

# NEWTON COUNTY, MISSISSIPPI

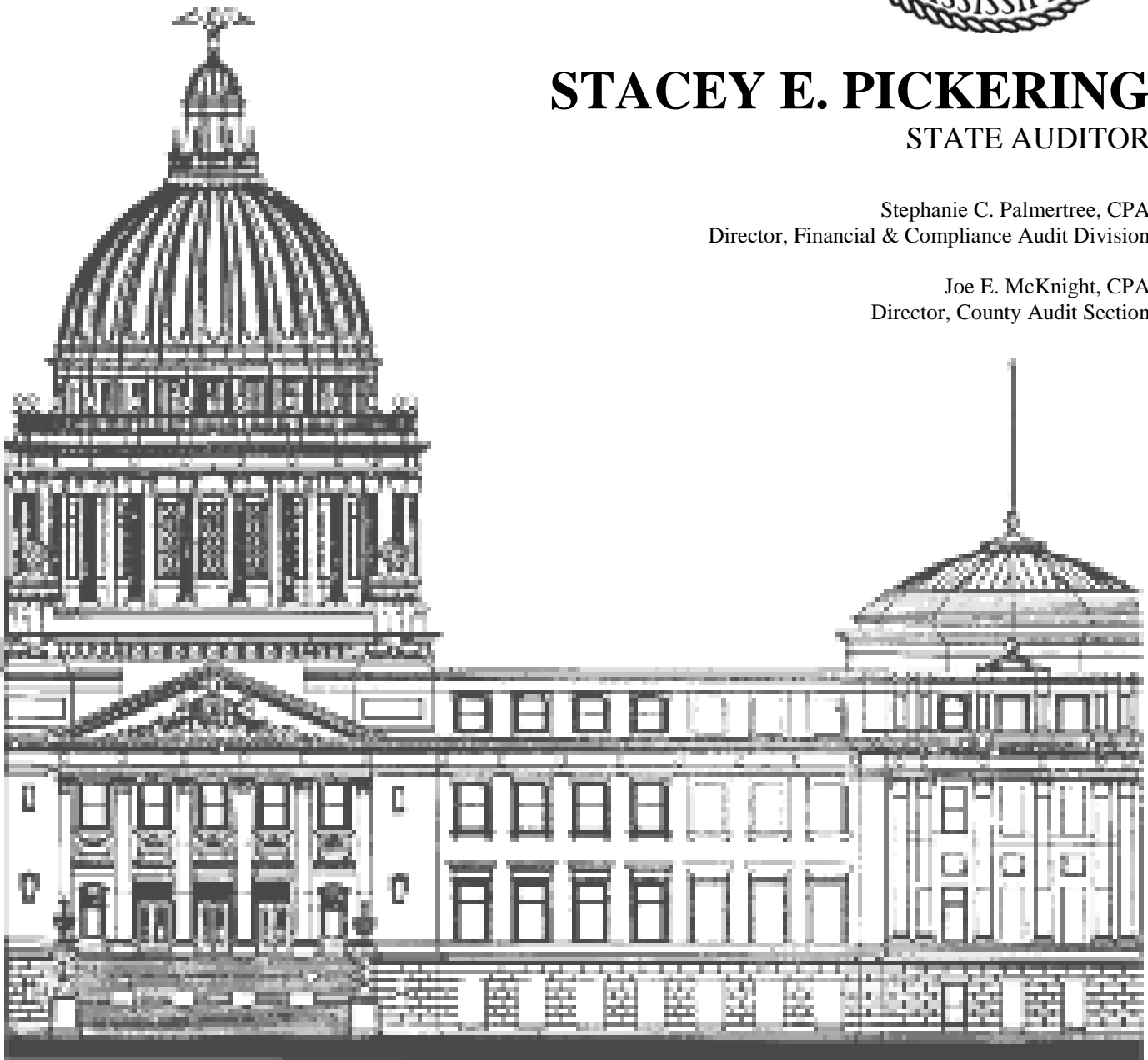
Audited Financial Statements and Special Reports  
For the Year Ended September 30, 2015



## STACEY E. PICKERING STATE AUDITOR

Stephanie C. Palmertree, CPA  
Director, Financial & Compliance Audit Division

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

[www.osa.state.ms.us](http://www.osa.state.ms.us)









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

October 23, 2017

Members of the Board of Supervisors  
Newton County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Newton 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 Newton County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Newton County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with the first name "Stacey" being more prominent.

Stacey E. Pickering  
State Auditor



NEWTON COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITOR’S REPORT .....	3
FINANCIAL STATEMENTS .....	5
Statement of Net Position – Cash Basis.....	7
Statement of Activities – Cash Basis.....	8
Statement of Cash Basis Assets and Fund Balances – Governmental Funds .....	9
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds .....	10
Statement of Net Position – Cash Basis – Proprietary Fund.....	11
Statement of Cash Receipts, Disbursements and Changes in Net Position – Proprietary Fund .....	12
Statement of Fiduciary Assets and Liabilities – Cash Basis .....	13
Notes to Financial Statements .....	15
OTHER INFORMATION .....	21
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund .....	23
Schedule of Interfund Loans and Advances .....	24
Schedule of Capital Assets .....	25
Schedule of Changes in Long-term Debt.....	26
Schedule of Surety Bonds for County Officials .....	27
Notes to the Other Information.....	29
SPECIAL REPORTS.....	31
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	33
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)).....	35
Limited Internal Control and Compliance Review Management Report .....	43
SCHEDULE OF FINDINGS AND RESPONSES .....	51



NEWTON COUNTY

FINANCIAL SECTION

NEWTON COUTY

(This page left blank intentionally.)



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

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Newton County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Newton County, Mississippi, (the County) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting, as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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.

## **Unmodified Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of Newton County, Mississippi, as of September 30, 2015, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements which describes that Newton County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Report on Other Information*

The Budgetary Comparison Schedule, Schedule of Interfund Loans and Advances, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have 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 them.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2017 on our consideration of Newton 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 Newton County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

October 23, 2017

NEWTON COUNTY

FINANCIAL STATEMENTS

NEWTON COUTY

(This page left blank intentionally.)

NEWTON COUNTY  
 Statement of Net Position - Cash Basis  
 September 30, 2015

Exhibit 1

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Cash	\$ 3,723,955	154,906	3,878,861
Total Assets	<u>3,723,955</u>	<u>154,906</u>	<u>3,878,861</u>
NET POSITION			
Restricted:			
Expendable:			
General government	426,647		426,647
Public safety	123,941		123,941
Public works	1,012,043	154,906	1,166,949
Culture and recreation	27,406		27,406
Debt service	104,205		104,205
Unrestricted	2,029,713		2,029,713
Total Net Position	<u>\$ 3,723,955</u>	<u>154,906</u>	<u>3,878,861</u>

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

NEWTON COUNTY  
Statement of Activities - Cash Basis  
For the Year Ended September 30, 2015

Exhibit 2

Functions/Programs	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Position		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary government:							
Governmental activities:							
General government	\$ 2,989,041	418,142	43,071		(2,527,828)		(2,527,828)
Public safety	2,208,695	340,374	150,204	14,444	(1,703,673)		(1,703,673)
Public works	3,298,360		777,452	59,945	(2,460,963)		(2,460,963)
Health and welfare	109,211		19,419		(89,792)		(89,792)
Culture and recreation	76,763				(76,763)		(76,763)
Education	286,320				(286,320)		(286,320)
Conservation of natural resources	150,111				(150,111)		(150,111)
Economic development and assistance	43,614				(43,614)		(43,614)
Debt service:							
Principal	661,035				(661,035)		(661,035)
Interest	104,424				(104,424)		(104,424)
Total Governmental Activities	9,927,574	758,516	990,146	74,389	(8,104,523)	0	(8,104,523)
Business-type activities:							
Solid Waste	1,018,206	705,697	4,290			(308,219)	(308,219)
Total Business-type Activities	1,018,206	705,697	4,290	0		(308,219)	(308,219)
Total Primary Government	\$ 10,945,780	1,464,213	994,436	74,389	(8,104,523)	(308,219)	(8,412,742)
General receipts:							
Property taxes					\$ 5,956,851		5,956,851
Road & bridge privilege taxes					253,128		253,128
Grants and contributions not restricted to specific programs					714,668	19,173	733,841
Unrestricted interest income					10,137	1,295	11,432
Miscellaneous					359,389	16,379	375,768
Proceeds from debt issuance					703,586	245,158	948,744
Sale of county property					86,529		86,529
Compensation for loss of county property					33,970		33,970
Total General Receipts and Other Cash Sources					8,118,258	282,005	8,400,263
Changes in Net Position					13,735	(26,214)	(12,479)
Net Position - Beginning of year					3,710,220	181,120	3,891,340
Net Position - Ending					\$ 3,723,955	154,906	3,878,861

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

NEWTON COUNTY

Exhibit 3

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

September 30, 2015

	<u>Major Fund</u>		
	<u>General</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
ASSETS			
Cash	\$ 2,283,270	1,440,685	3,723,955
Total Assets	\$ <u>2,283,270</u>	<u>1,440,685</u>	<u>3,723,955</u>
FUND BALANCES			
Restricted for:			
General government	\$ 215,059	211,588	426,647
Public safety	38,498	85,443	123,941
Public works		1,012,043	1,012,043
Culture and recreation		27,406	27,406
Debt service		104,205	104,205
Unassigned	2,029,713		2,029,713
Total Fund Balances	\$ <u>2,283,270</u>	<u>1,440,685</u>	<u>3,723,955</u>

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

NEWTON COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -  
Governmental Funds  
For the Year Ended September 30, 2015

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
RECEIPTS			
Property taxes	\$ 3,751,195	2,205,656	5,956,851
Road and bridge privilege taxes		253,128	253,128
Licenses, commissions and other receipts	194,778	6,354	201,132
Fines and forfeitures	257,865		257,865
Intergovernmental receipts	887,819	891,384	1,779,203
Charges for services	299,519		299,519
Interest income	7,416	2,721	10,137
Miscellaneous receipts	172,928	186,461	359,389
Total Receipts	5,571,520	3,545,704	9,117,224
DISBURSEMENTS			
General government	2,989,041		2,989,041
Public safety	2,125,428	83,267	2,208,695
Public works	300	3,298,060	3,298,360
Health and welfare	109,211		109,211
Culture and recreation	70,000	6,763	76,763
Education	286,320		286,320
Conservation of natural resources	150,111		150,111
Economic development and assistance	43,614		43,614
Debt service:			
Principal	159,527	501,508	661,035
Interest	15,608	88,816	104,424
Total Disbursements	5,949,160	3,978,414	9,927,574
Excess (Deficiency) of Receipts over Disbursements	(377,640)	(432,710)	(810,350)
OTHER CASH SOURCES (USES)			
Proceeds from long-term debt issuance	411,589	291,997	703,586
Sale of county property	3,973	82,556	86,529
Compensation for loss of county property	19,286	14,684	33,970
Transfers in	36,721	21,443	58,164
Transfers out	(21,443)	(36,721)	(58,164)
Total Other Cash Sources and Uses	450,126	373,959	824,085
Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses	72,486	(58,751)	13,735
Cash Basis Fund Balances - Beginning	2,210,784	1,499,436	3,710,220
Cash Basis Fund Balances - Ending	\$ 2,283,270	1,440,685	3,723,955

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

NEWTON COUNTY  
 Statement of Net Position - Cash Basis - Proprietary Fund  
 September 30, 2015

Exhibit 5

		Business-type Activities
		- Enterprise Fund
		<hr/>
		Solid Waste
		Services Fund
		<hr/>
ASSETS		
Cash	\$	154,906
Total Assets		<hr/>
		154,906
		<hr/>
NET POSITION		
Restricted for:		
Public works		154,906
Total Net Position	\$	<hr/>
		154,906
		<hr/>

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

NEWTON COUNTY

Exhibit 6

Statement of Cash Receipts, Disbursements and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Fund
	Solid Waste Services Fund
Operating Receipts	
Charges for services	\$ 705,697
Miscellaneous	16,379
Total Operating Receipts	<u>722,076</u>
Operating Disbursements	
Personal services	462,772
Contractual services	72,225
Materials and supplies	375,618
Indirect administrative cost	23,783
Total Operating Disbursements	<u>934,398</u>
Operating Income (Loss)	<u>(212,322)</u>
Nonoperating Receipts (Disbursements)	
Interest income	1,295
Intergovernmental grants	23,463
Proceeds from debt	245,158
Principal paid	(77,098)
Interest expense	(6,710)
Net Nonoperating Receipts (Disbursements)	<u>186,108</u>
Net Income (Loss)	<u>(26,214)</u>
Changes in Net Position	(26,214)
Net Position - Beginning	<u>181,120</u>
Net Position - Ending	<u>\$ 154,906</u>

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

NEWTON COUNTY  
Statement of Fiduciary Assets and Liabilities - Cash Basis  
September 30, 2015

Exhibit 7

	Agency Funds
ASSETS	
Cash	\$ <u>62,227</u>
Total Assets	\$ <u><u>62,227</u></u>
LIABILITIES	
Amounts held in custody for others	\$ <u>62,227</u>
Total Liabilities	\$ <u><u>62,227</u></u>

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

NEWTON COUNTY

(This page left blank intentionally.)

## NEWTON COUNTY

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

#### (1) Summary of Significant Accounting Policies.

##### A. Financial Reporting Entity.

Newton County, Mississippi (the County), is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Newton County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County. There are no outside organizations that should be included as component units of the County's reporting entity.

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

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

##### B. Basis of Presentation.

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

##### Government-wide Financial Statements:

The Statement of Net Position – Cash Basis and Statement of Activities – Cash Basis 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 receipts and other nonexchange receipts and are reported separately from business-type activities. Business-type activities rely mainly on fees and charges for support.

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

## NEWTON COUNTY

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

#### Fund Financial Statements:

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

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, Proprietary Funds and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Fund:

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

The County reports the following major Enterprise Fund:

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

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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

#### PROPRIETARY FUND TYPE

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

## NEWTON COUNTY

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

#### FIDUCIARY FUND TYPE

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

D. Account Classifications.

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

E. Deposits.

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).

F. Equity Classifications.

Government-wide Financial Statements:

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

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."

Net Position Flow Assumption:

When a disbursement is paid 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 disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

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

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

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

## NEWTON COUNTY

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

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

#### Fund Balance Flow Assumption:

When a disbursement is paid 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 disbursements are paid 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.

#### G. Property Tax Receipts.

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

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

#### (2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$3,941,088, and the bank balance was \$4,179,216. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

#### (3) Interfund Transfers.

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

# NEWTON COUNTY

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

### Transfers In/Out:

Transfers In	Transfers Out	Amount
General Fund	Other Governmental Funds	\$ 36,721
Other Governmental Funds	General Fund	21,443
General Fund	Agency Funds	7,314
Total		\$ 65,478

The principal purpose of interfund transfers was to provide funds to pay for capital outlay, to close funds no longer in use, and to correct funds miscoded in the prior year. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

### (4) Deficit Fund Balances of Individual Funds.

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

Fund	Deficit Amount
Countywide Road and Bridge Fund	\$ 385
District 4 Bridge Fund	7,708

### (5) 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.

### (6) 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 disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

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.

### (7) Joint Venture.

The County participates in the following joint venture:

Newton County is a participant with Kemper County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Kemper-Newton Regional Library System. The joint venture was created to provide free public library service to the citizens of the respective counties. The Newton County Board of Supervisors alternately appoints two or three of the five members of the board of directors. By contractual agreement, the County's

## NEWTON COUNTY

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

contribution to the joint venture was \$70,000 in fiscal year 2015. Complete financial statements for the Kemper-Newton Regional Library System can be obtained from 101 Peachtree Street, Union, MS 39365.

(8) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mid-Mississippi Development District operates in a district composed of the counties of Clarke, Jasper, Lauderdale, Newton, Scott and Smith. The district was organized to foster, encourage and facilitate economic development in the member counties. The district's board of trustees is composed of 30 members, five each from the six-member counties. The County contributed \$30,300 for support of the district in fiscal year 2015.

East Central Mississippi Planning and Development District operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the 15 members of the board of directors. The County contributed \$13,189 for support of the district in fiscal year 2015.

Region Ten Mental Health-Mental Retardation Commission operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Leake, Neshoba, Newton, Scott and Smith. The Newton County Board of Supervisors appoints one of the nine members of the board of commissioners. The County contributed \$29,500 for support of the commission in fiscal year 2015.

The Multi-County Community Service Agency operates in a district composed of the counties of Clarke, Jasper, Kemper, Lauderdale, Newton and Wayne. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Newton County Board of Supervisors appoints one of the 24 members of the board of directors. Most of the funding for the entity is derived from federal funds. Each County provides a modest amount of financial support when matching funds are required for federal grants. The County contributed \$6,000 for support of the agency in the fiscal year 2015.

East Central Community College operates in a district composed of the counties of Leake, Neshoba, Newton, Scott and Winston. The Newton County Board of Supervisors appoints one of the 30 members of the college board of trustees. The County contributed \$402,110 for maintenance and support of the college in fiscal year 2015.

(9) Defined Benefit Pension Plan.

Plan Description. Newton 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.

Funding Policy. 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 rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$454,480, \$423,578 and \$394,410, respectively, equal to the required contributions for each year.

## NEWTON COUNTY

## OTHER INFORMATION

NEWTON COUNTY

(This page left blank intentionally.

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

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Property taxes	\$ 3,435,638	3,863,945	3,751,195	(112,750)
Licenses, commissions and other receipts	164,000	197,267	194,778	(2,489)
Fines and forfeitures	247,000	258,309	257,865	(444)
Intergovernmental receipts	916,381	1,226,248	887,819	(338,429)
Charges for services	278,180	303,095	299,519	(3,576)
Interest income	6,900	7,334	7,416	82
Miscellaneous receipts	261,175	320,458	172,928	(147,530)
Total Receipts	<u>5,309,274</u>	<u>6,176,656</u>	<u>5,571,520</u>	<u>(605,136)</u>
<b>DISBURSEMENTS</b>				
Current:				
General government	2,883,112	3,702,084	2,989,041	713,043
Public safety	2,184,925	2,613,420	2,125,428	487,992
Public works	300	300	300	
Health and welfare	112,065	132,381	109,211	23,170
Culture and recreation	71,000	72,000	70,000	2,000
Education	276,415	291,289	286,320	4,969
Conservation of natural resources	154,183	163,709	150,111	13,598
Economic development and assistance	43,989	44,364	43,614	750
Debt service:				
Principal		175,527	159,527	16,000
Interest		8,726	15,608	(6,882)
Total Disbursements	<u>5,725,989</u>	<u>7,203,800</u>	<u>5,949,160</u>	<u>1,254,640</u>
Excess of Receipts over (under) Disbursements	<u>(416,715)</u>	<u>(1,027,144)</u>	<u>(377,640)</u>	<u>649,504</u>
<b>OTHER CASH SOURCES (USES)</b>				
Proceeds from debt		322,800	411,589	88,789
Sale of county property	3,500	3,973	3,973	
Compensation for loss of county property	2,500	19,286	19,286	
Transfers in	196,157	241,197	36,721	(204,476)
Transfers out		(250,621)	(21,443)	229,178
Other financing uses	(10,000)	(19,331)		19,331
Total Other Cash Sources and Uses	<u>192,157</u>	<u>317,304</u>	<u>450,126</u>	<u>132,822</u>
Net Change in Fund Balance	(224,558)	(709,840)	72,486	782,326
Fund Balances - Beginning	<u>1,940,253</u>	<u>1,248,529</u>	<u>2,210,784</u>	<u>962,255</u>
Fund Balances - Ending	<u>\$ 1,715,695</u>	<u>538,689</u>	<u>2,283,270</u>	<u>1,744,581</u>

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

NEWTON COUNTY  
 Schedule of Interfund Loans and Advances  
 For the Year Ended September 30, 2015  
 UNAUDITED

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

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	Balance at Sept. 30, 2015
General Fund	Other Governmental Funds	\$ 83,717
General Fund	Solid Waste Services Fund	23,783
Other Governmental Funds	General Fund	25,000
Other Governmental Funds	Other Governmental Funds	<u>19,317</u>
Total		\$ <u><u>151,817</u></u>

The receivables represent an error in posting receipts during the year, solid waste indirect costs, and to provide funds for bond payments. 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>	Balance at Sept. 30, 2015
Other Governmental Funds	Other Governmental Funds	\$ <u><u>303, 896</u></u>

Advances were made to provide funds for bond payments and also for operating purposes.

NEWTON COUNTY  
 Schedule of Capital Assets  
 For the Year Ended September 30, 2015  
 UNAUDITED

**Governmental activities:**

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments *	Balance Sept. 30, 2015
Land	\$ 249,498				249,498
Infrastructure	1,153,854				1,153,854
Buildings	5,097,590				5,097,590
Mobile equipment	5,953,766	71,526	310,070	212,383	5,927,605
Furniture and equipment	938,965		16,775		922,190
Leased property under capital leases	2,474,879	321,816		(212,383)	2,584,312
Total capital assets	<u>\$ 15,868,552</u>	<u>393,342</u>	<u>326,845</u>	<u>0</u>	<u>15,935,049</u>

**Business-type activities:**

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments	Balance Sept. 30, 2015
Land	\$ 102,005				102,005
Buildings	49,995				49,995
Mobile equipment	862,333				862,333
Furniture and equipment	149,412				149,412
Leased property under capital leases	116,268	310,158	91,768		334,658
Total capital assets	<u>\$ 1,280,013</u>	<u>310,158</u>	<u>91,768</u>	<u>0</u>	<u>1,498,403</u>

\*Adjustments from leased property to mobile equipment were to account for the capital leases paid off during the fiscal year 2015

NEWTON COUNTY  
Schedule of Changes in Long-term Debt  
For the Year Ended September 30, 2015  
UNAUDITED

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

Description and Purpose	Issue Date	Maturity Date	Interest Rate	Balance Oct. 1, 2014	Amount Issued	Principal Payments	Balance Sept. 30, 2015
<b>Governmental Activities:</b>							
A. General Obligation Bonds:							
District 4 Road & Bridge Bond 2012	10/2012	10/2027	1.90/2.70%	\$ 543,500		30,500	513,000
G.O. Refunding Bond	03/2012	11/2021	2.43%	1,315,000		150,000	1,165,000
District 4 Road & Bridge Bond 2009	11/2008	10/2023	3.80%	348,000		32,000	316,000
District 1 Road & Bridge Bond 2009	11/2009	11/2025	3.90%	320,000		25,000	295,000
B. Capital Leases:							
911 Equipment	02/2013	03/2016	1.49%	58,032		38,528	19,504
911 Antenna	02/2013	02/2016	1.80%	10,109		7,109	3,000
2012 Chevy Tahoe	11/2012	11/2015	1.74%	8,787		8,388	399
2012 Dodge Ram 1500	11/2012	11/2015	1.71%	10,744		9,196	1,548
2011 Dodge Charger	12/2011	12/2014	2.33%	2,164		2,164	
2012 Dodge Charger	06/2012	06/2015	1.89%	7,166		7,166	
2014 Dodge Charger	02/2014	03/2017	1.95%	23,141		9,122	14,019
2014 Dodge Charger	03/2014	03/2017	2.00%	23,122		9,110	14,012
Samsung AC/Heater	11/2014	10/2019	1.94%		322,800	56,862	265,938
2015 Chevy Tahoe	03/2015	03/2018	1.84%		28,972	4,718	24,254
2015 Chevy Tahoe	03/2015	03/2018	1.84%		28,972	4,718	24,254
2015 Ford F250	03/2015	04/2020	1.94%		30,845	2,458	28,387
2012 Ambulance	06/2012	06/2017	1.65%	35,027		35,027	
Fire Truck	02/2013	03/2019	1.49%	115,232		24,944	90,288
District 1 Cat 12h motor grader	02/2013	03/2017	1.49%	42,956		16,991	25,965
District 1 Cat 420f backhoe	08/2013	09/2018	2.09%	74,382		3,983	70,399
District 1 Kubota tractor	08/2013	08/2018	1.99%	31,831		7,893	23,938
District 2 Cat 420f backhoe	06/2013	07/2016	1.49%	24,734		24,734	
District 2 Pothole patcher	06/2015	06/2018	1.79%	-	48,900	3,976	44,924
District 3 Cat 12h motor grader	02/2013	03/2017	1.49%	42,956		16,991	25,965
District 3 Cat 320 DL excavator	02/2013	03/2018	1.49%	64,887		18,196	46,691
District 3 Cat 420f backhoe	08/2013	09/2016	1.89%	73,611		4,701	68,910
District 3 John Deere tractor	03/2015	03/2020	1.92%	-	109,048	10,443	98,605
District 4 Cat 12h motor grader	02/2013	03/2017	1.49%	49,083		19,414	29,669
District 4 2007 Mack Dump truck	02/2013	03/2017	1.49%	27,600		10,917	16,683
District 4 2007 Mack Dump truck	03/2013	03/2017	1.49%	27,104		10,720	16,384
District 4 Cat 420f backhoe	08/2013	09/2018	2.09%	74,382		3,983	70,399
District 4 John Deere 6150M tractor	07/2014	07/2019	1.94%	99,919		9,314	90,605
District 4 Pothole patcher w/ tank	05/2015	05/2017	1.60%		25,019		25,019
District 5 Cat 420f backhoe	06/2013	07/2016	1.49%	25,967		14,076	11,891
District 5 Cat 12 M3 motor grader	09/2014	09/2019	1.98%	236,380		19,018	217,362
District 5 John Deere tractor	03/2015	04/2020	1.94%		109,030	8,688	100,342
Total				\$ <u>3,715,816</u>	<u>703,586</u>	<u>661,048</u>	<u>3,758,354</u>
<b>Business-type Activities:</b>							
A. Capital Leases:							
New scale system	09/2012	10/2015	1.77%	\$ 9,007		8,310	697
Cat D6K LGP dozer	04/2013	04/2016	1.49%	48,956		48,956	
2015 Freightliner garbage truck	02/2015	02/2020	1.94%		126,930	14,182	112,748
Cat D6K LC HD dozer	06/2015	06/2020	1.89%		118,228	5,650	112,578
Total				\$ <u>57,963</u>	<u>245,158</u>	<u>77,098</u>	<u>226,023</u>

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

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

Name	Position	Company	Bond
Kenneth Harris	Supervisor District 1	Western Surety Company	\$100,000
Joe Alexander	Supervisor District 2	Travelers Casualty & Surety of America	\$100,000
Charles Moulds	Supervisor District 3	Travelers Casualty & Surety of America	\$100,000
Luther M. (Bubba) Bonds	Supervisor District 4	Brierfield Insurance Company	\$100,000
Jimmy Johnson	Supervisor District 5	Travelers Casualty & Surety of America	\$100,000
Steve Seale	County Administrator	Travelers Casualty & Surety of America	\$100,000
George Hayes	Chancery Clerk	Travelers Casualty & Surety of America	\$100,000
Stephanie McMullan	Purchase Clerk	Brierfield Insurance Company	\$75,000
Pam Upton	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Deborah Parker	Receiving Clerk	Brierfield Insurance Company	\$75,000
(9) Clerks	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Delora Davis	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Donna Hutchins	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Charles Chaney	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Alton Neese	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
Latoya L. Brown	Assistant Receiving Clerk	Travelers Casualty & Surety of America	\$50,000
George Hayes	Inventory Control Clerk	Travelers Casualty & Surety of America	\$75,000
Mark Spence	Constable	Travelers Casualty & Surety of America	\$50,000
William D. Collins	Constable	Travelers Casualty & Surety of America	\$50,000
Michael Butler	Circuit Clerk	Travelers Casualty & Surety of America	\$100,000
Donna Hutchins	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Jackie Knight	Sheriff	Travelers Casualty & Surety of America	\$100,000
Matthew Lott	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Oscar Greg Morgan	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Cecil Gressett	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Benjamin Kelly	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Peter Pierman	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Jeremy Pinson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Kris Edward Hollingsworth	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Randy L. Patrick	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Joedy Pennington	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000
Toby Pinson	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972))	Travelers Casualty & Surety of America	\$50,000

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

Name	Position	Company	Bond
Freddie Gentry	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann.	Travelers Casualty & Surety of America	\$50,000
Luke Castillo	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann.	Travelers Casualty & Surety of America	\$50,000
Ryan Myers	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann.	Travelers Casualty & Surety of America	\$50,000
Terry Thames	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann.	Travelers Casualty & Surety of America	\$50,000
Matt Addkison	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann.	Travelers Casualty & Surety of America	\$50,000
Sammy Stevens	Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann.	Travelers Casualty & Surety of America	\$50,000
Jan Addy	Justice Court Judge	Travelers Casualty & Surety of America	\$50,000
Mark McDonald	Justice Court Judge	Travelers Casualty & Surety of America	\$50,000
Sue Graham	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Lolita Jordan	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
May Bender	Tax Assessor-Collector	Travelers Casualty & Surety of America	\$100,000
(4) Clerks	Deputy Tax Collector	Travelers Casualty & Surety of America	\$50,000

## NEWTON COUNTY

### Notes to the Other Information For the Year Ended September 30, 2015 UNAUDITED

#### (1) Budgetary Comparison Information.

##### A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, 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 presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund.

#### (2) Long-term Debt Information:

A. 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 1.88% of the latest property assessments.

##### B. Subsequent Events.

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

10/05/2015	1.85%	\$	98,854	Capital lease	Ad valorem taxes
01/04/2016	1.64%		34,810	Capital lease	Ad valorem taxes
01/04/2016	1.89%		229,228	Capital lease	Ad valorem taxes
08/18/2016	1.79%		64,644	Capital lease	Ad valorem taxes
08/18/2016	1.70%		79,970	Capital lease	Ad valorem taxes
10/03/2016	1.89%		27,641	Capital lease	Ad valorem taxes
01/24/2017	2.49%		21,165	Capital lease	Ad valorem taxes
02/15/2017	2.59%		21,943	Capital lease	Ad valorem taxes
07/05/2017	2.89%		82,352	Capital lease	Ad valorem taxes
08/17/2017	2.32%		69,950	Capital lease	Ad valorem taxes

NEWTON COUNTY

(This page left blank intentionally.)

## NEWTON COUNTY

## SPECIAL REPORTS

NEWTON COUNTY

(This page left blank intentionally.)



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

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

Members of the Board of Supervisors  
Newton County, Mississippi

We have audited, 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, the financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Newton County, Mississippi (the County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 23, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Newton County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2015-001 and 2015-002.

We also noted certain matters which we have reported to the management of Newton County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated October 23, 2017, included within this document.

### **Newton County's Response to Finding**

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

### **Purpose of this Report**

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

A handwritten signature in cursive script, appearing to read "Joe E. McKnight".

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

October 23, 2017



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

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

Members of the Board of Supervisors  
Newton County, Mississippi

We have examined Newton 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 Newton County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

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

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

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

**Purchase Clerk.**

1. Two competitive written bids should be obtained as required by statute.

**Finding**

Section 31-7-13(b), Miss. Code Ann. (1972), states that at least two (2) competitive written bids must be obtained for purchases which involve an expenditure of more than \$5,000 but not more than \$50,000, exclusive of freight and shipping charges. Our audit procedures indicated that two written competitive bids were not obtained for purchases of petroleum products in excess of \$5,000. Failure to obtain written competitive bids could result in excess costs to the County.

### Recommendation

The Purchase Clerk should ensure that at least two written bids are obtained prior to making any purchase more than \$5,000 but not more than \$50,000 as required by law.

### Purchase Clerk's Response

As of 3/6/17, we are correcting this issue.

## 2. Required procedures should be followed when accepting other than the lowest bid for all purchases.

### Finding

Section 31-7-13(d)(i), Miss. Code Ann. (1972), states that (1) if any governing authority accepts a bid other than the lowest bid actually submitted, it shall place on its minutes detailed calculations and narrative summary showing that the accepted bid was determined to be the lowest and best bid, including the dollar amount of the accepted bid and the dollar amount of the lowest bid; and (2) in determining the best and lowest competitive bid, the County shall not accept a bid based on items not included in the specifications. During our audit, we noted the following noncompliance:

- a. On numerous occasions during the year, a supervisor purchased clay gravel from other than the lowest bidder because the product of the primary annual bid did not meet quality standards and the alternate bid did not have the quantity needed on hand. However, these purchases from other than the lowest bidder were not entered on the Board's minutes as required.
- b. At the January 5, 2015 meeting, the Board of Supervisors accepted three annual bids other than the lowest bid for the purchase of commodities because the location of the lowest bid plant was farther away. The calculations used to determine that the accepted bids were the best and lowest bids were not included in the Board's minutes as required.

Failure to enter the purchases from other than the lowest bidder and to include the required calculations in the minutes is a violation of state statute and could result in excess costs to the County.

### Recommendation

The Purchase Clerk should ensure that all purchases from other than the lowest bidder and the calculations used to determine the lowest and best bids are documented in the minutes.

### Purchase Clerk's Response

As of 3/6/17, we are working on correcting this.

## 3. Required procedures should be followed when approving more than one bid for the purchase of commodities.

### Finding

Section 31-7-13(f), Miss. Code Ann. (1972), authorizes the County to accept no more than two alternate bids for the purchase of commodities. However, no purchases may be made through the use of such alternate bids procedure unless the lowest and best bidder cannot deliver the commodities contained in the bid. During our audit, we noted the County approved multiple bids for the purchase of commodities with no designation of primary or alternate bids. Some commodities were purchased from all approved bids. This places the County in violation of state statute and could result in excess costs to the County.

### Recommendation

The Board of Supervisors should approve one primary bid for a commodity and up to two alternate bids. Furthermore, the Board of Supervisors should only purchase from the primary bid unless the commodity is unavailable from the primary bidder.

#### Purchase Clerk's Response

As of 3/6/2017, we are working on this to correct.

4. Invoices should not be split to circumvent required purchasing procedures.

#### Finding

Section 31-7-13(o), Miss. Code Ann. (1972), prohibits the splitting of invoices in order to circumvent required purchasing procedures. During our audit, we noted it appeared that invoices were split in order to circumvent the requirement for purchase documents to be completed prior to making purchases of \$1,000 or more. The County is in violation of state statute and could result in excess costs to the County.

#### Recommendation

The Purchase Clerk should ensure invoices are not split in order to circumvent required purchasing procedures.

#### Purchase Clerk's Response

As of 3/6/2017, we are working on this to correct.

5. Purchase documents should be prepared in the proper sequence.

#### Finding

Under the authority of Section 31-7-113, Miss. Code Ann. (1972), the Office of the State Auditor has prescribed purchasing procedures which, among other things, require (1) the submission to the Purchase Clerk of a purchase requisition prior to making any purchase of \$1,000 or more; and (2) the completion and submission of a receiving report upon receipt of the goods or commodities ordered. During our audit, we noted that some purchasing documents were prepared after the fact as indicated by dates on the documents or other corroborating evidence. This places the County in violation of state statutes and could result in the misappropriation of county funds and excess costs to the County.

#### Recommendation

The Purchase Clerk should ensure the required purchase documents are issued in their proper time sequence.

#### Purchase Clerk's Response

As of 3/6/2017, we are working on this to correct.

Receiving Clerk.

6. Receiving reports should be submitted timely.

#### Finding

Section 31-7-109, Miss. Code Ann. (1972), requires the Receiving Clerk to acknowledge receipt of goods in compliance with the receipting system prescribed by the Office of the State Auditor under the authority of Section 7-7-211 and in accordance with Section 31-7-113. This system requires the Receiving Clerk or the assistant who received the goods to prepare a receiving report and deliver the report to the Purchase Clerk no later than noon on the third regular business day after receipt of the commodities. During our audit, we noted receiving reports that were dated as many as twenty-seven days after items were delivered. This could result in the misappropriation of goods received and excess costs to the County.

#### Recommendation

The Receiving Clerk or an assistant who actually receives the goods should properly prepare the receiving report at the time of receipt and ensure that it is delivered to the Purchase Clerk no later than noon on the third regular business day after receipt.

#### Receiving Clerk's Response

We will comply from this day forward. I sent a copy of the receiving process to each receiving clerk, also.

Inventory Control Clerk.

7. Controls over capital assets should be strengthened.

#### Finding

An effective system of internal control over capital assets ensures that capital assets are reported in the correct categories at the correct amounts. As reported in the prior six years' audit reports, weak internal controls existed over capital assets. We noted that the beginning balances on the capital asset listing provided by the Inventory Clerk for Governmental Activities did not agree to the prior year ending amounts included in the audit report. The failure to maintain an effective inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

#### Recommendation

The Inventory Control Clerk should ensure that all capital asset additions and deletions are accurately managed each year.

#### Inventory Control Clerk's Response

I was appointed to the position of inventory clerk on January 3, 2017. I am in the process of correcting numerous problems and will work with the audit department to make sure that capital assets are properly accounted for in the future.

8. Inventory reports should be filed with the Office of the State Auditor each fiscal year.

#### Finding

Section 31-7-107, Miss. Code Ann. (1972), requires inventory reports to be filed with the Board of Supervisors, in triplicate with copies forwarded to the Office of the State Auditor no later than October 15<sup>th</sup> of each fiscal year. The required inventory reports prepared by the Inventory Control Clerk were not filed with the Office of the State Auditor for fiscal year 2015. Failure to prepare the annual reports increases the possibility of the loss or misappropriation of public funds and could result in the reporting of inaccurate amounts.

#### Recommendation

The Inventory Control Clerk should prepare inventory reports and file with the Board of Supervisors and forward copies to the Office of the State Auditor no later than October 15<sup>th</sup> of each fiscal year.

#### Inventory Control Clerk's Response

The inventory report was given to supervisors, but may not have been sent to the State.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Newton 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.

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

A handwritten signature in cursive script, appearing to read "Joe E. McKnight".

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

October 23, 2017

NEWTON COUNTY

Schedule 1

Schedule of Purchases From Other Than the Lowest Bidder  
For the Year Ended September 30, 2015

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
12/18/2014	2015 Freightliner	\$ 126,930.00	Pac Mac	\$ 126,769.00	The lowest bidder had a minimum 120-150 day delivery and did not meet specifications.
1/5/2015	Washed gravel	16.75	APAC	12.50	Accepted due to distance of the lowest bidder.
1/5/2015	Hot surface mix	82.00	APAC	70.00	Accepted due to distance of the lowest bidder.
1/5/2015	Contractor surface	74.00	APAC	68.00	Accepted due to distance of the lowest bidder.
3/30/2015	Clay gravel	3.25	Lane West	4.25	Lowest bidder had gravel that was of poor quality.
5/21/2015	D6K 2015 Bulldozer	118,228.00	Puckett Machinery	103,276.00	Accepted the extended warranty and maintenance agreement.
6/1/2015	2015 Ambulance	98,814.00	Servs	95,046.00	Vendor had proof of certification, a warranty, and is within 200 miles of courthouse.

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

Schedule 2

Our tests did not identify any emergency purchases.

NEWTON COUNTY

Schedule 3

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

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
2/27/2015	PBX 450 upgrade to 911 system	\$ 10,550.00	ComSouth
9/8/2015	Scanning deeds into Syscon software	14,400.00	Syscon



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

**LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT**

Members of the Board of Supervisors  
Newton County, Mississippi

In planning and performing our audit of the financial statements of Newton County, Mississippi (the County) for the year ended September 30, 2015, we considered Newton 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 Newton 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 October 23, 2017, on the financial statements of Newton County, Mississippi.

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

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

Board of Supervisors.

1. Interfund transfers were not approved by the Board of Supervisors.

Finding

Section 19-3-27, Miss Code Ann. (1972), requires a complete and correct record be maintained for all proceedings of the Board of Supervisors. As reported in the prior year's audit report, interfund transfers were made without board orders spread on the minutes. The failure to obtain board approval for interfund transfers could result in erroneous amounts reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should spread complete order on the minutes relative to interfund transfers.

#### Board of Supervisors' Response

This will be corrected.

2. The Board of Supervisors should ensure that all taxpayers and industries are taxed appropriately.

#### Finding

Section 19-3-3, Miss. Code Ann. (1972), authorizes the Board of Supervisors to issue negotiable bonds of any road district or supervisors district within the county to raise money for the purpose of constructing, reconstructing, and repairing roads, highways and bridges, and acquiring land for building materials and rights-of way therefore. Furthermore, Section 19-9-9, Miss. Code Ann. (1972), requires the Board of Supervisors to annually levy a special tax upon all of the taxable property which shall be sufficient to provide for the payment of the principal and the interest on such bonds according to the terms thereof. For fiscal year 2014-2015, the Board of Supervisors approved a levy for the repayment of the 2012 District 4 Road Bonds. As reported in the prior year's audit report, our audit procedures revealed that an industry in this district of the County was not taxed for this particular levy. This resulted in a shortage of taxes collected in the amount of \$5,337.62.

#### Recommendation

The Board of Supervisors should ensure that all taxpayers and industries are taxed the appropriate amounts and contact this industry for payment of these taxes.

#### Board of Supervisors' Response

We are working with the appraiser to correct this.

3. PERS Retirees should not be paid more than the allowable salary per Form 4B or 9C.

#### Finding

Section 25-11-127(4)(b), Miss. Code Ann. (1972), requires a retiree to earn not in excess of twenty-five percent (25%) of retiree's average compensation. As reported in the prior year's audit report, during our testwork, we noted that a PERS retiree was paid \$2,074 more than the allowable twenty-five percent (25%) of the retiree's average compensation during fiscal year 2015. By overpaying PERS retirees, the County is not in compliance with state legal requirements.

#### Recommendation

The County should ensure that PERS retirees are not being paid more than the allowable amount per the PERS Form 4B or 9C.

#### Board of Supervisors' Response

It is the employee's responsibility to keep up with the wages earned. I notified Mr. Walter Gardner of his wages paid for 2013/2014 in writing and was mailed by certified letter on 01-27-2016. I also notified Mr. Walter Gardner in writing on 01-27-2016 of his wages already earned in 2015/2016 and how much wages were left to be earned according to his Form 9C.

4. The County purchased a vehicle from the spouse of a member of the Board of Supervisors.

#### Finding

Section 25-4-105(1), Miss. Code Ann. (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. During our audit procedures, we noted that the Board of Supervisors approved the purchase of a vehicle from the spouse of one of the members on the board in the amount of \$10,000.

### Recommendation

The County should not conduct business with individuals related to anyone on the Board of Supervisors within the first degree to ensure that they are not in violation of state law.

### Board of Supervisors' Response

The county was under the impression that the supervisor in question was neither engaged nor married at the time of the purchase. We will strive to ensure that a similar situation does not occur in the future.

#### 5. The County should install network banners on its internal networks.

### Finding

During our review, we noted that the system used by the County for financial reporting did not display appropriate network banners on its internal network. Network banners are electronic messages that provide notice of legal rights to users of computer networks. Bannering could assist in the prosecution of computer related incidents by helping prevent certain defenses made by the perpetrator. In addition, formal written policies and procedures concerning privacy and confidentiality could prove helpful in such cases.

### Recommendation

We recommend that the County implement appropriate network banners on its internal network. The advice of an attorney should be obtained when preparing statements concerning privacy and confidentiality.

### Board of Supervisors' Response

We will correct this problem with the help of Three Rivers PDD.

#### 6. The County should perform a network security assessment.

### Finding

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

Best business practices as well as standards for information technology provide various guidelines for frequency and criteria for performing network reviews. The Mississippi Enterprise Security Policy requires network reviews be performed, at minimum, every three years or more frequently whenever business situations change that might raise the level of risk for unauthorized access to an entity's data assets. Examples of such change criteria would be:

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

Network reviews should include vulnerability scans as well as penetration tests. A vulnerability scan or assessment looks for known vulnerabilities in your systems and reports potential exposures, many times in the form of a risk assessment. A penetration test is designed to actually exploit weaknesses in the architecture of systems. Hacks into networks, especially internet facing networks, are a common occurrence in today's information technology environment. Data breaches can cost breached entities fines, regulatory oversight, bad public relations, customer distrust and personnel time to correct issues caused by unauthorized access. Consequences can be both short-term (e.g., notification of breached parties) and long-term (e.g., lawsuits).

### Recommendation

It is recommended that the County perform a network security assessment as soon as possible. All factors that might increase the risk of unauthorized access to an entity's data assets should be considered when determining the exact scope of the network review to be performed. This review should consist of risk assessments, vulnerability scans and penetration tests. These type tests should be conducted by qualified personnel that specialize in such assessments.

### Board of Supervisors' Response

We will correct this problem with the help of Three Rivers PDD.

## 7. The County should implement a formal information security policy.

### Finding

As reported in the prior year's audit report, the County has not adopted a formal Information Security Policy or Enterprise Security Plan. The 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 application and internet protocol.

### Recommendation

A robust set of Information Technology Policies should cover at least the following areas:

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

While full compliance with all facets of such a policy may be an economic challenge for the County, beginning steps to become compliant with a policy covering areas such as those listed above are necessary. We recommend that the County create a plan of compliance with industry standards to ensure progress towards a robust documented information security plan. This policy should be reviewed and approved by county supervisors. In addition, employees that utilize technology should review and accept such policies before access to computer resources is granted to employees. Proof of approval by management and acceptance by employees should be retained for review by auditors.

For further clarification, simply saying that passwords need to be strong is not sufficient. In this case, the policy should state that passwords should be at least 8 characters for normal users and 13 characters for those users that have elevated privileges. In addition, complexity requiring numbers and special characters should also be specified.

### Board of Supervisors' Response

We are working with Three Rivers PDD to correct this problem.

## 8. The County should perform periodic logical access reviews.

### Finding

As reported in the prior year's audit report, we noted during our review, that the County does not have a formal process for removing logical access for terminated employees. We also noted that the County does not periodically review the levels of access that active users have and determine if the access is appropriate.

#### Recommendation

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

#### Board of Supervisors' Response

We are working with Three Rivers PDD to correct this problem.

9. The County should strengthen passwords.

#### Finding

As reported in the prior year's audit report, we noted during our review that the County is using some parameters associated with password strength that do not meet industry standard best practices, thereby creating unnecessary risk for county information assets.

Gaining access to data assets can often open doors to highly confidential information such as Personally Identifiable Information (PII), confidential governmental reports, and security information related to governmental entities. Through this type of unauthorized access situations such as data breaches and denial of service attacks can be initiated.

Attack methods can be slowed down significantly or even defeated through the use of strong passwords. Therefore, whenever possible, computer users should use strong passwords for all of their computer accounts.

#### Recommendation

We recommend that the County improve its password strength by changing password parameters to comply with password management best practices and industry standards. Characteristics of strong passwords include requirements for sufficient length, complexity (combinations of numbers, letters and special characters), and periodic change of passwords.

#### Board of Supervisors' Response

We are adopting a new password policy in June 2017 that should rectify the problem.

Board of Supervisors and Assistant Receiving Clerks.

10. Assistant Receiving Clerks should be bonded individually.

#### Finding

Section 31-7-124, Miss. Code Ann. (1972), requires each Assistant Receiving Clerk to execute a bond for \$50,000 to be payable. As reported in the prior year's audit report, the Assistant Receiving Clerks were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Assistant Receiving Clerk could result in the loss or misappropriation of public funds.

#### Recommendation

The Assistant Receiving Clerks' blanket bond should be cancelled, and a new bond should be issued for each clerk.

#### Board of Supervisors' and Assistant Receiving Clerks' Response

We have already corrected this.

Board of Supervisors and Tax Assessor/Collector.

11. Deputy Tax Collectors should be bonded individually.

Finding

Section 27-1-9(a), Miss. Code Ann. (1972), requires each Deputy Tax Collector to execute a bond for \$50,000 to be payable. As reported in the prior year's audit report, the Deputy Tax Collectors were issued under a blanket bond rather than individual bonds. Failure to issue individual bonds for each Deputy Tax Collector could result in the loss of misappropriation of public funds.

Recommendation

The Deputy Tax Collectors' blanket bond should be cancelled, and a new bond should be issued for each clerk.

Board of Supervisors' and Tax Assessor/Collector's Response

We have already corrected this.

12. Deputy Tax Assessors should be bonded.

Finding

Section 27-1-3, Miss. Code Ann. (1972), requires each Deputy Tax Assessor to execute a bond for \$10,000 to be payable. As reported in the prior year's audit report, the Deputy Tax Assessors were not bonded during the fiscal year ending September 30, 2015. Failure to execute a bond for each Deputy Tax Assessor could result in the loss or misappropriation of public funds.

Recommendation

A bond should be executed for each Deputy Tax Assessor as required by law.

Board of Supervisors' and Tax Assessor/Collector's Response

We have already corrected this.

Tax Assessor/Collector.

13. Controls over motor vehicle receipts should be strengthened.

Finding

An effective system of internal controls should include adequate verification of taxpayer addresses. As reported in the prior three years' audit reports, during our test work performed in the Tax Collector's Office, we noted ten (10) instances revealing incorrect tax districts for the addresses listed on motor vehicle receipts and five (5) instances of people getting their tags from an address other than where they claim homestead. Weak internal controls as well as incorrect information on taxpayer receipts could lead to loss of public funds.

Recommendation

The Tax Collector should take steps to ensure that there are proper controls put in place for all vehicle information to be listed properly on receipts to taxpayers.

Tax Assessor/Collector's Response

When a person buys a tag whatever address is on the paper work is where we tag the vehicle.

14. Controls over the tax assessment system should be strengthened.

Finding

An effective system of internal control should include the assessment of taxes in accordance with the order of the Board of Supervisors. For fiscal year 2014-2015, the Board of Supervisors approved a 1.93 mill levy for the repayment of the 2012 District 4 Road Bonds and a 2.20 mill levy for the repayment of the 2008 District 4 General Obligation Road Bonds. We noted during our test work that these levies were reversed when entered into the Tax Collector's computer system. For the 2014 tax year, 2.20 mills were levied, collected and settled for repayment of the 2012 District 4 Road Bonds and 1.93 mills were levied, collected and settled for repayment of the 2008 District 4 Road Bonds. The failure to use the correct levy for the bond issues resulted in a surplus of taxes collected for the repayment of the 2012 bond issue and a shortage of taxes collected for the repayment of the 2008 bond issue in the amount of \$5,663.12. Failure to correctly enter millage rates into the computer system resulted in misclassification of public funds.

Recommendation

The Tax Assessor/Collector should ensure that proper controls are put into place so that the correct millage rates are assessed for all tax levies.

Tax Assessor/Collector's Response

This is something that should have been seen when settlement is done, so that it could have been corrected.

Newton 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.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

October 23, 2017

NEWTON COUNTY

(This page left blank intentionally.)

NEWTON COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

NEWTON COUNTY

(This page left blank intentionally.)

## NEWTON COUNTY

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

#### Section 1: Summary of Auditor's Results

##### ***Financial Statements:***

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

#### Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

Material Non-compliance

2015-001.      Warrants should not be signed without sufficient money in the funds.

##### Finding

Section 19-13-43, Miss. Code Ann. (1972), prohibits the signing of warrants or the delivery of warrants until there is sufficient money in the fund upon which it is drawn to pay the same. As reported in the prior seven years' audit reports, warrants were issued on funds which did not have sufficient money available. At September 30, 2015, the Countywide Road Fund had a negative cash balance of \$383 and the Beat 4 Bridge Fund had a negative cash balance of \$7,708. Failure to maintain sufficient cash balances in county funds prior to writing checks on these funds results in other funds' cash being used for purposes other than their intended purpose.

##### Recommendation

The Board of Supervisors should ensure that no warrants are signed or delivered until there is sufficient money in the funds upon which it is drawn to pay the same, as required by law.

##### Board of Supervisors' Response

The Countywide Road Fund is at a deficit because of a disagreement over liquid emulsions used in Beat Two. There is also a timing difference in when the County bills the cities for liquid emulsions and when the cities pay the County. The Beat 4 Bridge Fund deficit has been corrected.

## NEWTON COUNTY

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

#### Material Weakness Material Non-compliance

2015-002. Controls over Mississippi Code citations in the tax levy should be strengthened.

##### Finding

An effective system of internal control over the tax levy should ensure the Mississippi Code Section citations are correct in the board order authorizing the tax levy. Our audit procedures revealed the following errors in the levy for fiscal year 2014-2015:

- One Code Section (27-39-327) was repealed effective October 1, 1983, and two others (37-57-123 and 37-7-741) were repealed as of July 1, 1987.
- Two of the Code Sections cited (83-1-392 and 37-7-141) don't exist.
- Three of the Code Sections cited (19-9-11, 37-27-3 and 17-21-51) address issues other than the authority to levy taxes for the described purpose.

The use of incorrect Code Sections could result in improper or unauthorized tax levies.

##### Recommendation

The Board of Supervisors should establish adequate control procedures to ensure the proper Code Sections are used in the order establishing the tax levy.

##### Board of Supervisors' Response

These levies will be corrected on the FY'18 levy sheet.

#### Material Weakness

2015-003. Tax Collector should perform monthly bank reconciliations

##### Finding:

An effective system of internal control over the collection recording, and disbursement of cash in the Tax Collector's office should include a reconciliation of the bank account to the cash journal monthly. During testing performed in the Tax Collector's office, it was noted that the Tax Collector was not reconciling the bank account to the cash journal. A March 2017 cash count revealed a net cash overage of \$212,047. Failure to reconcile to the bank account could result in the loss or misuse of public funds.

##### Recommendation

The Tax Collector should properly maintain a cash journal, ensuring that it reconciles to the bank account monthly.

##### Tax Assessor/Collector's Response

October 1, we will change accounts so that we will know if that much money is in the account.