2015, and 2014 are as follows:

<u>September 30, 2015</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
MHA Investment Pool	\$ <u>5,666,910</u>	\$ <u>-</u>	\$ <u>5,666,910</u>	\$ <u>-</u>
<u>September 30, 2014</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
MHA Investment Pool	\$ <u>5,543,854</u>	\$ <u>-</u>	\$ <u>5,543,854</u>	\$ <u>-</u>

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 3: Fair Value Measurements (Continued)

Mississippi Hospital Association Investment Pool

The facility participates in the Mississippi Hospital Associates Investment Pool program. The funds are invested for the benefit of the facility by a third-party investment company which is responsible for the management of the pool. A summary of the investments at September 30, 2015 and 2014 follows:

	2015	2014
MHA Investment Pool	\$ 5,640,095	\$ 5,694,927
Unrealized gain (loss) on investments	26,815	(151,073)
Net Investment	<u>\$ 5,666,910</u>	<u>\$ 5,543,854</u>

The hospital has funds invested in the Mississippi Hospital Association Investment Pool program, which are not collateralized. However, the funds are invested in accordance with Section 27-105-365 Miss. Code Ann. (1972).

Note 4: Accounts Receivable - Estimated Uncollectibles and Allowances

The balance in the estimated uncollectibles and allowances account at September 30, 2015 and 2014 is composed of the following:

	2015	2014
Provision for uncollectible accounts	\$ 1,668,923	\$ 1,152,970
Allowance for Medicare adjustment	725,000	675,823
Allowance for Medicaid adjustment	150,000	99,177
	<u>\$ 2,543,923</u>	<u>\$ 1,927,970</u>

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 5: Capital Assets

Capital asset additions, retirements, and balances for the years ended September 30, 2015 and 2014 were as follows:

	Balance September 30, 2013	Additions/ Other	Retirements/ Other	Balance September 30, 2014	Additions/ Other	Retirements/ Other	Balance September 30, 2015
Land	\$ 24,800	-	-	\$ 24,800	-	-	\$ 24,800
Land improvements	287,475	-	-	287,475	-	-	287,475
Buildings and improvements	4,586,199	-	-	4,586,199	-	-	4,586,199
Fixed equipment	654,145	-	-	654,145	-	-	654,145
Major movable equipment:							
Under capital lease	90,277	58,000	-	148,277	31,881	-	180,158
Other	2,682,229	51,897	(21,819)	2,712,307	112,417	-	2,824,724
Minor equipment	2,849	-	-	2,849	-	-	2,849
Automobiles:							
Under capital lease	178,125	-	(103,950)	74,175	-	-	74,175
Other	215,111	234,250	(68,299)	381,062	-	-	381,062
Total Historical Cost	8,721,210	344,147	(194,068)	8,871,289	144,298	-	9,015,587
Less Accumulated Depreciation and Amortization for:							
Land improvements	(283,228)	(603)	-	(283,831)	(582)	-	(284,413)
Buildings and improvements	(3,260,768)	(165,851)	-	(3,426,619)	(156,896)	-	(3,583,515)
Fixed equipment	(446,798)	(15,578)	-	(462,376)	(15,455)	-	(477,831)
Major movable equipment:							
Under capital lease	(6,019)	(24,960)	-	(30,979)	(29,529)	-	(60,508)
Other	(2,375,616)	(88,163)	21,819	(2,441,960)	(60,768)	-	(2,502,728)
Automobiles:							
Under capital lease	(116,715)	(14,935)	91,823	(39,827)	(14,935)	-	(54,762)
Other	(304,828)	(19,944.00)	(23,526)	(348,298)	(30,750)	-	(379,048)
Total Accumulated Depreciation and Amortization	(6,793,972)	(330,034)	90,116	(7,033,890)	(308,915)	-	(7,342,805)
Construction in Progress	-	147,324	-	147,324	86,773	-	234,097
Capital Assets, Net	\$ 1,927,238	161,437	(103,952)	\$ 1,984,723	(77,844)	-	\$ 1,906,879

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 6: Long-Term Debts

A schedule of changes in Calhoun Health Services' noncurrent liabilities for 2015 and 2014 follows:

	Balance September 30, 2013	Additions	Reductions	Balance September 30, 2014	Additions	Reductions	Balance September 30, 2015	Amounts Due Within One Year
Bonds Payable:								
Revenue bonds	\$ 112,124	-	(112,124)	-	-	-	-	-
Capital Lease Obligations	<u>147,441</u>	<u>58,000</u>	<u>(53,224)</u>	<u>152,217</u>	<u>31,881</u>	<u>(47,153)</u>	<u>136,945</u>	<u>48,812</u>
Total Noncurrent Liabilities	<u>\$ 259,565</u>	<u>58,000</u>	<u>(165,348)</u>	<u>152,217</u>	<u>31,881</u>	<u>(47,153)</u>	<u>136,945</u>	<u>\$ 48,812</u>

Long-Term Debt – The terms and due dates of Calhoun Health Services' long-term debt, including capital lease obligations at September 30, 2015 and 2014 follows:

- Capital lease obligations with varying rates of interest of 3.19 to 5.30 percent collateralized by leased equipment with a cost of \$180,159 and leased ambulance with a cost of \$74,675 at September 30, 2015.

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 6: Long-Term Debts (Continued)

Scheduled payments on capital lease obligations are as follows:

<u>Year Ended September 30,</u>	<u>Capital Lease Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 48,812	\$ 4,467
2017	44,139	2,672
2018	33,956	967
2019	6,645	197
2020	3,393	27
Thereafter	-	-
Total	<u>\$ 136,945</u>	<u>\$ 8,330</u>

Note 7: Commitment Under Loan Agreement

The facility has entered into a loan agreement with Mississippi Development Authority (MDA) through their Capital Improvements Revolving Loan Program dated July 10, 2015, for funding of the construction of a multi-purpose building. The principal sum is not to exceed \$2,250,000. The terms of the loan shall be for 180 months following the completion of the capital improvements at 2% annual interest computed daily. Estimated monthly payments are \$14,478.95; however interest will be adjusted to reflect the actual dates of disbursements of the loan funds. The payments will begin 30 days after the completion date of the project. All loan funds must be expended within two years from the date of the loan or the funds shall be recalled unless prior written approval is obtained from MDA. As of September 30, 2015 the facility has not requisitioned any of these loan funds.

Note 8: Net Patient Service Revenue

The facility has agreements with third-party payors that provide for payment to the facility at amounts different from its established rates. A summary of the payment arrangements with major third party payors follows:

Medicare - Inpatient acute care services, outpatient services and nonacute inpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The facility is paid for inpatient senior care psychiatric services based on prospectively determined rates. The facility is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the facility and audits thereof by the Medicare fiscal intermediary. The facility's Medicare cost reports have been audited by the Medicare fiscal intermediary through September 30, 2012.

Medicaid - Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The facility is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the facility and audits thereof by the Medicaid fiscal intermediary. The facility is reimbursed for outpatient services under a cost reimbursement methodology that is updated annually. Nursing home services are reimbursed under a cost based case mix reimbursement system.

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 8: Net Patient Service Revenue (Continued)

Medicaid Upper Payment Limit Payments and Medicaid Disproportionate Share Payments - The hospital received Medicaid upper payment limit and Medicaid disproportionate share payments of \$1,301,844 for the year ended September 30, 2015, and \$1,675,157 for the year ended September 30, 2014.

The Medicaid upper payment limit program is a program whereby the hospital qualifies for upper payment limit funds in addition to regular funds. The Division of Medicaid administers the upper payment limit program and the continuation of the program rests with the federal government. The Mississippi Division of Medicaid controls the disproportionate share program and the continuation of the program rest with the agency.

Note 9: Lease Commitments

The facility leases major movable equipment under operating leases expiring at various dates. Future minimum pending lease payments are as follows:

<u>Year Ended September 30,</u>	
2016	\$ 3,028

Rental expense under all operating leases for the years ended September 30, 2015 and 2014 was \$302,470 and \$312,730, respectively.

Note 10: Concentrations of Credit Risk

The facility grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2015 and 2014, were as follows:

	<u>2015</u>	<u>2014</u>
Medicare	35%	37%
Medicaid	13%	16%
Patients and other third-party payors	52%	47%
	<u>100%</u>	<u>100%</u>

The facility has funds invested in the Mississippi Hospital Association pool investment program which are not collateralized. However, the funds are invested in accordance with Section 27-105-365 Miss. Code Ann. (1972).

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 11: Management Agreement

On October 1, 2000, the facility entered into a management agreement, including key personnel, with North Mississippi Management Services, Inc. The annual expenses for the services were \$338,767 and \$331,504 for the years ended September 30, 2015 and 2014, respectively.

In addition to the management services expense, the facility purchased other services and leases equipment from various companies associated with North Mississippi Management Services, Inc., of \$320,295 and \$294,317 for the years ended September 30, 2015 and 2014, respectively. The amount due to NMMS and associated companies was \$17,967 and \$37,537 as of September 30, 2015 and 2014, respectively.

Note 12: Retirement Plan

The facility, through the Public Employees' Retirement System of Mississippi (PERS), offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all facility employees, permits them to defer a portion of their salary until future years. The facility offers a voluntary match plan of deferred compensation for employees with one year of service through the Mississippi Public Employees' Retirement Systems. The facility will match up to three percent of the employee's contribution. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The total employee contribution to the deferred compensation plan for the years ended September 30, 2015 and 2014, amounted to \$186,529 and \$194,694, respectively. The total deferred compensation expense incurred by the facility for the years ended September 30, 2015 and 2014, amounted to \$113,234 and \$117,790, respectively.

Note 13: Litigation

The hospital is a defendant in lawsuits arising from normal business activities. Management and attorneys for the facility do not expect any significant liability to result from these matters in excess of the insurance coverage.

Note 14: Other Assets

Included in Other Assets on the balance sheets is an investment in the Healthcare Providers Insurance Company. The Hospital is a subscriber in the insurance company. The amount of the hospital's investment was \$229,633 for 2015 and \$229,633 for 2014. The hospital has elected to report this investment at cost since there is not a market for the ownership interest in the company.

CALHOUN HEALTH SERVICES
Notes to Financial Statements

Note 15: Subsequent Events Review

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 Calhoun Health Services evaluated the activity of the hospital through March 15, 2016, (the date the financial statements were available to be issued), and determined that there were no subsequent events with the exception of the subsequent events disclosed in the following paragraphs requiring disclosures in the notes to financial statements.

On December 15, 2015, the Calhoun County Board of Supervisors and the Calhoun City Board of Aldermen, the owners of the Calhoun Health Services, issued a Request For Proposals (RFP) for long term lease of the hospital and nursing home from interested parties experienced in the operation of critical access hospitals and nursing homes. Two proposals were submitted in response to the RFP. The Boards selected Baptist Health Systems' proposal. Counsel is now working with Baptist Health Systems concerning the preparation of a letter of intent and subsequent lease of the hospital and nursing home. The Board of Supervisors and the Board of Aldermen have not executed the letter of intent or the subsequent lease.

On December 29, 2015, Calhoun Health Services entered into a contract for the construction of a multi-purpose building. Estimated cost is approximately \$2,570,000 with an expected completion date of December 2016. See Note 7 Commitment Under Loan Agreement regarding the financing of the multi-purpose building. The multi-purpose building will be used for the ambulance department, rehabilitation services, and administration.

REQUIRED SUPPLEMENTARY INFORMATION

CALHOUN COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

General Fund

For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 2,685,190	2,757,244	3,144,287	387,043
Licenses, commissions and other revenue	51,000	51,000	48,192	(2,808)
Fines and forfeitures	280,000	280,000	322,406	42,406
Intergovernmental revenues	450,000	450,000	723,918	273,918
Charges for services	27,000	27,000	32,930	5,930
Interest income	7,500	7,500	2,053	(5,447)
Miscellaneous revenues	50,000	60,114	180,464	120,350
Total Revenues	<u>3,550,690</u>	<u>3,632,858</u>	<u>4,454,250</u>	<u>821,392</u>
Expenditures				
Current:				
General government	2,930,155	2,902,502	2,874,251	28,251
Public safety	898,992	902,332	897,764	4,568
Health and Welfare	150,651	157,081	155,948	1,133
Culture & Recreation	1,000	100		100
Education	208,702	168,702	164,463	4,239
Conservation of natural resources	76,460	78,410	77,222	1,188
Economic development and assistance	19,730	19,730	18,086	1,644
Total Expenditures	<u>4,285,690</u>	<u>4,228,857</u>	<u>4,187,734</u>	<u>41,123</u>
Excess of Revenues Over (Under) Expenditures	<u>(735,000)</u>	<u>(595,999)</u>	<u>266,516</u>	<u>(862,515)</u>
Other Financing Sources (Uses)				
Transfers in	800,000	800,000	60,176	(739,824)
Transfers out	<u>(65,000)</u>	<u>(204,001)</u>	<u>(350,272)</u>	<u>(146,271)</u>
Total Other Financing Sources (Uses)	<u>735,000</u>	<u>595,999</u>	<u>(290,096)</u>	<u>(886,095)</u>
Net Changes in Fund Balance	<u>-</u>	<u>-</u>	<u>(23,580)</u>	<u>(23,580)</u>
Fund Balances - Beginning	<u>1,023,007</u>	<u>1,023,007</u>	<u>1,023,007</u>	<u>-</u>
Fund Balances - Ending	\$ <u><u>1,023,007</u></u>	<u><u>1,023,007</u></u>	<u><u>999,427</u></u>	<u><u>(23,580)</u></u>

The accompanying notes to the required supplementary information are an integral part of this statement.

CALHOUN COUNTY, MISSISSIPPI

Budgetary Comparison Schedule -

Budget and Actual (Non-GAAP Basis)

State Aid Fund

For the Year Ended September 30, 2015

		Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues					
Intergovernmental revenues	\$	70,000	148,360	146,980	(1,380)
Total Revenues		<u>70,000</u>	<u>148,360</u>	<u>146,980</u>	<u>(1,380)</u>
Expenditures					
Current:					
Public Works		70,000	148,360	148,359	1
Total Expenditures		<u>70,000</u>	<u>148,360</u>	<u>148,359</u>	<u>1</u>
Net Changes in Fund Balance		<u>-</u>	<u>-</u>	<u>(1,379)</u>	<u>(1,379)</u>
Fund Balances - Beginning		<u>38,040</u>	<u>38,040</u>	<u>38,040</u>	<u>-</u>
Fund Balances - Ending	\$	<u><u>38,040</u></u>	<u><u>38,040</u></u>	<u><u>36,661</u></u>	<u><u>(1,379)</u></u>

The accompanying notes to the required supplementary information are an integral part of this statement.

CALHOUN COUNTY, MISSISSIPPI

Schedule of the County's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	<u>2015</u>	
County's proportion of the net pension liability (asset)	\$ 5,303,186	
County's proportionate share of the new pension liability (asset)	0.034307	%
County's covered-employee payroll	2,142,181	
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.56	%
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 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the entity has only presented information for the years in which information was available.

The notes to the required supplementary information are an integral part of this schedule.

CALHOUN COUNTY, MISSISSIPPI
Schedule of the County's Contributions
PERS
Last 10 Fiscal Years

	<u>2015</u>
Contractually required contribution	\$ 341,593
Contributions in relation to the contractually required contribution	<u>341,593</u>
Contribution deficiency (excess)	\$ <u><u>0</u></u>
County covered-employee payroll	\$ 2,168,819
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 68 was implemented in FYE 9/30/15, and until a full 10-year trend is compiled, the entity has only presented information for the years in which information was available.

The notes to the required supplementary information are an integral part of this schedule

Calhoun County, Mississippi

Notes to the Required Supplementary Information For the year ended September 30, 2015

Notes to the Required Supplementary Information

(1) 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 and Tax Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

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

B. Basis of Presentation.

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

Calhoun County, Mississippi

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

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund each major special revenue fund:

	<u>Governmental Fund Types</u>	
	General Fund	State Aid Fund
Budget (Cash Basis)	\$ (23,580)	(1,379)
Increase (Decrease)		
Net adjustments for revenue accruals	(51,324)	1,961
Net adjustments for expenditure accruals	(4,328)	(5,496)
GAAP Basis	<u>\$ (79,232)</u>	<u>(4,914)</u>

(2) Pension Schedules

A. Change in Benefit Terms

None

B. Change of Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Health 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.

OTHER INFORMATION

CALHOUN COUNTY, MISSISSIPPI

Schedule of Surety Bonds for County Officials

For the Year Ended September 30, 2015

UNAUDITED

Name	Position	Company	Bond
Earnest M Fox	Supervisor District 1	Western Surety Company	\$100,000
James Brooks Rodger, Jr.	Supervisor District 2	FCCI Insurance Company	\$125,000
David Gwin Longest	Supervisor District 3	FCCI Insurance Company	\$100,000
Barney J. Wade	Supervisor District 4	Western Surety Company	\$100,000
Tony Morgan	Supervisor District 5	Western Surety Company	\$100,000
Romona Tillman	Chancery Clerk	Western Surety Company	\$100,000
Sheryl Flemming	Purchase Clerk	Western Surety Company	\$75,000
Jenny Hill	Purchase Clerk	Western Surety Company	\$75,000
Romona Tillman	Receiving Clerk	Western Surety Company	\$75,000
Patricia Patterson	Receiving Clerk	Western Surety Company	\$10,000
Charles W. Jones	Receiving Clerk	Western Surety Company	\$10,000
Tony Moore	Receiving Clerk	RLI Insurance	\$10,000
Graig Gillis	Receiving Clerk	RLI Insurance	\$10,000
Barney McFall	Receiving Clerk	Western Surety Company	\$10,000
Larry D Bailey	Receiving Clerk	Western Surety Company	\$10,000
Cassie F Bryant	Inventory Control Clerk	Western Surety Company	\$75,000
Benny R Langford	Constable	Western Surety Company	\$25,000
James Vanlandingham	Constable	FCCI Insurance Company	\$25,000
Carlton Baker	Circuit Clerk	State Farm	\$100,000
L. Sinatra Cruthirds	Deputy Circuit Clerk	Western Surety Company	\$75,000
Penny D Nichols	Deputy Circuit Clerk	Western Surety Company	\$75,000
Dominique Shaw	Deputy Circuit Clerk	Western Surety Company	\$75,000
Deborah Harrelson	Deputy Circuit Clerk	Western Surety Company	\$75,000
Greg Pollan	Sheriff	Western Surety Company	\$100,000
Jim vance	Justice Court Judge	Western Surety Company	\$10,000
Markial Scott Ferguson	Justice Court Judge	Western Surety Company	\$10,000
Tracie McGuiert	Justice Court Clerk	Western Surety Company	\$50,000
Teresa Warner	Deputy Justice Court Clerk	Western Surety Company	\$50,000
Billie K Malone	Tax Assessor-Collector	Travelers	\$100,000
Shelia Winter	Deputy Tax Assessor-Collector	Western Surety Company	\$10,000
Sherry Hardin White	Deputy Tax Assessor-Collector	Western Surety Company	\$50,000
Peggy Neese	Deputy Tax Assessor-Collector	Western Surety Company	\$50,000
Wanda Harrison	Deputy Tax Assessor-Collector	Western Surety Company	\$50,000

SPECIAL REPORTS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Members of the Board of Supervisors

Calhoun County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Calhoun County, Mississippi, 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 January 18, 2017. Our report includes a reference to other auditors. Other auditors audited the financial statements of the Calhoun County Health Services, as described in our audit on Calhoun County, Mississippi's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as Findings 2015-001, 2015-002, 2015-003 and 2015-004 that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calhoun 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as Finding 2015-001.

We also noted certain matters which we have reported to the management of the Calhoun 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 January 18, 2018, included within this document.

Calhoun County's Responses to Findings

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard PC
January 18, 2018

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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
Calhoun County, Mississippi

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

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Calhoun 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 instance of noncompliance with the aforementioned code sections. This instance of noncompliance was considered in forming our opinion on compliance. Our finding and recommendation and your response is disclosed below:

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Inventory Control Clerk.

1. Capital asset records were not maintained during the fiscal year.

Finding:

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish county assets from one another, thereby safeguarding county assets from loss or misappropriation. The information is also very important to the financial reporting process. Numerous errors in the capital asset records were caused by failure to implement internal control procedures to ensure that all items are recorded, valued properly, and classified properly in the county's capital asset records. As reported in the prior two years' audit reports, deficiencies were noted in the capital asset records. These deficiencies are repeated from the prior period audit report due to the capital assets not being maintained in fiscal year 2014:

- A. The County does not maintain a depreciation schedule within their inventory system. Discrepancies such as the following were noted between the County's inventory system and the depreciation schedule provided to the auditors:
 - 1. Asset classifications such as construction in progress, infrastructure, improvements and leased property under capital leases are not maintained on the County's inventory system.
 - 2. Several items listed on the depreciation schedule are not listed on the County's inventory system.
 - 3. Several items listed on the County's inventory system are not listed on the depreciation schedule despite still being in use by the County.

Recommendation:

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified properly in the County's capital asset records. The information listed in the County's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete. Audit adjustments have been proposed to management to correct these discrepancies. They have been made to the financial statements with management's approval.

Inventory Control Clerk's Response:

I will comply.

In our opinion, because of the non compliance referred in the preceding paragraph, Calhoun County, Mississippi, did not comply, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 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 of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

Calhoun County, Mississippi's responses to the finding included in this report was not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating Calhoun 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 18, 2018

Certified Public Accountants

Calhoun County, Mississippi

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2015

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

Calhoun County, Mississippi
Schedule of Emergency Purchases
For the Year Ended September 30, 2015

Schedule 2

Our test results did not identify any emergency purchases.

Calhoun County, Mississippi

Schedule 3

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

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

LIMITED INTERNAL CONTROL
AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Calhoun County, Mississippi

In planning and performing our audit of the financial statements of Calhoun County, Mississippi for the year ended September 30, 2015, we considered Calhoun 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 Calhoun 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 January 18, 2018, on the financial statements of Calhoun 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 the internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain instances of noncompliance with state laws and regulations that are opportunities for strengthening internal control and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Board of Supervisors.

1. Calhoun County Should Establish and Test a Disaster Recovery Process.

Criteria:

Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions.

Condition:

As reported in the prior two years' audit, the County has not established a disaster recovery process.

Cause:

Calhoun County is currently using an automated system to perform daily back-ups of the AS400, but is not restoring such files as part of a formal, documented disaster recovery exercise.

Effect:

As a result, Calhoun County cannot fully ensure that the County's information systems can be restored in a timely manner.

Recommendation:

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

Board of Supervisors' Response:

The County is coordinating the disaster recovery plan with Three Rivers Planning and Development District.

2. Calhoun County should perform a network security assessment.

Criteria:

Best business practices as well as standards for information technology provide various guidelines for frequency and criteria for performing network reviews. The Mississippi

Enterprise Security Policy requires network reviews be performed, at minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets. Examples of such change criteria would be:

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

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems.

Condition:

As reported in the prior year audit report, factors noted during the Information Technology General Control (ITGC) assessment at the County indicate a network assessment is warranted.

Cause:

Lack of a good monitoring system as part of the controls surrounding information technology.

Effect:

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

Recommendation:

It is recommended that the County perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data

assets should be considered when determining the exact scope of the network review to be performed. This review should consist of risk assessments, vulnerability scans and penetration tests. These type tests should be conducted by qualified personnel that specialize in such assessments.

Board of Supervisor's Response:

The County will comply.

3. Calhoun County Should Implement a Formal Information Security Policy.

Criteria:

A robust set of information technology policies should cover at least the following areas:

1. Acceptable Use
2. Portable Computing
3. Change Management
4. Encryption
5. Security Incident Response
6. Risk Management
7. Backup and Recovery
8. Business Continuity/Disaster Recovery

Condition:

As reported in the prior 2 years' audit reports, the County has not adopted a formal Information Security Policy or Enterprise Security Plan.

Cause:

Lack of a robust documented information security plan.

Effect:

The County is in noncompliance with industry standards by not having a documented formal plan.

Recommendation:

We recommend that Calhoun County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by the County Board of Supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

Board of Supervisors' Response:

The County will comply.

4. Calhoun County should perform periodic access reviews.

Criteria:

A strong and effective system of internal control includes control activities, which implies there should be a strong security system.

Condition:

As noted in the prior years' audit report, the County does not have a formal process for removing logical access for terminated employees. Also noted, the County does not periodically review the levels of access that active users have and determine if the access is appropriate.

Cause:

Lack of a formal process in place.

Effect:

The County may be in danger of granting access to individual who should not have access to County's records.

Recommendation:

We recommend that Calhoun County implement a periodic review of logical access for all individual users.

Board of Supervisors' Response:

The County will comply.

5. Calhoun County Needs to Replace Obsolete Computer Hardware and Software.

Criteria:

Appropriate hardware and software.

Condition:

Calhoun County is running operating systems as well as applications on some of its personal computers (PCs) that might not be supported by vendors.

Cause:

Lack of operating systems that are up to date.

Effect:

Due to lack of such support, these systems could become vulnerable to hackers and malware such as viruses.

Recommendation:

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

Board of Supervisors' Response:

The County has been replacing these assets as budget allows and will continue to do so.

Tax Assessor-Collector

6. The Tax Assessor-Collector should settle collections timely.

Criteria:

Section 27-29-11, Miss. Code Ann. (1972) requires the Tax Collector to make reports, in writing, verified by affidavit, on the first day of each month or within twenty (20) days thereafter, to the Clerk of the Board of Supervisors, of all taxes collected during the preceding month for the County.

Condition:

During the fiscal year audited, the Tax Collector did not settle three months of collections within 20 days after the end of the month in which they were collected.

Cause:

Lack of controls to ensure proper settlement of collections in a timely manner.

Effect:

The failure to settle all collections in a timely manner could result in the loss or misappropriation of public funds.

Recommendation:

The Tax Assessor-Collector should settle all collections within 20 days of the end of the prior month thereafter.

Tax Assessor-Collector's Response:

I will comply.

Receiving Clerk

7. Receiving Clerk should ensure that proper bonds are obtained.

Criteria:

Section 31-7-124, Miss. Code Ann. (1972) states all assistant purchasing, receiving and inventory control clerks shall be bonded in a penalty not less than fifty thousand dollars (\$50,000).

Condition:

Five officials listed as receiving clerks are all bonded for \$10,000.

Cause:

Unknown.

Effect:

Failure to follow state law regarding bonding requirements could limit the amount of recovery in case of errors or fraud if occurred over multiple terms.

Recommendation:

The Receiving Clerk should properly bond all officials for the minimum amount as listed in the statute.

Receiving Clerk's Response:

The Receiving Clerk currently bonds all officials properly and started doing so upon being informed by the auditor in 2016.

Justice Clerk

8. Justice Clerk should ensure that proper bonds are obtained for justice court judges.

Criteria:

Section 9-11-7, Miss. Code Ann. (1972) states that every person elected a justice court, before he enters on the duties of the office, and give bond, with sufficient surety, to be payable, conditioned and approved as provided by law and in the same manner as other county officers, in a penalty not less than Fifty Thousand Dollars (\$ 50,000).

Condition:

Two Justice Court Judges were bonded for \$10,000 each.

Cause:

Unknown.

Effect:

Failure to properly bond the listed officials would limit the amount available for recovery if a loss occurred.

Recommendation:

We recommend that the Justice Clerk properly bond all Justice Court Judges for the minimum amount listed in the statute.

Justice Clerk's Response:

The Justice Clerk currently bonds all officials properly and started doing so upon being informed by the auditor in 2016.

Sheriff

9. Sheriff should ensure that proper bonds are obtained for constables.

Criteria:

Section 19-19-3, Miss. Code Ann. states that constables shall take the oath of office prescribed by the Constitution and give bond, with sufficient surety, to be payable,

conditioned and approved as provided by law and in the same manner as other county officials, in a penalty not less than Fifty Thousand Dollars (\$ 50,000.00).

Condition:

Two Constables were bonded for \$25,000 each, not statutory minimum of \$50,000.

Cause:

Unknown.

Effect:

Failure to properly bond the two constables would limit the amount available for recovery if a loss occurred.

Recommendation:

We recommend that the Sheriff properly bond all officials for the minimum amount as listed in the applicable statute.

Sheriff's Response:

The Sheriff currently bonds all officials properly and started doing so upon being informed by the auditor in 2016.

Calhoun 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.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 18, 2018

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

Calhoun County, Mississippi

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

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
 - a. Material weaknesses identified? Yes.
 - b. Significant deficiency identified? None reported.
3. Noncompliance material to financial statements noted? Yes.

Section II: Financial Statement Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Board of Supervisors

Material Weaknesses and Material Non Compliance

2015 - 001 - Calhoun County should implement controls to ensure tax levies are within imposed statutory limits.

Criteria:

Section 19-9-109, Miss. Code Ann. (1972) states that in order to fund such expenditures as may arise pursuant to the authority granted by Section 19-5-97 to Boards of Supervisors of any county to purchase, operate, and maintain fire trucks and other firefighting equipment, such Boards of Supervisors are empowered to levy an annual ad valorem tax not to exceed one-fourth (1/4) of one mill tax levy.

Condition:

As reported in the prior two audit report, the tax levy adopted by the Board of Supervisors for fiscal year 2013 through 2015 included a 1.00 mill tax levy for fire protection services under the authority of the above referenced statute.

Cause:

Improper citation of state statute.

Effect:

This adoption resulted in the collection of \$56,229 of ad valorem taxes in excess of the statutory limit and places the County in violation of the state statute for fiscal year 2015. Additionally, for fiscal years 2013 and 2014, \$42,001 and \$43,193, respectively of ad valorem taxes in excess of the statutory limit was collected.

Recommendation:

The Board of Supervisors should establish internal controls to ensure all tax levies are within prescribed statutory limits.

Response:

Acknowledged. The statute that was cited was erroneous. The tax that was levied was actually allowed under Section 83-1-39 (County Volunteer Fire Department Fund) as was intended by the Board of Supervisors. This erroneous cite was corrected for the current budget (fiscal year 2017).

Tax Assessor-Collector

Material Weakness

Finding 2015 - 002 - Controls over cash collections and disbursements in the Tax Assessor/Collector's office should be strengthened.

Criteria:

An effective system of internal control over cash should include an adequate segregation of duties.

Condition:

As reported in the prior period audit, it was noted that cash collection and disbursement functions in the Tax Assessor-Collector's office are not adequately segregated for effective internal control and therefore, controls over cash are inadequate.

Cause:

Deficiencies noted include:

1. Bookkeeper adds receipts to check-up daily collections, prepares the deposit slip and physically carries the deposit to the bank.
2. Bookkeeper post receipts to the computer for real, personal, mobile homes, public utility and garbage collections from manual receipts prepared by the Tax Assessor-Collector and deputy tax collectors after reconciling cash to the daily sheets.

3. Daily collections are given to the bookkeeper at 5:00 PM each day and cash is locked in a filing cabinet until the deposit is made.
4. Deposits are not made on a daily basis.
5. Bookkeeper posts all transactions, daily collections and settlements to the manual cash journal.
6. Bookkeeper prepares settlements and posts them to the cash journal. Tax Assessor-Collector usually signs the checks for settlement. However, the bookkeeper is also an authorized signor on the bank account.
7. Bookkeeper reconciles the bank statements.
8. As of September 30, 2015, the Tax Assessor-Collector's cash journal is reporting an unidentified cash shortage of \$24,289.
9. A cash count performed October 1, 2015 during a previous audit resulted in a cash shortage of \$39,961.46.
10. Bookkeeper reconciles the land sale listing from the computer to the real property receipts for the August land sale.
11. Bookkeeper writes the receipts, collects the cash and posts receipts to the computer for the August land sale.
12. Legislative tag credit is not properly posted to the cash journal.
13. Some real property tax collections are not listed on the daily manual cash sheet, recorded in the cash journal, deposited into the bank account or included on the monthly settlement report.

Effect:

Failure to implement controls over cash in the Tax Assessor-Collector's office could result in the loss or misappropriation of public funds.

Recommendation:

The Tax Assessor-Collector should ensure there is adequate segregation of duties in the receipting/collecting, recording and settlement functions, as well as implement a system to properly safeguard cash collections. The Tax Assessor-Collector should make restitution in the amount of the shortage noted in the cash journal as of September 30, 2015.

Management's Response:

The Tax Assessor-Collector will comply.

Auditor's Note:

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

Justice Court Clerk

Material Weakness

Finding 2015 - 003 - Controls over cash collections and disbursements in the Justice Court Clerk's office should be strengthened.

Criteria:

An effective system of internal control over cash should include an adequate segregation of duties.

Condition:

As reported in the prior period audit, it was noted that cash collection and disbursement functions in the Justice Court Clerk's office are not adequately segregated for effective internal control and therefore, controls over cash are inadequate.

Cause:

The Justice Court Clerk receipts cash, prepares all bank deposits, maintains the cash journals, reconciles the bank statements, calculates the monthly settlements and disburses all funds.

Effect/Possible Effect:

Failure to implement controls over cash in the Justice Court Clerk's office could result in the loss or misappropriation of public funds.

Recommendation:

The Justice Court Clerk should ensure there is adequate segregation of duties in the collecting, recording and settlement functions.

Management's Response:

The Justice Court Clerk will comply.

Inventory Control Clerk

Material Weakness

Finding 2015 - 004 - Capital asset records were not maintained during the fiscal year.

Criteria:

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. An effective system of internal control over capital assets requires that certain data elements be captured in capital asset records for all capital assets. Required data elements include descriptions of assets, costs, locations, acquisition dates, disposition dates, methods of disposition, and other relevant information. The presence of these data elements in capital asset records help identify and distinguish County assets from one another, thereby safeguarding County assets from loss or misappropriation. The information is also very important to the financial reporting process.

Condition:

As reported in the prior three years' audit reports, deficiencies were noted in the capital asset records. These deficiencies are repeated from the prior period audit report due to the capital assets not being maintained in fiscal year 2015:

1. The County does not maintain a depreciation schedule within their inventory system. Discrepancies such as the following were noted between the County's inventory system and the depreciation schedule provided to the auditors:
 - a. Asset classifications such as construction in progress, infrastructure, improvements and leased property under capital leases are not maintained on the County's inventory system.
 - b. Several items listed on the depreciation schedule are not listed on the County's inventory system.
 - c. Several items listed on the County's inventory system are not listed on the depreciation schedule despite still being in use by the County.

Cause:

These errors in the capital asset records were caused by failure to implement internal control procedures to ensure that all items are recorded, valued properly, and classified properly in the County's capital asset records.

Effect/Possible Effect:

Failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

Recommendation:

The Inventory Control Clerk should implement appropriate control procedures to ensure that all items are recorded, valued properly and classified properly in the County's capital asset records. The information listed in the County's capital asset records should be reconciled by all involved department heads through an annual inventory to ensure records are accurate and complete. Audit adjustments have been proposed to management to correct these discrepancies. They have been made to the financial statements with management's approval.

Management's Response:

I will comply.