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ITAWAMBA COUNTY

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

ITAWAMBA COUNTY

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SHOEMAKER — & CO. —

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

Members of the Board of Supervisors
Itawamba County, Mississippi

Dear Board Members:

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

I appreciate the cooperation and courtesy extended by the officials and employees of Itawamba County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Itawamba County. If I can be of any further assistance, please contact me at (601) 397-4419.

Respectfully submitted,



SHOEMAKER & COMPANY, CPA PLLC
December 11, 2018

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ITAWAMBA COUNTY

FINANCIAL SECTION

ITAWAMBA COUNTY

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SHOEMAKER — & CO. —

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

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

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the

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financial position of the aggregate discretely presented component units of Itawamba County, Mississippi, as of September 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the Governmental Activities

Management did not maintain adequate subsidiary records documenting the completeness and valuation of all capital assets. The financial statements do not include the donation of a railroad to the County in the prior year. Donated capital assets should be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Management did not include the railroad in the County's capital assets or provide documentation to support the estimated fair value of the railroad at the time of acquisition. The amount by which the omission of donation of this capital asset would affect the assets, net position and revenues of the governmental activities is not reasonably determinable.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion on the Governmental Activities" paragraphs, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the Governmental Activities of Itawamba County, Mississippi, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinion on the General Fund

Management was not able to document the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable as of September 30, 2015. If fines receivable were properly documented and recorded, an adjustment to the assets, deferred inflows and fund balances may be required. The amounts recorded in the Balance Sheet – Governmental Funds were estimates provided by the county, and we were not able to determine the accuracy of these estimates.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion on the General Fund" paragraphs, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the General Fund of Itawamba County, Mississippi, as of September 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities, 2014 tornado fund, nursing home fund, countywide road maintenance fund, 2014 bond fund, solid waste fund and the aggregate remaining fund information of Itawamba 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 the Budgetary Comparison Schedules and corresponding notes be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Omitted Required Supplementary Information

Itawamba County 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 (GASB) who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operations, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, on our consideration of Itawamba 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 Itawamba County, Mississippi's internal control over financial reporting and compliance.

Shoemaker and Company

SHOEMAKER & COMPANY, CPA PLLC
December 11, 2018

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

FINANCIAL STATEMENTS

ITAWAMBA COUNTY

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ITAWAMBA COUNTY
Statement of Net Position
September 30, 2015

Exhibit 1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 7,480,460	452,318	7,932,778
Property tax receivable	6,086,821		6,086,821
Accounts receivable (net of allowance for uncollectibles of \$742,952)		196,807	-
Fines receivable (net of allowance for uncollectibles of \$701,531)	213,627		-
Operating lease receivable	20,535		20,535
Intergovernmental receivables	212,514	5,138	217,652
Other receivables	50,659		50,659
Internal balances	71,679	(71,679)	-
Prepaid items	185,008		185,008
Capital assets:			
Land and construction in progress	7,194,377		7,194,377
Other capital assets, net	17,804,534	228,531	18,033,065
Total Assets	39,320,214	811,115	40,131,329
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount on refunding	102,517		102,517
Deferred outflows related to pensions	1,366,429	151,825	1,518,254
Total deferred outflows of resources	1,468,946	151,825	1,620,771
LIABILITIES			
Accounts payable	909,969		909,969
Claims payable		60,080	60,080
Intergovernmental payables	322,292		322,292
Accrued interest payable	43,754		43,754
Unearned revenue		100,910	100,910
Other payables	35,669		35,669
Amounts held in custody for others	5,897		5,897
Long-term liabilities			
Net pension liability	7,047,099	783,011	7,830,110
Due within one year:			
Capital debt	1,408,057	143,109	1,551,166
Due in more than one year:			
Capital debt	7,346,711	57,833	7,404,544
Non-capital debt	194,628	20,441	215,069
Total Liabilities	17,314,076	1,165,384	18,479,460
DEFERRED INFLOWS OF RESOURCES			
Property taxes for future reporting periods	6,086,821		6,086,821
Total deferred inflows of resources	6,086,821	-	6,086,821
NET POSITION			
Net investment in capital assets	16,346,660	27,589	16,374,249
Restricted for:			
General government	80,713		80,713
Debt service	179,366		179,366
Public safety	996,650		996,650
Public works	1,575,548	(230,033)	1,345,515
Health and welfare	1,984,066		1,984,066
Economic development	515,972		515,972
Unrestricted	(4,290,712)		(4,290,712)
Total Net Position	\$ 17,388,263	(202,444)	17,185,819

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,548,377	569,822	13,407	21,765	(2,943,383)		(2,943,383)
Public safety	1,713,933	611,373	106,893	12,815	(982,852)		(982,852)
Public works	4,613,308		533,428		(4,079,880)		(4,079,880)
Health and welfare	168,439		13,265		(155,174)		(155,174)
Culture and recreation	93,555				(93,555)		(93,555)
Conservation of natural resources	119,986				(119,986)		(119,986)
Economic development and assistance	303,877				(303,877)		(303,877)
Interest on long-term debt	185,094				(185,094)		(185,094)
Pension expense	862,240				(862,240)		(862,240)
Total Governmental Activities	11,608,809	1,181,195	666,993	34,580	(9,726,041)		(9,726,041)
Business-type activities:							
Solid waste	1,155,807	1,275,911				120,104	120,104
Total Business-type Activities	1,155,807	1,275,911	-	-		120,104	120,104
Total Primary Government	\$ 12,764,616	2,457,106	666,993	34,580	(9,726,041)	120,104	(9,605,937)
General revenues:							
Property taxes					\$ 5,769,239		5,769,239
Road & bridge privilege taxes					312,515		312,515
Grants and contributions not restricted to specific programs					805,753		805,753
Unrestricted gifts and donations							-
Unrestricted interest income					43,065	438	43,503
Miscellaneous					(360,474)	6,153	(354,321)
Total General Revenues					6,570,098	6,591	6,576,689
Changes in Net Position					(3,155,943)	126,695	(3,029,248)
Net Position - Beginning					25,876,367	257,369	26,133,736
Prior period adjustment					(5,332,161)	(586,508)	(5,918,669)
Net Position - Beginning, as restated					20,544,206	(329,139)	20,215,067
Net Position - Ending					\$ 17,388,263	(202,444)	17,185,819

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

ITAWAMBA COUNTY
Balance Sheet - Governmental Funds
September 30, 2015

Exhibit 3

	<u>Major Funds</u>					<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>2014 Tornado</u>	<u>Nursing Home</u>	<u>Countywide Road</u>	<u>2014 Bond</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Maintenance</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS							
Cash	\$ 1,416,205	351,527	1,862,814	1,179,881	796,419	1,873,614	7,480,460
Property tax receivable	3,601,000			905,837		1,579,984	6,086,821
Fines receivable (net of allowance for uncollectibles of \$701,531)	213,627						213,627
Intergovernmental receivables	160,640			51,874			212,514
Other receivables	2,761		25,252	126		20,824	48,963
Operating lease receivable						20,535	20,535
Due from other funds	25,653			59,721		58,052	143,426
Advances to other funds	308,241		96,000	790		27,914	432,945
Total Assets	\$ 5,728,127	351,527	1,984,066	2,198,229	796,419	3,580,923	14,639,291
LIABILITIES							
Liabilities:							
Claims payable	\$ 195,243			397,148	157,176	160,402	909,969
Intergovernmental payables	322,292						322,292
Due to other funds	117,773						117,773
Advances from other funds	71,210			615		313,398	385,223
Other payables	35,669						35,669
Amounts held in custody for others	5,897						5,897
Claims and judgments payable							-
Total Liabilities	\$ 748,084	-	-	397,763	157,176	473,800	1,776,823
DEFERRED INFLOWS OF RESOURCES:							
Unavailable revenue - property taxes	\$ 3,601,000			905,837		1,579,984	6,086,821
Unavailable revenue - operating lease receivable						20,535	20,535
Unavailable revenue - fines receivable	213,627						213,627
Total deferred inflows of resources	\$ 3,814,627	-	-	905,837	-	1,600,519	6,320,983
Fund balances:							
Nonspendable:							
Advances	\$ 308,241						308,241
Restricted for:							
General government						80,713	80,713
Public safety		351,527				645,123	996,650
Public works				894,629	639,243	41,676	1,575,548
Health and welfare			1,984,066				1,984,066
Economic development and assistance						515,972	515,972
Debt service						223,120	223,120
Unassigned	857,175						857,175
Total Fund Balances	\$ 1,165,416	351,527	1,984,066	894,629	639,243	1,506,604	6,541,485
Total Liabilities, Deferred Inflows and Fund Balances	\$ 5,728,127	351,527	1,984,066	2,198,229	796,419	3,580,923	14,639,291

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

ITAWAMBA COUNTY

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

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,541,485
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$13,460,874.	24,998,911
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Fines receivable	213,627
Operating lease receivable	20,535
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(8,949,396)
Deferred amount on refunding	102,517
Prepaid insurance	185,008
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(43,754)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(7,047,099)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows of resources related to pensions	<u>1,366,429</u>
Total Net Position - Governmental Activities	\$ <u><u>17,388,263</u></u>

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

ITAWAMBA COUNTY

Exhibit 4Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended September 30, 2015

	<u>Major Funds</u>					<u>Other</u>	<u>Total</u>
	<u>General</u>	<u>2014 Tornado</u>	<u>Nursing Home</u>	<u>Countywide Road</u>	<u>2014 Bond</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Maintenance</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
REVENUES							
Property taxes	\$ 3,439,187			810,613		1,519,439	5,769,239
Road and bridge privilege taxes				312,515			312,515
Licenses, commissions and other revenue	284,085					6,309	290,394
Fines and forfeitures	274,906					18,392	293,298
Special assessments				12,815			12,815
Intergovernmental revenues	893,815			704,403		120,300	1,718,518
Charges for services	73,967					245,772	319,739
Interest income	34,813	297	1,763	1,189	2,713	2,290	43,065
Miscellaneous revenues	366,575		274,093	45,546		239,682	925,896
Total Revenues	\$ 5,367,348	297	275,856	1,887,081	2,713	2,152,184	9,685,479
EXPENDITURES							
Current:							
General government	\$ 3,120,222	7,037				460,761	3,588,020
Public safety	1,527,004					174,460	1,701,464
Public works				2,010,137	2,368,186	374,558	4,752,881
Health and welfare	126,439		42,000				168,439
Culture and recreation	93,555						93,555
Conservation of natural resources	119,986						119,986
Economic development and assistance	168,521					67,236	235,757
Debt service:							
Principal	45,009	500,000		53,897		1,623,758	2,222,664
Interest	2,643			6,869		189,102	198,614
Bond issuance costs						9,300	9,300
Total Expenditures	\$ 5,203,379	507,037	42,000	2,070,903	2,368,186	2,899,175	13,090,680
Excess of Revenues over (under) Expenditures	\$ 163,969	(506,740)	233,856	(183,822)	(2,365,473)	(746,991)	(3,405,201)
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued	\$ 83,817						83,817
Transfers in						1,580,306	1,580,306
Transfers out	(131,943)		(50,000)	(4,021)	(500,000)	(894,342)	(1,580,306)
Total Other Financing Sources and Uses	\$ (48,126)	-	(50,000)	(4,021)	(500,000)	685,964	83,817
Net Changes in Fund Balances	\$ 115,843	(506,740)	183,856	(187,843)	(2,865,473)	(61,027)	(3,321,384)
Fund Balances - Beginning	1,049,573	858,267	1,800,210	1,082,472	3,504,716	1,567,631	9,862,869
Fund Balances - Ending	\$ 1,165,416	351,527	1,984,066	894,629	639,243	1,506,604	6,541,485

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

ITAWAMBA COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
September 30, 2015

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (3,321,384)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$1,197,737 exceeded capital outlays of \$806,712 in the current period.	(391,025)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$1,212,515 in the current period.	(1,212,515)
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.	16,455
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$2,222,664 exceeded debt proceeds of \$83,817.	2,138,847
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:	
Increase in compensated absences	(42,079)
Decrease in accrued interest payable	22,820
Increase in prepaid insurance	709
Amortization of deferred charge on refunding	(22,044)
Amortization of bond discount	(4,648)
Amortization of bond premium	7,430
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current year	(862,240)
Recording of contributions made for the current year	513,731
Change in Net Position of Governmental Activities	\$ <u>(3,155,943)</u>

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

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

Exhibit 5

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Fund</u>
ASSETS	
Current assets:	
Cash	\$ 452,318
Accounts receivable (net of allowance for uncollectibles of \$742,952)	196,807
Intergovernmental receivables	5,138
Advances to other funds	43,121
Total Current Assets	<u>697,384</u>
Capital assets:	
Other capital assets, net	228,531
Total Noncurrent Assets	<u>228,531</u>
Total Assets	<u>925,915</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	<u>151,825</u>
LIABILITIES	
Current liabilities:	
Claims payable	60,080
Due to other funds	25,653
Advances from other funds	89,147
Unearned revenue	100,910
Capital debt:	
Capital leases payable	143,109
Total Current Liabilities	<u>418,899</u>
Noncurrent liabilities:	
Net pension liability	783,011
Capital debt:	
Capital leases payable	57,833
Non-capital debt:	
Compensated absences payable	20,441
Total Noncurrent Liabilities	<u>861,285</u>
NET POSITION	
Net investment in capital assets	27,589
Restricted for:	
Public works	(230,033)
Total Net Position	\$ <u><u>(202,444)</u></u>

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

ITAWAMBA COUNTY

Exhibit 6Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund
For the Year Ended September 30, 2015

		Business-type Activities - Enterprise Fund
		Solid Waste Fund
Operating Revenues		
Charges for services	\$	1,275,911
Miscellaneous		6,153
Total Operating Revenues		<u>1,282,064</u>
Operating Expenses		
Personal services		421,712
Contractual services		383,065
Materials and supplies		173,427
Depreciation expense		46,757
Indirect administrative cost		25,653
Pension expense		95,804
Total Operating Expenses		<u>1,146,418</u>
Operating Income (Loss)		<u>135,646</u>
Nonoperating Revenues (Expenses)		
Interest income		438
Interest expense		<u>(9,389)</u>
Net Nonoperating Revenue (Expenses)		<u>(8,951)</u>
Changes in Net Position		<u>126,695</u>
Net Position - Beginning, as previously reported		257,369
Prior period adjustment		<u>(586,508)</u>
Net Position - Beginning, as restated		<u>(329,139)</u>
Net Position - Ending	\$	<u><u>(202,444)</u></u>

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

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

Exhibit 7

	Business-type Activities - Enterprise Funds
	<u>Solid Waste Fund</u>
Cash Flows From Operating Activities	
Receipts from customers	\$ 1,257,107
Payments to suppliers	(556,215)
Payments to employees	(479,726)
Intergovernmental grants	<u>6,153</u>
Net Cash Provided (Used) by Operating Activities	<u>227,319</u>
Cash Flows From Capital and Related Financing Activities	
Principal paid on long-term debt	(74,963)
Interest paid on debt	<u>(9,389)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(84,352)</u>
Cash Flows From Investing Activities	
Interest on deposits	<u>438</u>
Net Cash Provided (Used) by Investing Activities	<u>438</u>
Net Increase (Decrease) in Cash and Cash Equivalents	143,405
Cash and Cash Equivalents at Beginning of Year	<u>308,913</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>452,318</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ <u>135,646</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	46,757
Provision for uncollectible accounts	224,211
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(276,622)
(Increase) decrease in intergovernmental receivables	(314)
(Increase) decrease in other receivables	51,477
(Increase) decrease in deferred outflow of resources	(132,723)
Increase (decrease) in claims payable	10,356
Increase (decrease) in compensated absences liability	(13,063)
Increase (decrease) in unearned revenue	(21,460)
Increase (decrease) in interfund payables	25,653
Increase (decrease) in net pension liability	<u>177,401</u>
Total Adjustments	<u>91,673</u>
Net Cash Provided (Used) by Operating Activities	\$ <u><u>227,319</u></u>

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

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

Exhibit 8

	<u>Agency Funds</u>
ASSETS	
Cash	\$ 40,047
Other receivables	34,379
Total Assets	\$ <u>74,426</u>
LIABILITIES	
Intergovernmental payables	\$ 72,730
Advances from other funds	1,696
Total Liabilities	\$ <u>74,426</u>

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

ITAWAMBA COUNTY

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

(1) Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

- Banner/Bounds Fire District
- Cardsville Fire District
- Dorsey-Friendship Fire District
- Evergreen-Carolina Fire District
- Greater Fulton Fire District
- Houston Fire District
- Liberty Grove Fire District
- Mantachie Fire District
- Northeast Itawamba Fire District
- Ryan's Well Fire District
- Tilden-New Salem Fire District
- Tremont Fire District

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

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

B. Individual Component Units

Blended Component Units

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

ITAWAMBA COUNTY

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

The Itawamba County Port Commission was created by a special act of the Mississippi Legislature in 1973, of the purpose of overseeing the operations of the Port. A five-member board of commissioners is appointed by the Itawamba County Board of Supervisors. The Itawamba County Economic Development District is comprised solely of the five members of the Board of Supervisors. Although it is legally separate from the County, the corporation is reported as if it were part of the primary government.

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

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

ITAWAMBA COUNTY

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

have no measurement focus, but use the accrual basis of accounting.

The county's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) pronouncements and only the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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 2015 liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate 2015 liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

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

2014 Tornado Fund - This fund is used to account for the activity related to the 2014 Tornado.

Nursing Home Fund - This fund is used to account for the activity of the Nursing Home.

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

2014 Bond Fund - This fund is used to account for the activity related to the 2014 bond issue.

The county reports the following major Enterprise Funds:

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 the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. Special Revenue Funds account for, among others, certain federal grant programs, taxes levied with statutorily defined distributions and other resources restricted as to purpose.

ITAWAMBA COUNTY

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

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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 TYPE

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

E. Account Classifications.

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

F. Deposits and Investments.

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

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

G. Receivables.

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

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 to 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."

ITAWAMBA COUNTY

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

I. 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.

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 governmental activities 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.

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

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

	Capitalization Thresholds	Estimated Useful Life
Land	\$ -	N/A
Infrastructure	-	20-50 years
Buildings	50,000	40 years
Improvement 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

ITAWAMBA COUNTY

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

not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Outflows - Deferred amount on refunding – For current refunding's and advance refunding's resulting in defeasance of debt reported by governmental activities, business type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

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 15 for additional details.

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

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

Deferred Inflows - Interest on capital lease receivable for future reporting period/unavailable revenue – interest on capital lease receivable – 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.

Unavailable revenue – fines receivable – 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.

Unavailable revenue – operating lease receivable – 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.

Unavailable revenue – capital lease receivable – 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.

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 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.

ITAWAMBA COUNTY

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

In the fund financial statements, Governmental Fund Types recognize bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. 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. Equity Classifications.

Government-wide Financial Statements:

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

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

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

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

Fund Financial Statements:

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

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

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

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

Committed fund balance includes amounts that can be used only for purposes pursuant to constraints imposed by a formal action of the Board of Supervisors, the County's highest level of decision-making authority. This formal action is an order of the Board of Supervisors as approved in the board minutes. There are currently no committed fund balances.

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

ITAWAMBA COUNTY

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

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.

Net Position Flow Assumption:

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

N. Property Tax Revenues.

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

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

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

O. Intergovernmental Revenues in Governmental Funds.

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

P. Compensated Absences.

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

ITAWAMBA COUNTY

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

retires.

Q. 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* 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 Adjustments.

Exhibit 2 - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
Implementation of GASB 68 and 71	
Net pension liability	\$ (5,450,487)
Deferred outflows of resources - contributions	171,917
Adjustment to correct revenue or expenditure	(5,610)
Adjustment to correct revenue or expenditure	(47,981)
Total prior period adjustments	\$ <u>(5,332,161)</u>
<u>Business-type Activities:</u>	
Implementation of GASB 68 and 71	
Net pension liability	\$ (605,610)
Deferred outflows of resources - contributions	19,102
Total prior period adjustments	\$ <u>(586,508)</u>

Exhibit 6 - Statement of Revenues, Expenses and Changes in Net Position- Proprietary Fund

<u>Business-type Activities:</u>	
Implementation of GASB 68 and 71	
Net pension liability	\$ (605,610)
Deferred outflows of resources - contributions	19,102
Total prior period adjustments	\$ <u>(586,508)</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$7,480,460 for governmental funds, \$452,318 for business-type funds, \$40,047 for agency funds, and the bank balance was \$8,073,502. 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

ITAWAMBA COUNTY

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

a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

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

(4) Interfund Transactions and Balances.

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste	\$ 25,653
County-wide Road Fund	General Fund	59,721
Other Governmental Funds	General Fund	58,052
	Total	\$ 143,426

The receivables represent tax revenue collected in September 2015, but not settled until October, 2015. The payable from the Solid Waste Fund represents the indirect costs for the September 30, 2015 fiscal year. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 89,147
General Fund	Other Governmental Funds	204,610
General Fund	Other Governmental Funds	12,788
General Fund	Agency Funds	1,696
Other Governmental Funds	General Fund	25,747
Nursing Home Fund	Other Governmental Funds	96,000
County-wide Road Fund	General Fund	790
Other Governmental Funds	General Fund	2,167
Solid Waste Fund	County-wide Road Fund	615
Solid Waste Fund	General Fund	42,506
	Total	\$ 476,066

The advance from the General Fund to the Solid Waste Fund represents indirect cost for the September 30, 2014, 2013, 2012, 2011, 2010 and 2009 fiscal years All other payables are for family insurance.

C. Transfers In/Out

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	131,943
Other Governmental Funds	Nursing Home Fund	50,000
Other Governmental Funds	Countywide Road Maintenance	4,021
Other Governmental Funds	2014 Bond Fund	500,000
Other Governmental Funds	Other Governmental Funds	894,342
	Total	\$ 1,580,306

The principal purpose of interfund transfers from General Fund was for distribution of tax levy to fire districts. All other transfers were for debt payments. All interfund transfers were routine and consistent with activities of the fund making the transfer.

ITAWAMBA COUNTY

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

(5) Intergovernmental Receivables

Governmental type activities:

Description	Amount
Legislative Tag Credit	\$ 124,424
Reimbursement for housing prisoners	2,220
Emergency management	24,440
Motor vehicle	47,932
Youth court	1,863
Office of the district attorney - salary reimbursement	7,299
Road and bridge privilege	3,942
Timber severance tax	394
Total governmental activities	\$ 212,514

Business-type activities:

Description	Amount
Town of Mantachie	\$ 5,138
Total business-type activities	\$ 5,138

(6) Operating Lease Receivable.

On June 14, 2010, Itawamba County entered into an operating agreement with BlueFire Fulton Renewable Energy, LLC for the lease of certain land owned by the County for the purpose of developing, constructing and operating a biofuel facility on the property. The operating lease stipulated that the lessee (BlueFire) would pay approximately \$10,292 per month in lease payments, commencing July 1, 2010.

During fiscal year ending September 30, 2014, the County gave BlueFire credit for \$96,000 of past site preparation reimbursed to the County by the U.S. Department of Energy. At fiscal year ending September 30, 2015, the company was deficient in its payments to the County in the amount of \$20,535. (See also Note 9, Operating Leases and Note 16, Subsequent Events.)

ITAWAMBA COUNTY

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

(7) Capital Assets.

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

<u>Governmental Activities:</u>	Balance Oct. 1, 2014	Additions	Deletions	Balance Sept. 30, 2015
<u>Non-depreciable capital assets:</u>				
Land	7,194,377			7,194,377
Construction in progress	-			-
Total non-depreciable capital assets	<u>7,194,377</u>	<u>-</u>	<u>-</u>	<u>7,194,377</u>
<u>Depreciable capital assets:</u>				
Infrastructure	8,210,904	551,575		8,762,479
Buildings	4,431,586	2,053	1,427,646	3,005,993
Improvements other than buildings	9,286,752	1,800		9,288,552
Mobile equipment	8,495,693	16,879	57,661	8,454,911
Furniture and equipment	1,004,031	150,588		1,154,619
Leased property under capital leases	597,437	83,817	82,400	598,854
Total depreciable capital assets	<u>32,026,403</u>	<u>806,712</u>	<u>1,567,707</u>	<u>31,265,408</u>
<u>Less accumulated depreciation for:</u>				
Infrastructure	1,319,257	198,200		1,517,457
Buildings	2,366,304	69,824	229,138	2,206,990
Improvements other than buildings	2,450,465	326,508		2,776,973
Mobile equipment	5,213,174	248,365	51,894	5,409,645
Furniture and equipment	950,516	280,992		1,231,508
Leased property under capital leases	318,613	73,848	74,160	318,301
Total accumulated depreciation	<u>12,618,329</u>	<u>1,197,737</u>	<u>355,192</u>	<u>13,460,874</u>
Total depreciable capital assets, net	<u>19,408,074</u>	<u>(391,025)</u>	<u>1,212,515</u>	<u>17,804,534</u>
Governmental activities capital assets, net	<u>26,602,451</u>	<u>(391,025)</u>	<u>1,212,515</u>	<u>24,998,911</u>

Business-type Activities:

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments*	Balance Sept. 30, 2015
<u>Depreciable capital assets</u>					
Mobile equipment	397,754			118,420	516,174
Leased property under capital leases	370,930			(118,420)	252,510
Total depreciable capital assets	<u>768,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>768,684</u>
<u>Less accumulated depreciation for:</u>					
Mobile equipment	341,367	1,305		106,578	449,250
Leased property under capital leases	152,029	45,452		(106,578)	90,903
Total accumulated depreciation	<u>493,396</u>	<u>46,757</u>	<u>-</u>	<u>-</u>	<u>540,153</u>
Total depreciable capital assets, net	<u>275,288</u>	<u>(46,757)</u>	<u>-</u>	<u>-</u>	<u>228,531</u>
Business-type activities capital assets, net	<u>275,288</u>	<u>(46,757)</u>	<u>-</u>	<u>-</u>	<u>228,531</u>

* Significant adjustments are as follows:

- Reclass leased property under capital leases once the capital lease is satisfied.

ITAWAMBA COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
Governmental Activities:	
General government	\$ 108,754
Public safety	156,147
Public works	815,816
Economic development and assistance	<u>117,020</u>
Total governmental activities depreciation expense	\$ <u>1,197,737</u>
Business-type Activities:	
Solid waste	\$ <u>46,757</u>
Total business-type activities depreciation expense	\$ <u>46,757</u>

(8) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2015, to January 1, 2016. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(9) Operating Leases.

As Lessor:

The County receives income from property it leases under noncancelable operating leases. Total income from such leases was \$430,324 for the year ended September 30, 2015.

On August 1, 2010, Itawamba County entered into an operating lease with Community Living Centers, LLC for the lease of certain property to be used for a nursing home for the purpose of safeguarding community health interest and enhance and promote the public health and general welfare of its citizens. The operating lease stipulated that the lessee (Community Living Centers, LLC) would pay approximately \$21,630 per month in lease payments commencing August 20, 2010. The term of the primary sublease began on the closing date, August 1, 2010, and ends August 1, 2015. Community Living Centers has an option to renew the lease for two five-year terms. The base rental payment will increase to \$22,712 and \$23,848 per month for the two additional five-year terms if the renewal options are taken.

On December 15, 2010, Itawamba County entered into an operating lease with North Mississippi Rail, LLC for the lease of certain property to be used for the purpose of promoting operations at Port Itawamba. The operating lease stipulated that the lessee (North Mississippi Rail, LLC) would pay a rental amount of \$6,000 per year for the first five years of the initial term, with payments being made in quarterly installments. The lease agreement is for a term of five years with a five-year option to extend commencing on the 1st day of January, 2011 and expiring at midnight on the 31st day of December, 2016.

ITAWAMBA COUNTY

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

On June 14, 2010, Itawamba County entered into an operating agreement with BlueFire Fulton Renewable Energy, LLC for the lease of certain land owned by the County for the purpose of developing, constructing and operating a biofuel facility on the property. The operating lease stipulated that the lessee (BlueFire) would pay approximately \$10,292 per month in lease payments commencing July 1, 2010 for an interim term and then a thirty-year primary term. At the end of the primary 30-year lease term, BlueFire has the right to renew for two additional 30-year terms. The current lease rate is computed based on a per acre rate per month. The lease stipulates the lease rate is to be reduced at the time of the construction start by a property cost reduction formula. The lease rate is to be adjusted every five years to the consumer price index. The following schedule does not contemplate reductions available upon the commencement of construction and commencement of operations.

At fiscal year end September 30, 2015, BlueFire was deficient in its payment to the county in the amount of \$20,535 (Also see Note 6, Operating Lease Receivable and Note 16 Subsequent Events.)

On November 3, 2015, Itawamba County entered into an operating agreement with Seacor, LLC for the lease of the Itawamba County Port. The operating lease stipulated that the lessee (Seacor, LLC) would pay \$165,000 in lease payments for the first year and \$336,000 for each year thereafter. Due to equipment issues at the Itawamba County Port Seacor, LLC requested that the monthly lease be lowered to \$20,000 a month beginning in October, 1, 2015. Therefore, the amended agreement stipulates that the lessee (Seacor, LLC) would pay \$240,000 for year two through year five. Seacor, LLC has an option to renew the lease for an additional five-year term.

The future minimum lease receivables and the present value of the net minimum lease receivables as of September 30, 2015, are as follows:

Year ending September 30	BlueFire Fulton Renewable Energy	Community Living Centers	North Mississippi Rail Services	Seacor, LLC	Total Amount
2016	123,504	272,544	6,000	240,000	642,048
2017	123,504	272,544	1,500	240,000	637,548
2018	123,504	272,544		240,000	636,048
2019	123,504	272,544		240,000	636,048
2020	123,504	227,120			350,624
2021-2025	617,520				617,520
2026-2030	617,520				617,520
2031-2035	617,520				617,520
2036-2040	123,504				123,504
	<u>\$ 2,593,584</u>	<u>1,317,296</u>	<u>7,500</u>	<u>960,000</u>	<u>4,878,380</u>

(10) Capital Leases.

As Lessee:

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

Classes of Property	Governmental Activities	Business-type Activities
Mobile Equipment	\$ 598,854	252,510
Less: Accumulated depreciation	(318,301)	(90,903)
Leased Property Under Capital Lease	<u>\$ 280,553</u>	<u>161,607</u>

ITAWAMBA COUNTY

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

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

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	102,959	5,187	143,109	18,617
2017	93,754	4,335	19,467	1,587
2018	80,687	9,321	19,834	1,439
2019	178,711	2,133	18,532	1,297
2020	7,569	61		
Total	<u>463,680</u>	<u>21,037</u>	<u>200,942</u>	<u>22,940</u>

(11) Long-term Debt.

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

<u>Description</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity</u>
<u>Governmental Activities:</u>			
<u>A. General Obligation Bonds:</u>			
2011 general obligation refunding bonds	\$ 180,000	2.00%	04/2016
2013 general obligation refunding bonds	1,835,000	1.25/3.00%	04/2022
2014 general obligation refunding bonds	1,465,000	1.10/2.35%	08/2019
2014 general obligation bonds	<u>4,565,000</u>	1.10/2.25%	04/2024
Total General Obligation Bonds	\$ <u>8,045,000</u>		
<u>B. Capital Leases</u>			
2013 Dodge ram, explorer, taurus	37,035	2.72%	02/2018
Three 2015 mack dump trucks	332,974	1.87%	04/2019
2015 Ford crown victoria	19,463	2.10%	07/2017
2014 Ford F-150	23,417	2.54%	01/2018
Two 2015 Ford Trucks	<u>50,791</u>	2.14%	05/2020
Total Capital Leases	\$ <u>463,680</u>		
<u>C. Other Loans:</u>			
Port development (project 2)	\$ <u>275,907</u>	0.25%	10/2019
Total Other Loans	\$ <u>275,907</u>		
<u>Business-type Activities:</u>			
<u>A. Capital Leases</u>			
Garbage truck	\$ 76,940	1.87%	08/2019
Garbage truck	<u>124,002</u>	1.82%	09/2016
Total Capital Leases	\$ <u>200,942</u>		

ITAWAMBA COUNTY

Notes to 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	1,235,000	163,138	67,316	613
2017	1,080,000	137,394	67,484	444
2018	1,105,000	114,600	62,009	289
2019	1,135,000	96,125	67,808	120
2020	770,000	63,756	11,290	4
2021-2024	2,720,000	130,469		
Total	<u>8,045,000</u>	<u>705,482</u>	<u>275,907</u>	<u>1,470</u>

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a County issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2015, the amount of outstanding debt was equal to 6.22% 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:

Governmental Activities:	Balance				Balance	Amount due
	Oct. 1, 2014	Additions	Reductions	Adjustments	Sept. 30, 2015	Within One Year
Compensated absences	\$ 152,549	42,079			194,628	
General obligation bonds	9,485,000		1,440,000		8,045,000	1,235,000
Less:						
Unamortized discounts	(41,897)		(4,648)		(37,249)	(4,648)
Add:						
Unamortized premiums	14,860		7,430		7,430	7,430
Capital leases	483,688	83,817	103,825		463,680	102,959
Other loans	954,746		678,839		275,907	67,316
Total \$	<u>11,048,946</u>	<u>125,896</u>	<u>2,225,446</u>	<u>-</u>	<u>8,949,396</u>	<u>1,408,057</u>

Business-type Activities:	Balance				Balance	Within
	Oct. 1, 2014	Additions	Reductions	Adjustments	Sept. 30, 2015	One Year
Compensated absences	\$ 33,504		13,063		20,441	
Capital leases	275,905		74,963		200,942	143,109
Total \$	<u>309,409</u>	<u>-</u>	<u>88,026</u>	<u>-</u>	<u>221,383</u>	<u>143,109</u>

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, County Reappraisal 1 Mill Fund, Itawamba County 911 Fund, Port Fund, Homeland Security Fund, D.A.R.E. Fund, Solid Waste Enforcement Fund, Countywide Road Maintenance Fund and Solid Waste Fund.

ITAWAMBA COUNTY

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

(12) Deficit Fund Balances of Individual Funds.

The following funds reported deficits in fund balances as of September 30, 2015:

<u>Fund</u>		<u>Deficit Amount</u>
Port Fund	\$	(169,610)
GO Industrial Bonds 2009 Bluefire		(50,811)
2011 GO Road & Bridge Bonds 2011(2005)		(12,529)

(13) 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 other landfill projects. As part of a solid waste disposal service agreement between Itawamba 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 (6.71%) of the \$3,475,000 refunding bonds balance at September 30, 2014 is \$233,173.

(14) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Three Rivers Solid Waste Management Authority operates in a district composed of the Counties of Calhoun, Itawamba, Lafayette, Lee, Monroe, Pontotoc, and Union and the Cities of Aberdeen, Amory, Fulton, New Albany, Oxford, Pontotoc and Tupelo. The Itawamba County Board of Supervisors appoints one of the fourteen members of the Authority's board. The County did not appropriate any funds for the support of the Authority in Fiscal Year 2015.

Three Rivers Planning and Development District operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints five of the forty members of the District Board of Directors. The County appropriated \$20,000 for the maintenance and support of the District in Fiscal Year 2015.

Itawamba Community College operates in a district composed of the Counties of Chickasaw, Itawamba, Lee, Monroe and Pontotoc. The Itawamba County Board of Supervisors appoints six of the thirty members of the College Board of Trustees. The County appropriated \$768,213 for the maintenance and support of the College in Fiscal Year 2015.

ITAWAMBA COUNTY

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

Northeast Mental Health-Mental Retardation Commission operates in a district composed of the Counties of Benton, Itawamba, Lee, Chickasaw, Pontotoc, Monroe and Union. The Itawamba County Board of Supervisors appoints one of the seven members of the Board of Commissioners. The County appropriated \$16,787 for maintenance and support of the Commission in Fiscal Year 2015.

Lift, Inc. operates in a district composed of the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Monroe, Pontotoc and Union. The Itawamba County Board of Supervisors appoints two of the twenty-four members of the board of directors. The County appropriated \$5,635 for the support of the organization in Fiscal Year 2015.

Northeast Mississippi Emergency Medical Services serves the Counties of Calhoun, Chickasaw, Itawamba, Lafayette, Lee, Marshall, Pontotoc, Tishomingo and Union. The Itawamba County Board of Supervisors appoints four of the thirty-six members of the board of directors. The County appropriated \$50,000 for support of the district in Fiscal Year 2015.

(15) Defined Benefit Pension Plan

General Information about the Pension Plan

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

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

ITAWAMBA COUNTY

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

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 \$513,731, \$494,087, and \$436,051, respectively, equal to the required contributions for each year.

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

At September 30, 2015, the County reported a liability of \$7,830,110 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 .050654 percent, which was a decrease of .000761 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County's governmental activities and business-type activities recognized pension expense of \$862,240 and \$95,804, respectively. At September 30, 2015, the County's governmental and business-type activities reported deferred outflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources
Governmental Activities:		
Differences between expected and actual experience	\$	108,451
Net difference between projected and actual earnings on pension plan investments		412,331
Change of assumptions		607,083
Changes in proportion and difference between County contributions and proportionate share of contributions		60,786
County contributions subsequent to the measurement date		<u>177,778</u>
Total Governmental Activities	\$	<u><u>1,366,429</u></u>

ITAWAMBA COUNTY

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

		Deferred Outflows of Resources
Business-type Activities:		
Differences between expected and actual experience	\$	12,050
Net difference between projected and actual earnings on pension plan investments		45,814
Change of assumptions		67,454
Changes in proportion and difference between County contributions and proportionate share of contributions		6,754
County contributions subsequent to the measurement date		19,753
Total Business-type Activities	\$	<u>151,825</u>

Deferred outflows of resources reported in the governmental activities, in the amount of \$177,778, and in the business-type activities, in the amount of \$19,753, are 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:

2016	\$	431,661
2017		431,661
2018		342,866
2019		114,536
Total	\$	<u>1,320,724</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	3.00 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

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

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as

ITAWAMBA COUNTY

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

of June 30, 2015, are summarized in the following table:

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

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 1.33 percentage points since the prior measurement date. 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%	Discount Rate 7.75%	1% Increase 8.75%
County's proportionate share of the net pension liability	\$ 10,320,802	7,830,110	5,763,301

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

(16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Itawamba County evaluated the activity of the County through the date the financial statements were

ITAWAMBA COUNTY

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

available to be issued, December 11, 2018 and determined the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

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

<u>Issue Date</u>	<u>Issue Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source</u>
11/02/15	1.76%	60,250	Capital lease	Ad valorem taxes
12/07/15	1.83%	131,942	Capital lease	Ad valorem taxes
06/21/16	1.71%	80,000	Capital lease	Ad valorem taxes
09/07/16	1.76%	43,520	Capital lease	Ad valorem taxes
09/13/16	1.97%	35,000	Capital lease	Ad valorem taxes
11/09/16	2.11%	130,243	Capital lease	Ad valorem taxes
11/22/16	2.01%	159,616	Capital lease	Ad valorem taxes
12/05/16	1.85%	96,407	Capital lease	Ad valorem taxes
07/10/17	3.07%	217,679	Capital lease	Ad valorem taxes
04/02/18	2.22%	316,120	Capital lease	Ad valorem taxes

BlueFire Fulton Renewable Energy, LLC Lease.

Subsequent to fiscal year ending September 30, 2015, BlueFire Fulton Renewable Energy, LLC remained in arrears on subsequent fiscal year lease payments and the lease was subsequently terminated by the County on May 10, 2017.

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

ITAWAMBA COUNTY

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ITAWAMBA COUNTY
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	\$ 3,500,000	3,500,000	3,349,187	(150,813)
Licenses, commissions and other revenue	269,250	269,250	268,548	(702)
Fines and forfeitures	320,300	320,300	274,906	(45,394)
Intergovernmental revenues	996,508	996,508	911,043	(85,465)
Charges for services	59,200	59,200	73,967	14,767
Interest income	35,900	35,900	34,813	(1,087)
Miscellaneous revenues	378,600	378,600	383,035	4,435
Total Revenues	<u>5,559,758</u>	<u>5,559,758</u>	<u>5,295,499</u>	<u>(264,259)</u>
EXPENDITURES				
Current:				
General government	3,056,445	3,056,445	2,809,353	247,092
Public safety	1,607,578	1,607,578	1,574,656	32,922
Health and welfare	207,465	207,465	126,439	81,026
Culture and recreation	99,200	99,200	93,555	5,645
Conservation of natural resources	120,578	120,578	119,986	592
Economic development and assistance	309,885	309,885	168,521	141,364
Total Expenditures	<u>5,401,151</u>	<u>5,401,151</u>	<u>4,892,510</u>	<u>508,641</u>
Excess of Revenues over (under) Expenditures	<u>158,607</u>	<u>158,607</u>	<u>402,989</u>	<u>244,382</u>
OTHER FINANCING SOURCES (USES)				
Other financing uses	<u>29,588</u>	<u>29,588</u>	<u>(498,161)</u>	<u>(527,749)</u>
Total Other Financing Sources and Uses	<u>29,588</u>	<u>29,588</u>	<u>(498,161)</u>	<u>(527,749)</u>
Net Change in Fund Balance	188,195	188,195	(95,172)	(283,367)
Fund Balances - Beginning	<u>988,570</u>	<u>150,870</u>	<u>1,836,135</u>	<u>1,685,265</u>
Fund Balances - Ending	<u>\$ 1,176,765</u>	<u>339,065</u>	<u>1,740,963</u>	<u>1,401,898</u>

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

ITAWAMBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 2014 Tornado Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 300	300	297	(3)
Miscellaneous revenues	<u>845,000</u>	<u>845,000</u>	<u>842,752</u>	<u>(2,248)</u>
Total Revenues	<u>845,300</u>	<u>845,300</u>	<u>843,049</u>	<u>(2,251)</u>
EXPENDITURES				
Current:				
General government	10,000	10,000	9,496	504
Debt service	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Total Expenditures	<u>510,000</u>	<u>510,000</u>	<u>509,496</u>	<u>504</u>
Excess of Revenues over (under) Expenditures	<u>335,300</u>	<u>335,300</u>	<u>333,553</u>	<u>(1,747)</u>
Net Change in Fund Balance	335,300	335,300	333,553	(1,747)
Fund Balances - Beginning	<u>-</u>	<u>1,900</u>	<u>17,973</u>	<u>16,073</u>
Fund Balances - Ending	<u>\$ 335,300</u>	<u>337,200</u>	<u>351,526</u>	<u>14,326</u>

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

ITAWAMBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Nursing Home Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 150	150	1,763	1,613
Miscellaneous revenues	24,000	24,000	292,102	268,102
Total Revenues	24,150	24,150	293,865	269,715
EXPENDITURES				
Current:				
Health and welfare	46,665	46,665	46,665	-
Total Expenditures	46,665	46,665	46,665	-
Excess of Revenues over (under) Expenditures	(22,515)	(22,515)	247,200	269,715
OTHER FINANCING SOURCES (USES)				
Transfers out	(50,000)	(50,000)	(50,000)	-
Total Other Financing Sources and Uses	(50,000)	(50,000)	(50,000)	-
Net Change in Fund Balance	(72,515)	(72,515)	197,200	269,715
Fund Balances - Beginning	1,194,832	1,874,832	2,690,395	815,563
Fund Balances - Ending	\$ 1,122,317	1,802,317	2,887,595	1,085,278

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

ITAWAMBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 Countywide Road Maintenance Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 789,000	789,000	802,601	13,601
Road and bridge privilege taxes	314,000	314,000	312,515	(1,485)
Special assessments			12,813	12,813
Intergovernmental revenues	761,600	761,600	677,845	(83,755)
Interest income			1,189	1,189
Miscellaneous revenues	401	401	45,546	45,145
Total Revenues	<u>1,865,001</u>	<u>1,865,001</u>	<u>1,852,509</u>	<u>(12,492)</u>
EXPENDITURES				
Current:				
Public works	1,697,983	1,697,983	1,697,983	-
Debt service:				
Principal	53,897	53,897	53,897	-
Interest	6,869	6,869	6,869	-
Total Expenditures	<u>1,758,749</u>	<u>1,758,749</u>	<u>1,758,749</u>	<u>-</u>
Excess of Revenues over (under) Expenditures	<u>106,252</u>	<u>106,252</u>	<u>93,760</u>	<u>(12,492)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			359	359
Transfers out			(4,021)	(4,021)
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>(3,662)</u>	<u>(3,662)</u>
Net Change in Fund Balance	106,252	106,252	90,098	(16,154)
Fund Balances - Beginning	<u>1,080,410</u>	<u>831,845</u>	<u>1,154,738</u>	<u>322,893</u>
Fund Balances - Ending	<u>\$ 1,186,662</u>	<u>938,097</u>	<u>1,244,836</u>	<u>306,739</u>

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

ITAWAMBA COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 2014 Bond Fund
 For the Year Ended September 30, 2015

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
REVENUES				
Interest income	\$ 2,710	2,710	2,713	3
Total Revenues	<u>2,710</u>	<u>2,710</u>	<u>2,713</u>	<u>3</u>
EXPENDITURES				
Current:				
Public works	<u>2,755,000</u>	<u>2,755,000</u>	<u>2,753,697</u>	<u>1,303</u>
Total Expenditures	<u>2,755,000</u>	<u>2,755,000</u>	<u>2,753,697</u>	<u>1,303</u>
Excess of Revenues over (under) Expenditures	<u>(2,752,290)</u>	<u>(2,752,290)</u>	<u>(2,750,984)</u>	<u>1,306</u>
OTHER FINANCING SOURCES (USES)				
Other financing sources	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(500,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
Net Change in Fund Balance	(3,252,290)	(3,252,290)	(3,250,984)	1,306
Fund Balances - Beginning	<u>-</u>	<u>4,044,700</u>	<u>4,047,403</u>	<u>2,703</u>
Fund Balances - Ending	\$ <u><u>(3,252,290)</u></u>	<u><u>792,410</u></u>	<u><u>796,419</u></u>	<u><u>4,009</u></u>

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

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

	<u>2015</u>	<u>2014</u>
County's proportion of the net pension liability (asset)	0.050654%	0.051415%
County's proportionate share of the net pension liability (asset)	\$ 7,830,110	6,056,097
County's covered-employee payroll	\$ 3,261,784	3,137,060
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	240.06%	193.05%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

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

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

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

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 513,731	494,087
Contributions in relation to the contractually required contribution	<u>513,731</u>	<u>494,087</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
County's covered-employee payroll	\$ 3,261,784	3,137,060
Contributions as a percentage of covered-employee payroll	15.75%	15.75%

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

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

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

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

Budgetary Comparison Schedule

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, the Tax Assessor and the 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).

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

	Governmental Fund Types				
	General Fund	2014 Tornado Fund	Nursing Home Fund	County-wide Road Maintenance Fund	2014 Bond Fund
Budget (Cash Basis)	(95,172)	333,553	197,200	90,098	(3,250,984)
Increase (Decrease)					
Net adjustment for:					
Revenue accruals	126,078	(842,752)	(18,009)	34,213	-
Expenditures accruals	84,937	2,459	4,665	(312,154)	385,511
GAAP Basis	<u>115,843</u>	<u>(506,740)</u>	<u>183,856</u>	<u>(187,843)</u>	<u>(2,865,473)</u>

ITAWAMBA COUNTY

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

Pension Schedules

A. Changes in Benefit Terms.

None

B. Changes in Assumptions.

In 2015 and later, the expectations of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled 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 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.

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

OTHER INFORMATION

ITAWAMBA COUNTY

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

Name	Position	Company	Bond
Charles Horn	Supervisor District 1	FCCI Insurance Group	\$100,000
Cecil "Ike" Johnson, Jr.	Supervisor District 2	FCCI Insurance Group	\$100,000
Steve Moore	Supervisor District 3	State Farm Fire & Casualty Company	\$100,000
Eric "Tiny" Hughes	Supervisor District 4	Travelers Casualty and Surety Company of America	\$100,000
Ricky Johnny Johnson	Supervisor District 5	Western Surety	\$100,000
Gary Franks	County Administrator	Travelers Casualty and Surety Company of America	\$100,000
James E. Witt, Jr.	Chancery Clerk	Western Surety	\$100,000
Glenda Gray	Purchase Clerk	State Farm Fire & Casualty Company	\$75,000
Gwyndola Umfress	Assistant Purchase Clerk	Western Surety	\$50,000
Larry Cromeans	Assistant Purchase Clerk	State Farm Fire & Casualty Company	\$50,000
Linda P. Byrd	Receiving Clerk	Travelers Casualty and Surety Company of America	\$75,000
Marvin Duwall	Assistant Receiving Clerk	Universal Surety of America	\$50,000
Michael Lentz	Assistant Receiving Clerk	Travelers Casualty and Surety Company of America	\$50,000
Joseph Farley	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Herman Kent	Assistant Receiving Clerk	Western Surety	\$50,000
Willie Childers	Assistant Receiving Clerk	Western Surety	\$50,000
Riley Farris	Assistant Receiving Clerk	FCCI Insurance Group	\$50,000
Janice Smith	Inventory Control Clerk	Travelers Casualty and Surety Company of America	\$75,000
Stephanie Wright	Inventory Control Clerk	Travelers Casualty and Surety Company of America	\$75,000
Kernett W. Newell	Road Manager	Travelers Casualty and Surety Company of America	\$50,000
Larry Cromeans	Road Manager	State Farm Fire & Casualty Company	\$50,000
Doug Lesley	Constable	Travelers Casualty and Surety Company of America	\$50,000
Reggie Johnson	Constable	Travelers Casualty and Surety Company of America	\$50,000
Carol Gates	Circuit Clerk	FCCI Insurance Group	\$100,000
Paula Miller	Deputy Circuit Clerk	Travelers Casualty and Surety Company of America	\$50,000
Annie Bea Lesley Baker	Deputy Circuit Clerk	Travelers Casualty and Surety Company of America	\$50,000
Christopher Dickinson	Sheriff	FCCI Insurance Group	\$100,000
Harold Holcomb	Justice Court Judge	Travelers Casualty and Surety Company of America	\$100,000
Barry Davis	Justice Court Judge	Travelers Casualty and Surety Company of America	\$100,000
Sheila Spradling	Justice Court Clerk	Travelers Casualty and Surety Company of America	\$50,000
Anita Holland	Deputy Justice Court Clerk	Travelers Casualty and Surety Company of America	\$50,000
Rhonda Johnson	Deputy Justice Court Clerk	Travelers Casualty and Surety Company of America	\$50,000
Aaron Loden	Tax Collector	FCCI Insurance Group	\$100,000
Debbie Johnson	Deputy Tax Collector	Travelers Casualty and Surety Company of America	\$50,000
Kathy Bean	Deputy Tax Collector	Travelers Casualty and Surety Company of America	\$50,000
Jane Flurry	Deputy Tax Collector	Travelers Casualty and Surety Company of America	\$50,000
Carrie K. Fortune	Deputy Tax Collector	Western Surety	\$10,000
Tami Beane	Tax Assessor	FCCI Insurance Group	\$50,000
Sandy Parker	Deputy Tax Assessor	FCCI Insurance Group	\$10,000
Nancy Standfor	Deputy Tax Assessor	FCCI Insurance Group	\$10,000

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

SPECIAL REPORTS

ITAWAMBA COUNTY

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CERTIFIED PUBLIC ACCOUNTANTS, PLLC

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

Members of the Board of Supervisors
Itawamba County, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Itawamba County, Mississippi, as of and for the year ended September 30, 2015, which collectively comprise the county's basic financial statements and have issued our report thereon dated December 11, 2018. 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. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for its component units. The report is qualified on the governmental activities because the County did not maintain adequate subsidiary records documenting the completeness and valuation of all capital assets as required by accounting principles generally accepted in the United States of America. Additionally, our report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the valuation of Justice Court fines receivable, net. Except for the limitation related to the qualified opinion on the General Fund, we conducted our audit in accordance with auditing standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2015-001, 2015-002, 2015-006, 2015-008, 2015-009, 2015-010, 2015-011, 2015-013 and 2015-014 to be material weaknesses.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2015-003, 2015-004, 2015-005, 2015-007, 2015-012 and 2015-015 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Itawamba County, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Governmental Auditing Standards.

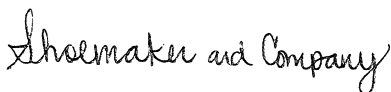
However, we noted certain matters that we reported to the management of Itawamba County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report date December 11, 2018, included within this document.

Itawamba County's Response to Findings

Itawamba County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Itawamba County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, 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.



SHOEMAKER & COMPANY, CPA PLLC
December 11, 2018

ITAWAMBA COUNTY

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SHOEMAKER — & CO. —

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

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
Itawamba County, Mississippi

We have examined Itawamba 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 Itawamba 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 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 Itawamba 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.

The County did not maintain adequate subsidiary records documenting the completeness and valuation of all capital assets.

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 evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

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

1. Finding – Purchase Clerk:

Section 31-7-13(e), Miss. Code Ann. (1972) states that "no such lease-purchase agreement shall be for an annual rate of interest which is greater than the overall maximum interest rate to maturity on general obligation indebtedness permitted under Section 75-17-101." As reported in the three prior years' audit reports, the county purchased equipment under a lease-purchase agreement with an interest rate of 15.273%. Internal controls were not in place to ensure that all lease-purchase agreements entered into by the county complied with the maximum interest rate allowed by state law. This constitutes a violation of state law and could result in the loss of public funds.

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Recommendation:

The Board of Supervisors should ensure that lease-purchase agreements entered into by the county do not exceed the maximum interest rate allowed by state law.

Purchase Clerk's Response:

This was corrected after last year's audit.

2. Finding – Inventory Control Clerk

Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory system. Internal controls were not in place to ensure that the county recorded all additions and deletions of assets purchased to inventory. Lack of internal controls over capital assets could result in the loss or misuse of these assets. Audit procedures indicated the following:

1. A railroad, the Mississippi Railway, was donated to the County in August 2013 but was not added to inventory as of September 30, 2015. Donated assets should be recorded at fair market value at the time of acquisition. No documentation was provided to substantiate the fair market value of the railroad at the time of donation.

Recommendation:

The Inventory Control Clerk should ensure that adequate internal controls are put in place over capital assets so that all county assets are added to inventory in the fiscal year of purchase.

Inventory Control Clerk' Response:

A new inventory control clerk has been hired and we have implemented a better method of communication with bookkeeper.

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

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

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

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

Shoemaker and Company

SHOEMAKER & COMPANY, CPA PLLC
December 11, 2018

ITAWAMBA COUNTY

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

Schedule 1

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

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

Schedule 2

Our test results did not identify any emergency purchases.

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

Schedule 3

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

ITAWAMBA COUNTY

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SHOEMAKER — & CO. —

CERTIFIED PUBLIC ACCOUNTANTS, PLLC

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Itawamba County, Mississippi

In planning and performing our audit of the financial statements of Itawamba County, Mississippi for the year ended September 30, 2015, we considered Itawamba 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 Itawamba County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the county's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated December 11, 2018, on the financial statements of Itawamba County, Mississippi.

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

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

Board of Supervisors.

1. The County had unapproved interfund transfers and loans.

Section 19-3-27, Miss. Code Ann. (1972) states that "it shall be the duty of the clerk of the board of supervisors to keep and preserve a complete and correct record of all the proceedings and orders of the board. As reported in the two prior years' audit reports, interfund transfers and loans were made without board orders spread upon the minutes. Failure to obtain Board of Supervisor approval for interfund transfers and loans is a violation of state law, could cause funds to be used in a manner other than their required or intended purpose, and increases the possibility for the loss.

Recommendation

The Board of Supervisors approval of all interfund transfers and loans of the county should be spread upon the minutes of the Board of Supervisors.

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Board of Supervisor's Response

Our county policy of course is to comply with state law. Apparently, a clerical error resulted in the above deficiency. All future purchases will comply with state law.

2. County funds should be deposited into the county depository on a timely basis.

Section 25-1-72, Miss. Code Ann. (1972) states that "All county officers who receive funds payable into the county treasury shall deposit such funds into the county depository on the day they are collected or on the next business day thereafter." Funds were deposited in the county depository days or weeks after being received. Funds were deposited in the county depository prior to being receipted. Lack of internal controls requiring the county to receipt and deposit funds in the time required by state law could result in the loss of funds.

Recommendation

The county should receipt and deposit funds into the county treasury in the time required by state law.

Board of Supervisor's Response

We will review our procedures and correct future years.

3. The county should levy a special tax sufficient for payment of principle and interest of bonded debt.

Section 19-9-9, Miss. Code of 1972 states "the board of supervisors of such county shall annually levy a special tax upon all of the taxable property within the county, which tax shall be sufficient to provide for the payment of principal and interest of such bonds according to the terms thereof." As reported in the three prior years' audit reports, some of the special tax levies were not sufficient to provide for the payment of principal and interest on some bonds. Insufficient tax levies could result in the County's inability to pay principal and interest on the debt.

Recommendation

The county should levy special taxes sufficient to provide for the payment of principal and interest on bonds.

Board of Supervisor's Response

This was corrected after last year's audit.

County Administrator.

4. The County Administrator should totally recuse themselves from any action involving a vendor of the county that is also a client of the County Administrator's private business.

Section 25-4-105(1), Miss. Code of 1972 states that "No public servant shall use his official position to obtain, or attempt to obtain, pecuniary benefit for himself other than that compensation provided for by law, or to obtain, or attempt to obtain, pecuniary benefit for any relative or any business with which he is associated." Section 25-4-101, Miss Code of 1972 states that "public servants shall endeavor to pursue a course of conduct which will not raise suspicion among that they are likely to be engaged in acts that are in

violation of this trust and which will reflect unfavorably upon the state and local governments.”

The County Administrator and Assistant County Administrator for Itawamba County are shareholders in a business. One of the clients of the business is also a vendor of Itawamba County. The County Administrator and Assistant County Administrator operating a business with clients that are also vendors of the county could violate the public trust and lead to a loss of public funds.

Recommendation

The county should ask for and obtain an Advisory Opinion from the Mississippi Ethics Commission to determine if the County Administrator and Assistant County Administrator are in compliance with the Ethics in Government Laws contained in the Miss. Code of 1972.

County Administrator's Response

We will review.

5. County signed warrants without sufficient money.

Section 19-13-43, Miss. Code Ann. (1972) states that “No warrant shall be signed, removed from the warrant book, nor delivered by the clerk until there is sufficient money in the fund upon which it is drawn to pay the same and all prior unpaid warrants drawn upon that fund, whether delivered or not”. As reported in the three prior years’ audit reports, warrants were issued on funds that did not have sufficient cash balances to pay the warrants. At various times during the year, the following funds had negative cash balances:

- Evergreen-Carolina Fire District Fund
- Townhouse Construction Fund
- Port Fund
- Mantachie Building Debt Service Fund
- AS 400 Computer Debt Service Fund
- GO Industrial Bonds 2009 Blue Debt Service
- Tombigbee Tooling Debt Service Fund
- GO Road and Bridge Bonds 2011 Debt Service Fund
- GO Industrial Development Refund Bond 2013

Recommendation

We recommend that the County Administrator adopt procedures to ensure no warrants are signed or delivered until there is sufficient money in the fund upon which it is drawn to pay the same, as required by law.

County Administrator's Response

The County had sufficient funds to cover warrants but timing of transfers resulting in a temporary negative balance.

Chancery Clerk.

6. The Chancery Clerk should deposit money in an approved county depository.

Section 25-1-72, Miss. Code Ann. (1972) states that "All county officers who receive funds payable into the county treasury shall deposit such funds into the county depository on the day they are collected or on the next business day thereafter." During testwork, we noted that the Chancery Clerk was not using the county depository to deposit funds and the Chancery Clerk did not deposit public funds into the county depository on the day of collection or the next business day thereafter. Lack of internal controls requiring the chancery clerk to use the county depository and deposit fund in the time required by state law could result in the loss of funds.

Recommendation

The Chancery Clerk should ensure that funds are deposited into the county depository in the time required by state law.

Chancery Clerk's Response

This has been corrected subsequent to year end.

Tax Collector.

7. All Deputy Tax Collectors should be bonded at the amount required by state law.

Section 27-1-9(a), Miss. Code Ann. (1972) required Deputy Tax Collector to be bonded in an amount not less than \$50,000 for the faithful discharge of his/her duties. One Deputy Tax Collector was bonded at an amount less than that required by state law. Failure to bond the Deputy Tax Collector for the required amount would limited the amount available for recovery if a loss of public funds occurred.

Recommendation

The Deputy Tax Collector should obtain a bond at an amount not less than \$50,000, as required by state law.

Tax Collector's Response

All Deputy Tax Collectors are property bonded at \$50,000 thru 2020.

Tax Assessor.

8. All Deputy Tax Assessors should be bonded at the amount required by state law.

Section 27-1-3, Miss. Code Ann. (1972) states that deputies appointed by the assessor shall be required to give bond in the amount not less than \$10,000.

Three Deputy Tax Assessors were not bonded. Failure to bond the Deputy Tax Assessors for the required amount would limited the amount available for recovery if a loss of public funds occurred.

Recommendation

The Deputy Tax Assessors should obtain bonds for \$10,000, as required by state law.

Tax Assessor's Response

All deputies are now bonded.

The Mississippi Office of the State Auditor has taken exception to certain costs. The details of the exceptions and their disposition are as follows:

Exception Issued On:	James Witt, Chancery Clerk
Nature of Exception:	Misappropriation of Funds
Amount of Exception:	\$503,246.43
Disposition of Exception:	\$197,963.55 was repaid by the Chancery Clerk's bond during Fiscal Year 2015. \$500.00 was repaid during Fiscal Year 2016. The current balance is \$304,782.88. This matter has been turned over to the Investigative Division of the Office of the State Auditor.

Itawamba 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.

Shoemaker and Company

SHOEMAKER & COMPANY, CPA PLLC
December 11, 2018

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

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

Section 1: Summary of Auditor's Results

Financial Statements:

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

Governmental Activities	Qualified
Business-type Activities	Unmodified
Aggregate discretely presented component unit	Adverse
General Fund	Qualified
2014 Tornado Fund	Unmodified
Nursing Home Fund	Unmodified
Countywide Road Maintenance Fund	Unmodified
2014 Bond Fund	Unmodified
Aggregate remaining fund information	Unmodified
Solid Waste Fund	Unmodified

2. Internal control over financial reporting:

- a. Material weaknesses identified? Yes
- b. Significant deficiencies identified that are not considered to be material weaknesses? Yes

3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

Board of Supervisors

Finding 2015-001

Material Weakness

Financial data for component units should be included in the County's financial statements

Criteria:

Generally accepted accounting principles require the financial data for the County's component units to be reported in the financial data for the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for its component units.

Condition:

As reported in the three prior years' audit reports, the County's financial statements do not include the financial data for the County's legally separate component units.

Cause:

The Board of Supervisors did not choose to provide and include audited financial data for its discretely presented component units for inclusion in the County's financial statements.

Effect:

Failure to follow generally accepted accounting principles and include audited financial data for the County's component units resulted in an adverse opinion on the discretely presented component units.

ITAWAMBA COUNTY

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

Recommendation:

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

Board of Supervisors' Response:

See Corrective Action Plan.

Finding 2015-002

Material Weakness

Segregation of duties over County accounting functions should be strengthened\

Criteria:

Effective internal controls over accounting functions should include an adequate segregation of duties. As reported in the prior three years' audit reports, based on test work performed, there is a lack of segregation of duties in the expenditures/expenses and accounts payable process for the County.

Condition:

As reported in the prior three years audit reports, the County bookkeeper has the authority to receive collections, prepare deposits, and make deposits as well as invoice processing, accounts payable, and the general ledger function. The bookkeeper also prepares disbursements, records the cash disbursements and general ledger entries, prepares the disbursements for mailing and reconciles the bank statement.

Cause:

The Board of Supervisors has not implemented adequate segregation of duties in the accounting function of the County or designed, implemented and monitored compensating internal controls.

Effect:

Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Lack of adequate segregation of duties could lead to a loss of funds.

Recommendation:

The Board of Supervisors should design, implement and monitor an effective system of internal controls including an adequate segregation of duties over the accounting function of the County. If size and financial considerations present challenges to attaining adequate segregation of duties then management should consider if this risk could be mitigated through the design of the internal control system by including additional levels of review, reviewing randomly selected transactions and their supporting documentation, taking periodic assets counts, checking reconciliations, etc.

Board of Supervisors' Response:

See Corrective Action Plan.

Finding 2015-003

Significant Deficiency

The County should establish and test a disaster recovery process

Criteria:

Best industry practices require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster.

ITAWAMBA COUNTY

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

Condition:

As reported in the prior year audit report, the County currently creates back-up files, but does not have a formal written disaster recovery plan and is not testing the reliability of the back-up files to see whether the back-up files can be utilized to restore data and functionality in the case of a disaster.

Cause:

The County does not have a written formal disaster recovery plan and is not testing the reliability of back-up files to restore Board of Supervisors did not implement an adequate segregation of duties in the accounting function of the County.

Effect:

Failure to have a written disaster recovery plan that is routinely tested for effectiveness and improvement could result in the County relying on an untested disaster recovery process that does not restore data and functionality in the case of an emergency and causes a material loss for the County.

Recommendation:

The County should develop, implement and test a disaster recovery plan to document procedures to be followed as well as the responsibilities of employees during an emergency. As a part of this process, the County should develop, implement and test a plan to ensure that critical data and applications are recoverable in the case of a disaster scenario.

Board of Supervisors' Response:

See Corrective Action Plan.

Finding 2015-004

Significant Deficiency

The County should implement a formal information security policy

Criteria:

Industry standards require that the county adopt a formal Information Security Policy or Enterprise Security Plan covering the following areas:

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

Condition:

As reported in the prior audit report, the county has not adopted a formal Information Security Policy or enterprise Security Plan.

Cause:

Fully implementing and complying with a formal Information Security Policy and Enterprise Security Plan may be economically challenging for the County.

Effect:

Lack of a formal Information Security Policy can lead to a breakdown of basic security practices in the areas of application security, LAN/WAN security, management of the security applications and internet protocol which make the County vulnerable to security threats that could have been mitigated or prevented through a formal Information Security Policy.

ITAWAMBA COUNTY

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

Recommendation:

The County should create a plan of compliance toward a formal Information Security Policy in accordance with industry standards. The policy should be reviewed and approved by the County's Board of Supervisors. The County should document approval by management of the policy and acceptance by employees of the policy and retain evidence of this documentation.

Board of Supervisors' Response:

See Corrective Action Plan.

Finding 2015-005

Significant Deficiency

Internal Controls over password management should be strengthened

Criteria:

Industry standards and best practices require that the County's password management policy establish passwords parameters of sufficient strength and the expiration of all user passwords on a standard periodic basis.

Condition: As reported in the prior audit report, the County is using some parameters associated with password strength that do not meet industry standard best practices and the County is not expiring passwords on a standard periodic basis.

Cause: The County has not implemented a password management policy to required complex passwords as well as the expiration of passwords on a standard periodic basis.

Effect:

Lack of an effective password management policy creates unnecessary risk for the County's data assets by making the County's vulnerable to unauthorized access.

Recommendation:

The County should create, adopt and implement a password management policy. This policy should include password parameters that comply with industry standards and best practices and should ensure that all user passwords are expired on a standard periodic basis.

Board of Supervisors' Response:

See Corrective Action Plan.

Board of Supervisors and Inventory Clerk.

Finding 2015-006

Material Weakness

Internal controls over capital asset valuations and depreciation should be strengthened

Criteria:

Effective internal controls over capital assets should include the proper valuation of assets. Capital assets donated to the County should be valued at fair value at the time of acquisition. Capital assets purchased by the County should be valued at the purchase price of the asset. As described in the Notes to the Financial Statements Note (1) J Capital Assets, all County acquisitions, regardless of the manner acquired, that meet the thresholds for capitalization according should be added to capital assets in the fiscal year of acquisition and a full-year's straight-line depreciation should be taken for all depreciable assets during the year.

ITAWAMBA COUNTY

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

Condition:

As reported in the prior audit report, a railroad was donated to the County in August of 2013. The fair market value of the railroad was not determined at the time of acquisition by the county. Since the fair market value was not known by the County, the railroad was not included in additions to capital assets and the County could not calculate and record depreciation.

Cause:

Internal controls over capital assets did not require the County to do the following:

- Determine the fair value of donated assets at the time of acquisition in order to add the donated asset to capital assets.
- Calculate and record depreciation for all capital assets that meet the capitalization threshold of the County.

Effect:

Failure to add these assets to capital assets caused an understatement of capital assets and depreciation expense which resulted in a qualified opinion on the governmental activities opinion unit.

Recommendation:

The Board of Supervisors and Inventory Control Clerk should implement a system of internal control over the valuation, recording and depreciation of capital assets to ensure that County capital assets are reported completely and accurately.

Board of Supervisors' Response:

See Corrective Action Plan.

Chancery Clerk.

Finding 2015-007

Significant Deficiency

Internal Controls over Chancery Clerk employee payroll should be strengthened

Criteria:

Effective internal control over payroll should include timely payment from the Chancery Clerk to the County for the cost of the County processing the Chancery Clerk's employee payroll, including benefits, prior to the County processing and issuing payment for the related payroll.

Condition:

The Chancery clerk employed deputies whose payroll is processed with the County payroll. As reported in the prior three years' audit reports, the Chancery Clerk has paid the County for his deputies' salaries after the actual payroll date, instead of paying in advance.

Cause:

Internal controls were not in place to require the Chancery Clerk to pay the County for Chancery Clerk's employee salary and benefits prior to the County processing and issuing payment for the related payroll.

Effect:

This resulted in an unauthorized loan from the County to the Chancery Clerk.

Recommendation:

The Chancery Clerk should pay the costs of the Chancery Clerk's employee payroll and benefits to the County prior to the County processing and issuing payment for the related payroll.

Chancery Clerk's Response:

ITAWAMBA COUNTY

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

See Corrective Action Plan.

County Administrator.

Finding 2015-008

Material Weakness

Internal Controls over reconciling the payroll clearing account should be strengthened

Criteria:

Effective internal controls should include reconciling the payroll clearing account on monthly basis and explaining any differences noted in the reconciliation.

Condition:

As reported in the prior three years' audit reports, the payroll clearing account has an unreconciled difference with no explanation for the unreconciled difference.

Cause:

Internal controls were not in place to require that account reconciliations were reviewed, and any unreconciled amounts were identified, explained and documented.

Effect:

Failure to fully reconcile and identify, explain and document any differences in the payroll clearing account could result in the loss of public funds.

Recommendation:

The County Administrator should ensure that reconciliations of the payroll clearing account include identifying, explaining and documenting any differences noted.

County Administrator's Response:

See Corrective Action Plan.

Finding 2015-009

Material Weakness

Internal Controls over reconciling the general county account should be strengthened

Criteria:

Effective internal controls should include reconciling the general county bank account on a monthly basis and explaining any differences noted in the reconciliation.

Condition:

Funds cash in the bank balances shown on the general county bank account reconciliation were not equal to the funds cash in the bank amounts on the general ledger. The reason for the differences was not noted or explained.

Cause:

Internal controls were not in place to require that account reconciliations were reviewed, and any unreconciled amounts were identified, explained and documented.

Effect:

Failure to fully reconcile and identify, explain and document any differences in the general county bank account could result in the loss of public funds.

Recommendation:

ITAWAMBA COUNTY

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

The County Administrator should ensure that reconciliations of the general county bank account include identifying, explaining and documenting any differences noted.

County Administrator's Response:

See Corrective Action Plan.

Circuit Clerk.

Finding 2015-010

Material Weakness

Segregation of duties in the Circuit Clerk's office should be strengthened

Criteria:

Effective internal controls should include adequate segregation of duties. Segregation of duties is the separation of the authority, custody, and accounting of an operation so that one individual cannot complete a transaction from start to finish.

Condition:

As reported in the two prior year's audit reports, collection, disbursement, recording and reconciliation functions are not adequately segregated in the Circuit Clerk's office. The Circuit Clerk receipts collections, posts the cash journal, makes deposits, reconciles the bank statements, calculates the monthly settlements, and disburses all funds.

Cause:

The Circuit Clerk's office has not implemented adequate segregation of duties or compensating internal controls to mitigate risk of one individual performing so that there is separation of the authority, custody, and accounting of operations.

Effect:

Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Lack of adequate segregation of duties can increase the risk of management override of existing internal controls.

Recommendation:

The Circuit Clerk should design, implement and monitor an effective system of internal controls including an adequate segregation of duties. If size and financial considerations present challenges to attaining adequate segregation of duties then management should consider if this risk could be mitigated through the design of the internal control system by including additional levels of review, reviewing randomly selected transactions and their supporting documentation, taking periodic assets counts, checking reconciliations, etc.

Circuit Clerk's Response:

See Corrective Action Plan.

Justice Court Clerk.

Finding 2015-011

Material Weakness

Segregation of duties in the Justice Court Clerk's office should be strengthened

Criteria:

Effective internal controls should include adequate segregation of duties. Segregation of duties is the separation of the authority, custody, and accounting of an operation so that one individual cannot complete a transaction from start to finish.

ITAWAMBA COUNTY

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

Condition:

As reported in the prior three years' audit reports, collection, disbursement, recording and reconciliation functions are not adequately segregated in the Justice Court Clerk's office. The Justice Court Clerk has access to collections, prepares the daily check-up sheets, prepares bank deposits, reconciles the bank statements, writes and signs all checks for disbursement, and makes the monthly settlements.

Cause:

The Justice Court Clerk's office has not implemented adequate segregation of duties or compensating internal controls to mitigate risk of one individual performing so that there is separation of the authority, custody, and accounting of operations.

Effect:

Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Lack of adequate segregation of duties can increase the risk of management override of existing internal controls and could result in a loss of public funds.

Recommendation:

The Justice Court Clerk should design, implement and monitor an effective system of internal controls including an adequate segregation of duties. If size and financial considerations present challenges to attaining adequate segregation of duties then management should consider if this risk could be mitigated through the design of the internal control system by including additional levels of review, reviewing randomly selected transactions and their supporting documentation, taking periodic assets counts, checking reconciliations, etc.

Justice Court Clerk's Response: See Corrective Action Plan.

Finding 2015-012

Significant Deficiency

Internal Controls over reconciling the Justice Court Clerk's clearing account should be strengthened

Criteria:

Effective internal controls should include reconciling the Justice Court Clerk clearing account on a monthly basis and explaining any unreconciled differences.

Condition:

As reported in the prior year audit report, we noted that the Justice Court Clerk clearing account has an unreconciled difference that was not explained on the reconciliation.

Cause:

Internal controls over reconciling the Justice Court Clerk clearing account did not ensure that explanations were provided for unreconciled differences.

Effect:

Failure to explain unreconciled differences in the Justice Court Clerk clearing account could result in the loss of public funds.

Identification of Repeat Finding:

This is a repeat finding from the immediate previous audit, 2013-015.

Recommendation:

The Justice Court Clerk should ensure that differences noted in the Justice Court Clerk clearing account are explained and documented.

Justice Court Clerk's Response:

ITAWAMBA COUNTY

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

See Corrective Action Plan.

Finding 2015-013

Material Weakness

Internal Controls over fines receivable in the Justice Court Clerk's office should be strengthened

Criteria:

Effective internal controls over Justice Court fines receivable should include maintaining and preserving adequate subsidiary records to substantiate the total fines receivable balance and should ensure that fines receivable is properly aged in order to estimate the collectability of these fines receivable and includes only fines due the county.

Condition:

As reported in the prior three years' audit reports, based on audit procedures performed, management did not maintain and preserve adequate subsidiary records documenting the existence and valuation or fines receivable for Justice Court fines and the aging of fines receivable at September 30, 2015.

Cause:

Internal controls over Justice Court fines receivable were not effective in ensuring the preparation and retention of a detailed aged fines receivable schedule at September 30, 2015.

Effect:

Failure of internal controls over aging of Justice Court fines receivable could cause misstatements in the financial statements. Therefore, the Independent Auditor's Report includes a qualified opinion on the General Fund because we were not able to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

Identification of Repeat Finding:

This is a repeat finding from the immediate previous audit, 2013-014.

Recommendation:

The Justice Court Clerk should ensure that internal control procedures are in place to allow for the preparation and preservation of a detailed aged fines receivable schedule so that fines receivable due to the County can be properly reported in the financial statements.

Justice Court Clerk's Response:

See Corrective Action Plan.

Tax Collector

Finding 2015-014

Material Weakness

Segregation of duties in the Tax Collector's office should be strengthened

Criteria:

Effective internal controls should include adequate segregation of duties. Segregation of duties is the separation of the authority, custody, and accounting of an operation so that one individual cannot complete a transaction from start to finish.

Condition:

As reported in the two prior year's audit reports, collection, disbursement, recording and reconciliation functions are not adequately segregated in the Tax Collector's office. The bookkeeper has access to

ITAWAMBA COUNTY

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

collections, prepares the daily check-up sheets, prepares bank deposits, reconciles the bank statements, writes and signs all checks for disbursement, and makes the monthly settlements.

Cause:

The Tax Collector's office has not implemented adequate segregation of duties or compensating internal controls to mitigate risk of one individual performing so that there is separation of the authority, custody, and accounting of operations.

Effect:

Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Lack of adequate segregation of duties can increase the risk of management override of existing internal controls.

Recommendation:

The Tax Collector's should design, implement and monitor an effective system of internal controls including an adequate segregation of duties. If size and financial considerations present challenges to attaining adequate segregation of duties then management should consider if this risk could be mitigated through the design of the internal control system by including additional levels of review, reviewing randomly selected transactions and their supporting documentation, taking periodic assets counts, checking reconciliations, etc.

Tax Collector's Response:

See Corrective Action Plan.

Sheriff

Finding 2015-015

Significant Deficiency

Segregation of duties in the Sheriff's office should be strengthened

Criteria:

Effective internal controls should include adequate segregation of duties. Segregation of duties is the separation of the authority, custody, and accounting of an operation so that one individual cannot complete a transaction from start to finish.

Condition:

As reported in the two prior year's audit reports, collection, disbursement, recording and reconciliation functions are not adequately segregated in the Sheriff's office. The bookkeeper receipts collections, posts to the cash journal, makes bank deposits, reconciles the bank statements, disburses all funds, and makes the monthly settlements.

Cause:

The Sheriff's office has not implemented adequate segregation of duties or compensating internal controls to mitigate risk of one individual performing so that there is separation of the authority, custody, and accounting of operations.

Effect:

Segregation of duties helps prevent fraud, waste, and abuse in the internal control system including the risk of management override of existing internal controls.

Recommendation:

The Sheriff should design, implement and monitor an effective system of internal controls including an adequate segregation of duties. If size and financial considerations present challenges to attaining adequate segregation of duties then management should consider if this risk could be mitigated through the design of the internal control system by including additional levels of review, reviewing randomly selected transactions and their supporting documentation, taking periodic assets counts, checking reconciliations, etc.

ITAWAMBA COUNTY

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

Sheriff's Response:

See Corrective Action Plan.

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

AUDITEE'S CORRECTIVE ACTION PLAN

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

Corrective Action Plan
For the Year Ended September 30, 2015

SECTION 2: FINANCIAL STATEMENT FINDING

2015-001

Corrective Action Planned: Due to cost restraints and benefits derived from cost to obtain, the County does not have audits performed on component units.

Proposed Completion Date:

Name of contact person: Gary Franks, County Administrator

2015-002

Corrective Action Planned: Due to funding and lack of personnel, segregation of duties is a weakness we will continue to struggle with

Proposed Completion Date: As funds are available.

Name of contact person: Gary Franks, County Administrator

2015-003

Corrective Action Planned: We are working toward improving and implementing a disaster recovery plan.

Proposed Completion Date: Next two years

Name of contact person: Gary Franks, County Administrator

2015-004

Corrective Action Planned: At this time, our capability to implement a policy is a challenge. We will continue to work toward implementation.

Proposed Completion Date: Next two years

Name of contact person: Gary Franks, County Administrator

2015-005

Corrective Action Planned: Subsequent to year-end, we have changed and implemented procedures to change passwords.

Proposed Completion Date: October 1, 2015

Name of contact person: Stephanie Harrington, Bookkeeper

2015-006

Corrective Action Planned: This was a one-time exception. Normally all assets are recorded at market value.

Proposed Completion Date: October 1, 2015

Name of contact person: Stephanie Harrington, Bookkeeper

2015-007

Corrective Action Planned: Since taking over this office in January, 2016, with the exception of January 2016, all have been paid prior to payroll. I did not have a bank account set up, etc. to meet the first payroll in January.

Proposed Completion Date: November 1, 2016

Name of contact person: Michelle Clouse, Chancery Clerk

ITAWAMBA COUNTY

Corrective Action Plan
For the Year Ended September 30, 2015

2015-008

Corrective Action Planned: A new bookkeeper has been employed and this matter has been corrected.
Proposed Completion Date: October 1, 2015
Name of contact person: Stephanie Harrington, Bookkeeper

2015-009

Corrective Action Planned: A new bookkeeper has been employed and this matter has been corrected.
Proposed Completion Date: October 1, 2015
Name of contact person: Stephanie Harrington

2015-010

Corrective Action Planned: I will address such issues.
Proposed Completion Date:
Name of contact person: Carol Gates, Circuit Clerk

2015-011

Corrective Action Planned: Due to limited staff, this has been reviewed and should be corrected.
Proposed Completion Date:
Name of contact person: Sheila Spradling, Justice Court Clerk

2015-012

Corrective Action Planned: I will comply.
Proposed Completion Date: October 1, 2015
Name of contact person: Sheila Spradling, Justice Court Clerk

2015-013

Corrective Action Planned: I will comply now and in the future.
Proposed Completion Date: January 20, 2017
Name of contact person: Sheila Spradling, Justice Court Clerk

2015-014

Corrective Action Planned: We will do everything we can to have a better internal control.
Proposed Completion Date:
Name of contact person: Debbie Ann Johnson, Tax Collector

2015-015

Corrective Action Planned: Due to limited staff, this has been reviewed and should be corrected.
Proposed Completion Date: As funds are available
Name of contact person: Chris Dickinson, Sheriff

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

ITAWAMBA COUNTY

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ITAWAMBA COUNTY

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2015

2014-001 Financial data for component units should be included in the County's Financial Statements.

Status: This finding has been repeated in the current year as Finding 2015-001.

2014-002 Segregation of duties over County accounting functions should be strengthened.

Status: This finding has been repeated in the current year as Finding 2015-002.

2014-003 The County Should Establish and Test a Disaster Recovery Process.

Status: This finding has been repeated in the current year as Finding 2015-003.

2014-004 The County should implement a formal information security policy.

Status: This finding has been repeated in the current year as Finding 2015-004.

2014-005 The County should strengthen passwords.

Status: This finding has been repeated in the current year as Finding 2015-005.

2014-006 Internal controls over capital assets valuations should be strengthened.

Status: This finding has been repeated in the current year as Finding 2015-006.

2014-007 Internal controls over Chancery Clerk reimbursing deputies salaries should be strengthened.

Status: This finding has been repeated in the current year as Finding 2015-007.

2014-008 Internal controls over reconciling the payroll clearing account should be strengthened.

Status: This finding has been repeated in the current year as Finding 2015-008.

2014-009 Internal controls over reconciling the general county account should be strengthened.

Status: This finding has been repeated in the current year as Finding 2015-009.

2014-010 Segregation of duties in the Circuit Clerk's office should be strengthened.

Status: This finding has been repeated in the current year as Finding 2015-010.

ITAWAMBA COUNTY

Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2015

2014-011 Segregation of duties in Justice Court Clerk's office.

Status: This finding has been repeated in the current year as Finding 2015-011.

2014-012 Internal controls over reconciling the Justice Court clearing account should be strengthened.

Status: This finding has been repeated in the current year as Finding 2015-012.

2014-013 Controls over fines receivable in the Justice Court office should be strengthened.

Status: This finding has been repeated in the current year as Finding 2015-013.

2014-014 Segregation of duties in Tax Collector's office.

Status: This finding has been repeated in the current year as Finding 2015-014.

2014-015 Segregation of duties in Sheriff's office.

Status: This finding has been repeated in the current year as Finding 2015-015.