

# PERRY 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 and 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

August 10, 2017

Members of the Board of Supervisors  
Perry County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2015 financial and compliance audit report for Perry 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 Perry County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Perry 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 letters of the first and last names being capitalized and prominent.

Stacey E. Pickering  
State Auditor



PERRY COUNTY

TABLE OF CONTENTS

FINANCIAL SECTION .....	1
INDEPENDENT AUDITOR’S REPORT .....	3
FINANCIAL STATEMENTS .....	7
Statement of Net Position.....	9
Statement of Activities .....	10
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position .....	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	14
Statement of Fiduciary Assets and Liabilities .....	15
Notes to Financial Statements .....	17
REQUIRED SUPPLEMENTARY INFORMATION .....	33
Budgetary Comparison Schedule – (Budget and Actual (Non-GAAP Basis) - General Fund .....	35
Schedule of County’s Proportionate Share of Net Pension Liability .....	36
Schedule of County Contributions .....	37
Notes to the Required Supplementary Information .....	39
SUPPLEMENTARY INFORMATION .....	41
Schedule of Expenditures of Federal Awards .....	43
Reconciliation of Operating Costs of Solid Waste .....	44
OTHER INFORMATION .....	45
Schedule of Surety Bonds for County Officials .....	47
SPECIAL REPORTS.....	49
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> .....	51
Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.....	53
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)).....	55
Limited Internal Control and Compliance Review Management Report .....	61
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	65





PERRY COUNTY

FINANCIAL SECTION

PERRY COUNTY

(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  
Perry County, Mississippi

**Report on the Financial Statements**

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

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

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We 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 financial position of the governmental activities, the major fund and the aggregate remaining fund information of Perry County, Mississippi, as of September 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### **Omission of Required Supplementary Information**

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

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Perry County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the accompanying Reconciliation of Operating Costs of Solid Waste are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Reconciliation of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2017 on our consideration of Perry 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 Perry County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Joe E. McKnight". The signature is fluid and cursive, with the first name "Joe" being the most prominent.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

August 10, 2017

PERRY COUNTY

(This page left blank intentionally.)

PERRY COUNTY

FINANCIAL STATEMENTS

PERRY COUNTY

(This page left blank intentionally.)



PERRY COUNTY  
Statement of Net Position  
September 30, 2015

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 6,148,275
Property tax receivable	5,070,877
Fines receivable (net of allowance for uncollectibles of \$1,193,455)	172,505
Intergovernmental receivables	110,316
Other receivables	9,761
Capital assets:	
Land	939,928
Other capital assets, net	28,635,373
Total Assets	<u>41,087,035</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	1,084,711
Total Deferred Outflows of Resources	<u>1,084,711</u>
<b>LIABILITIES</b>	
Claims payable	113,189
Intergovernmental payables	109,344
Accrued interest payable	61,389
Other payables	32,684
Long-term liabilities	
Net pension liability	5,925,525
Due within one year:	
Capital debt	522,762
Due in more than one year:	
Capital debt	5,126,955
Non-capital debt	69,782
Total Liabilities	<u>11,961,630</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred revenues - property taxes	5,070,877
Total Deferred Inflows of Resources	<u>5,070,877</u>
<b>NET POSITION</b>	
Net investment in capital assets	23,925,584
Restricted for:	
Expendable:	
General government	199,343
Public safety	155,119
Public works	1,703,922
Culture and recreation	425,244
Economic development and assistance	580,114
Debt service	149,032
Unemployment compensation	169,279
Unrestricted	(2,168,398)
Total Net Position	<u>\$ 25,139,239</u>

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

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

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 2,275,917	300,993	41,450		(1,933,474)
Public safety	1,743,390	188,253	119,047	10,000	(1,426,090)
Public works	5,224,377		1,937,879	22,714	(3,263,784)
Health and welfare	173,965		22,584		(151,381)
Culture and recreation	190,632	19,237			(171,395)
Education	400,928		400,928		
Conservation of natural resources	40,687				(40,687)
Economic development and assistance	61,426				(61,426)
Interest on long-term debt	206,839				(206,839)
Pension expense	721,344				(721,344)
Total Governmental Activities	\$ 11,039,505	508,483	2,521,888	32,714	(7,976,420)
General revenues:					
Property taxes				\$ 4,827,054	
Road & bridge privilege taxes				158,408	
Grants and contributions not restricted to specific programs				432,916	
Unrestricted interest income				8,012	
Miscellaneous				1,423,969	
Total General Revenues				6,850,359	
Changes in Net Position					(1,126,061)
Net Position - Beginning, as previously reported					30,762,712
Prior period adjustment					(4,497,412)
Net Position - Beginning, as restated					26,265,300
Net Position - Ending				\$ 25,139,239	

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

PERRY COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2015

Exhibit 3

	<u>Major Fund</u>		
	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash	\$ 2,709,624	3,438,651	6,148,275
Property tax receivable	2,696,729	2,374,148	5,070,877
Fines receivable (net of allowance for uncollectibles of \$1,193,455)	172,505		172,505
Intergovernmental receivables	94,055	16,261	110,316
Other receivables	9,622	139	9,761
Due from other funds		45,579	45,579
Total Assets	<u>\$ 5,682,535</u>	<u>5,874,778</u>	<u>11,557,313</u>
<b>LIABILITIES</b>			
Liabilities:			
Claims payable	\$ 56,001	57,188	113,189
Intergovernmental payables	104,507		104,507
Due to other funds	50,416		50,416
Other payables	32,684		32,684
Total Liabilities	<u>243,608</u>	<u>57,188</u>	<u>300,796</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Unavailable revenue - property taxes	2,696,729	2,374,148	5,070,877
Unavailable revenue - fines	172,505		172,505
Total Deferred Inflows of Resources	<u>2,869,234</u>	<u>2,374,148</u>	<u>5,243,382</u>
<b>Fund balances:</b>			
Restricted for:			
General government		199,343	199,343
Public safety		155,119	155,119
Public works		1,703,922	1,703,922
Culture and recreation		425,244	425,244
Economic development and assistance		580,114	580,114
Debt service		210,421	210,421
Unemployment compensation		169,279	169,279
Unassigned	2,569,693		2,569,693
Total Fund Balances	<u>2,569,693</u>	<u>3,443,442</u>	<u>6,013,135</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,682,535</u>	<u>5,874,778</u>	<u>11,557,313</u>

PERRY COUNTY

Exhibit 3-1

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2015

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 6,013,135
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$46,341,206.	29,575,301
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	172,505
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(5,719,499)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(5,925,525)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(61,389)
Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	<u>1,084,711</u>
Total Net Position - Governmental Activities	\$ <u><u>25,139,239</u></u>

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

## PERRY COUNTY

Exhibit 4

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

	Major Fund	Other	Total
	General	Governmental	Governmental
	Fund	Funds	Funds
REVENUES			
Property taxes	\$ 2,557,379	2,269,675	4,827,054
Road and bridge privilege taxes		158,408	158,408
Licenses, commissions and other revenue	145,913	3,664	149,577
Fines and forfeitures	146,834	20,396	167,230
Intergovernmental revenues	936,607	2,050,911	2,987,518
Charges for services	37,560	136,444	174,004
Interest income	8,012		8,012
Miscellaneous revenues	214,443	1,150,717	1,365,160
Total Revenues	4,046,748	5,790,215	9,836,963
EXPENDITURES			
Current:			
General government	2,103,299	182,103	2,285,402
Public safety	1,479,668	229,874	1,709,542
Public works	19,500	4,831,610	4,851,110
Health and welfare	157,589		157,589
Culture and recreation	58,500	123,572	182,072
Education	400,928		400,928
Conservation of natural resources	45,118		45,118
Economic development and assistance		61,426	61,426
Debt service:			
Principal	25,508	496,552	522,060
Interest	1,178	208,661	209,839
Total Expenditures	4,291,288	6,133,798	10,425,086
Excess of Revenues over (under) Expenditures	(244,540)	(343,583)	(588,123)
OTHER FINANCING SOURCES (USES)			
Long-term capital debt issued		254,676	254,676
Proceeds from sale of capital assets		40,220	40,220
Compensation for loss of capital assets	3,951	46,259	50,210
Transfers in		1,000	1,000
Transfers out	(1,000)		(1,000)
Total Other Financing Sources and Uses	2,951	342,155	345,106
Net Changes in Fund Balances	(241,589)	(1,428)	(243,017)
Fund Balances - Beginning	2,811,282	3,444,870	6,256,152
Fund Balances - Ending	\$ 2,569,693	3,443,442	6,013,135

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

## PERRY COUNTY

Exhibit 4-1

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

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (243,017)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that depreciation of \$1,208,232 exceeded capital outlays of \$415,131 in the current period.	(793,101)
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net gain of \$58,809 and the proceeds from the sale of \$40,220 and the compensation for loss of \$50,210 in the current period.	(31,621)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	17,672
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$522,060 exceeded debt proceeds of \$254,676.	267,384
Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:	
The increase in compensated absences liability	(2,976)
The decrease in accrued interest payable	3,000
Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:	
Recording of pension expense for the current period	(721,344)
Recording of contributions made during the year	<u>377,942</u>
Change in Net Position of Governmental Activities	\$ <u><u>(1,126,061)</u></u>

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

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

Exhibit 5

	Agency Funds
ASSETS	
Cash	\$ 1,483
Due from other funds	4,837
Total Assets	\$ <u>6,320</u>
LIABILITIES	
Amounts held in custody for others	\$ 258
Intergovernmental payables	6,062
Total Liabilities	\$ <u>6,320</u>

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

PERRY COUNTY

(This page left blank intentionally.)



## PERRY COUNTY

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

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

##### A. Financial Reporting Entity.

Perry County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Perry 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 and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

##### Government-wide Financial Statements:

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

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

##### Fund Financial Statements:

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

## PERRY COUNTY

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

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

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

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

The County reports the following major Governmental Fund:

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

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

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

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

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

#### 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 broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

## PERRY COUNTY

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

#### E. Deposits and Investments.

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

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

#### F. Receivables.

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

#### G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

#### H. Capital Assets.

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

Governmental accounting and financial reporting standards allow governments meeting certain criteria to elect not to report major general infrastructure assets retroactively. Perry County elected to report general infrastructure assets acquired after September 30, 1980, on the government-wide financial statements. Current year general infrastructure assets are reported on the government-wide financial statements as required. General infrastructure assets include all roads and bridges and other infrastructure assets.

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

# PERRY COUNTY

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

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

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

### I. Deferred Outflows/Inflows of Resources.

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

Deferred outflows related to pensions – This amount represents the County’s proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 10 for additional details.

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

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

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

### J. Pensions.

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

### K. Long-term Liabilities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

## PERRY COUNTY

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

#### L. Equity Classifications.

##### Government-wide Financial Statements:

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

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

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

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

##### Net Position Flow Assumption:

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

##### Fund Financial Statements:

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

Government 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.

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

##### Fund Balance Flow Assumption:

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

## PERRY COUNTY

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

#### M. Property Tax Revenues.

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

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

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

#### N. Intergovernmental Revenues in Governmental Funds.

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

#### O. Compensated Absences.

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

#### P. Changes in Accounting Standards.

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

# PERRY COUNTY

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

### (2) Prior Period Adjustments.

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

Exhibit 2 – Statement of Activities.

Explanation	Amount
Implementation of GASB 68 and 71:	
Net Pension Liability as of 9/30/14	\$ (4,591,869)
Deferred outflows - contributions made during fiscal year 2014	94,457
Total prior period adjustments	\$ (4,497,412)

### (3) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2015, was \$6,149,758, and the bank balance was \$6,856,160. 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.

### (4) Interfund Transactions and Balances.

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

#### A. Due From/To Other Funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	General Fund	\$ 45,579
Agency Funds	General Fund	4,837
Total		\$ 50,416

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

PERRY COUNTY

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

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ <u>1,000</u>

The principal purpose of the interfund transfer was to provide funds to pay for operating costs. The interfund transfer was routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

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

<u>Description</u>	<u>Amount</u>
<b>Governmental Activities:</b>	
Legislative tax credit	\$ 71,737
Mississippi Department of Transportation - overweight fines	16,261
Housing prisoners reimbursement	3,090
Emergency management performance grants	<u>19,228</u>
Total Governmental Activities	\$ <u>110,316</u>

(6) Capital Assets.

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

**Governmental activities:**

	Balance Oct. 1, 2014	Additions	Deletions	Adjustments *	Balance Sept. 30, 2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 922,928	17,000			939,928
<u>Depreciable capital assets:</u>					
Infrastructure	59,726,970	110,885			59,837,855
Buildings	7,486,745				7,486,745
Improvements other than buildings	103,916				103,916
Mobile equipment	4,903,021		121,255	95,857	4,877,623
Furniture and equipment	1,173,429	32,570	49,459		1,156,540
Leased property under capital leases	1,427,024	254,676	71,943	(95,857)	1,513,900
Total depreciable capital assets	<u>74,821,105</u>	<u>398,131</u>	<u>242,657</u>	<u>0</u>	<u>74,976,579</u>
Less accumulated depreciation for:					
Infrastructure	36,813,924	682,662			37,496,586
Buildings	3,124,531	121,445			3,245,976
Improvements other than buildings	33,582	4,157			37,739
Mobile equipment	4,128,337	96,420	109,130	86,272	4,201,899
Furniture and equipment	705,023	114,999	37,157		782,865
Leased property under capital leases	538,613	188,549	64,749	(86,272)	576,141
Total accumulated depreciation	<u>45,344,010</u>	<u>1,208,232</u>	<u>211,036</u>	<u>0</u>	<u>46,341,206</u>
Total depreciable capital assets, net	<u>29,477,095</u>	<u>(810,101)</u>	<u>31,621</u>	<u>0</u>	<u>28,635,373</u>
Governmental activities capital assets, net	\$ <u>30,400,023</u>	<u>(793,101)</u>	<u>31,621</u>	<u>0</u>	<u>29,575,301</u>

\*Adjustments are the reclassification of paid-off capital leases from leased property to mobile equipment.



# PERRY COUNTY

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

Depreciation expense was charged to the following functions:

	<u>Amount</u>
<b>Governmental activities:</b>	
General government	\$ 146,382
Public safety	119,912
Public works	916,218
Health and welfare	16,376
Culture and recreation	<u>9,344</u>
Total governmental activities depreciation expense	\$ <u><u>1,208,232</u></u>

(7) Claims and Judgments.

Risk Financing.

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

(8) Operating Leases.

As Lessor:

On February 7, 2011, Perry County entered into a non-cancellable operating lease with Hood Industries, Inc. for the lease of land owned by the County for the purpose of operating a hardwood mill. The operating lease stipulated that the lessee would pay \$5,000 per month in lease payments commencing on March 1, 2011 for a term of five (5) years. At the end of the lease term, Hood Industries, Inc. has the option to renew for an additional five (5) years.

The future minimum lease receivable for this lease is as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2016	\$ 60,000
2017	60,000
2018	60,000
2019	60,000
2020	60,000
2021	<u>25,000</u>
Total Minimum Payments Required	\$ <u><u>325,000</u></u>

# PERRY COUNTY

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

### (9) Capital Leases.

As Lessee:

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

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 1,308,059
Furniture and equipment	<u>205,841</u>
Total	1,513,900
Less: Accumulated depreciation	<u>(576,141)</u>
Leased Property Under Capital Leases	<u>\$ 937,759</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 272,762	13,407
2017	234,796	8,048
2018	142,666	3,738
2019	60,791	1,649
2020	<u>48,702</u>	<u>510</u>
Total	<u>\$ 759,717</u>	<u>27,352</u>

### (10) Defined Benefit Pension Plan.

#### *General Information about the Pension Plan*

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

**Benefits Provided.** Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less.

# PERRY COUNTY

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

Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

**Contributions.** At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2015, 2014 and 2013 were \$377,942, \$370,173, and \$343,702, respectively, equal to the required contributions for each year.

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

At September 30, 2015, the County reported a liability of \$5,925,525 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on a projection of the County's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the County's proportion was 0.038333 percent, which was an increase of 0.000503 percent from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the County recognized pension expense of \$721,344. At September 30, 2015, the County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,191	-
Net difference between projected and actual earnings on pension plan investments	346,706	-
Changes of assumptions	510,464	-
Changes in the proportion and differences between the County's contributions and proportionate share of contributions	41,138	-
County contributions subsequent to the measurement date	95,212	-
Total	\$ 1,084,711	-

\$95,212 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# PERRY COUNTY

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

Year ending September 30:		
2016	\$	322,997
2017		322,997
2018		256,828
2019		<u>86,677</u>
Total	\$	<u><u>989,499</u></u>

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

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

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

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

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

# PERRY COUNTY

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

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

	1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
\$	7,810,386	5,925,525	4,361,444

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

### (11) Long-term Debt.

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

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
General obligation road & bridge bonds	\$ <u>4,890,000</u>	3.50/4.25%	06-2030
B. Capital Leases:			
2012 Chevrolet Tahoe	\$ 1,072	2.50%	11-2015
2012 Dodge Charger	8,528	2.24%	08-2017
2013 Dodge Charger	12,256	2.22%	01-2018
2013 Dodge Charger	16,640	2.17%	10-2018
E911 CAD/GIS System	91,842	2.09%	12-2017
2014 Ford F150	11,647	2.03%	06-2018
2016 Freightliner garbage truck	125,323	2.09%	08-2020
2016 Freightliner garbage truck	125,323	2.09%	08-2020
Kubota tractor	5,364	2.09%	05-2016
Kubota tractor & Diamond boom mower	38,049	2.19%	05-2018
Kubota tractor & front-end loader	6,425	2.13%	05-2016
Kubota tractor	16,053	2.27%	10-2017
2012 Hyundai hydraulic crawler	43,987	2.19%	09-2017
District 3 - New Holland T4 95 Tractor	25,987	2.17%	12-2018
Kubota tractor	5,364	2.09%	05-2016
Kubota tractor	5,364	2.09%	05-2016
Kubota tractor & front-end loader	6,300	2.09%	05-2016
(2) Kubota tractors & (1) Diamond boom mower	58,653	2.19%	06-2018
US mower	10,370	2.01%	09-2016
John Deere backhoe	33,583	2.16%	01-2018
Motor grader	57,688	2.17%	09-2018
District 5 - New Holland T4 95 Tractor	25,987	2.17%	01-2019
District 5 - New Holland T4 95 Tractor	<u>27,912</u>	2.17%	03-2019
Total Capital Leases	\$ <u>759,717</u>		

# PERRY COUNTY

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

### Governmental Activities:

Year Ending September 30	General Obligation Bonds	
	Principal	Interest
2016	\$ 250,000	184,169
2017	260,000	174,794
2018	265,000	165,044
2019	280,000	155,769
2020	290,000	145,969
2021 - 2025	1,610,000	568,038
2026 - 2030	1,935,000	237,600
Total	\$ 4,890,000	1,631,383

**Legal Debt Margin** - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2015, the amount of outstanding debt was equal to 3.87% of the latest property assessments.

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

	Balance Oct. 1, 2014	Additions	Reductions	Balance Sept. 30, 2015	Amount due within one year
Governmental Activities:					
Compensated absences	\$ 66,806	2,976		69,782	
General obligation bonds	5,130,000		240,000	4,890,000	250,000
Capital leases	787,101	254,676	282,060	759,717	272,762
Total	\$ 5,983,907	257,652	522,060	5,719,499	522,762

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

### (12) Contingencies.

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

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

### (13) No Commitment Debt (Not Included in Financial Statements).

No commitment debt is repaid only by the entities for whom the debt was issued and includes debt that either bears the County's name or for which a moral responsibility may exist that is not an enforceable promise to pay. No commitment debt explicitly states the absence of obligation by the County other than possibly an agreement to assist

# PERRY COUNTY

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

creditors in exercising their rights in the event of default. Because a default may adversely affect the County's own ability to borrow, the principal amount of such debt outstanding at year end is disclosed as follows:

Description	Balance at Sept. 30, 2015
Industrial revenue bonds	\$ 73,000,000

### (14) Joint Ventures.

The County participates in the following joint ventures:

Perry County is a participant with the Counties of Greene and Stone in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Pine Forest Regional Library. The joint venture was created to provide free library service to the citizens of the respective counties, and is governed by a six-member board. Each county appoints two board members. By contractual agreement, the County's appropriation to the joint venture was \$58,500 in fiscal year 2015. Complete financial statements for the Pine Forest Regional Library can be obtained from P.O. Box 1208, Richton, MS 39476.

Perry County is a participant with the Counties of Covington and Jones, and the Cities of Hattiesburg, Laurel, and Petal in a joint venture, authorized by Section 17-17-307, Miss. Code Ann. (1972), to operate the Pine Belt Regional Solid Waste Authority. The joint venture was created to dispose of solid waste for members of the authority. The Perry County Board of Supervisors appoints one of 12 members of the board of directors. The authority is funded by user fees based on the volume of solid waste. Complete financial statements for the Pine Belt Regional Solid Waste Authority can be obtained from P.O. Box 1898, Hattiesburg, MS 39403.

Perry County is a participant with the Town of Richton in a joint venture, authorized by Section 61-3-5, Miss. Code Ann. (1972), to operate the Richton-Perry County Airport. The joint venture was created to provide an airport facility available for use by the general public. The five members of the board of directors are appointed as follows: Perry County, two; Town of Richton, two; jointly by Perry County and the Town of Richton, one. Complete financial statements for the Richton-Perry County Airport can be obtained from the City Hall at 208 Front South Street in Richton, Mississippi.

### (15) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Mississippi Regional Housing Authority VIII operates in a district composed of the counties of: Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The governing body is a 15-member board of commissioners, one appointed by the Board of Supervisors of each county and one appointed at large. The counties generally provide no financial support to the organization.

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Perry County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The County provides a modest amount of financial support when matching funds are required for federal grants.

Southeast Mississippi Air Ambulance District provides air ambulance services to the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Perry County Board of Supervisors appoints one of the nine members of the board of directors. The County appropriated \$41,532 for support of the district in fiscal year 2015.

# PERRY COUNTY

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

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Perry County Board of Supervisors appoints one of the nine members of the board of commissioners. The County appropriated \$25,459 for support of the entity in fiscal year 2015.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Perry County Board of Supervisors appoints one of the 27 members of the board of directors. The County appropriated \$28,063 for support of the district in fiscal year 2015.

Jones County Junior College operates in a district composed of the Counties of Clarke, Covington, Greene, Jasper, Jones, Perry, Smith and Wayne. The Perry County Board of Supervisors appoints two of the 20 members of the college board of trustees. The County appropriated \$275,857 for maintenance and support of the college in fiscal year 2015.

### (16) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Perry County evaluated the activity of the County through August 10, 2017, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

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

<u>Issue</u>	<u>Date</u>	<u>Interest</u>		<u>Issue</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
05/05/2016		1.81%	\$	84,192	Capital lease	Ad valorem taxes
03/17/2016		1.81%		31,627	Capital lease	Ad valorem taxes
03/08/2016		1.81%		25,588	Capital lease	Ad valorem taxes
05/10/2016		1.87%		32,606	Capital lease	Ad valorem taxes
05/02/2016		1.87%		27,206	Capital lease	Ad valorem taxes
05/02/2016		1.87%		55,182	Capital lease	Ad valorem taxes
05/02/2016		1.87%		26,361	Capital lease	Ad valorem taxes
09/02/2016		1.88%		109,500	Capital lease	Ad valorem taxes
04/17/2017		2.48%		33,721	Capital lease	Ad valorem taxes
04/01/2017		2.48%		72,167	Capital lease	Ad valorem taxes



PERRY COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

PERRY COUNTY

(This page left blank intentionally.)

PERRY 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>REVENUES</b>				
Property taxes	\$ 2,520,877	2,557,656	2,557,656	
Licenses, commissions and other revenue	130,850	147,716	147,716	
Fines and forfeitures	143,750	142,137	142,137	
Intergovernmental revenues	1,204,203	1,138,143	1,138,143	
Charges for services	20,500	38,370	38,370	
Interest income		7,405	7,405	
Miscellaneous revenues	156,406	186,857	186,857	
Total Revenues	<u>4,176,586</u>	<u>4,218,284</u>	<u>4,218,284</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,542,621	2,150,888	2,150,888	
Public safety	1,470,536	1,471,596	1,471,596	
Public works	1,000	1,000	1,000	
Health and welfare	205,435	156,912	156,912	
Culture and recreation	58,500	58,500	58,500	
Education	584,000	515,136	515,136	
Conservation of natural resources	49,195	44,599	44,599	
Debt service:				
Principal	26,686	25,509	25,509	
Interest		1,178	1,178	
Total Expenditures	<u>4,937,973</u>	<u>4,425,318</u>	<u>4,425,318</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(761,387)</u>	<u>(207,034)</u>	<u>(207,034)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Compensation for loss of capital assets		3,952	3,952	
Transfers in	93,064	10,000	10,000	
Transfers out	(10,000)	(10,000)	(10,000)	
Other financing uses	(49,268)	(46,071)	(46,071)	
Total Other Financing Sources and Uses	<u>33,796</u>	<u>(42,119)</u>	<u>(42,119)</u>	<u>0</u>
Net Change in Fund Balance	(727,591)	(249,153)	(249,153)	0
Fund Balances - Beginning	<u>2,224,703</u>	<u>2,793,977</u>	<u>2,793,977</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 1,497,112</u>	<u>2,544,824</u>	<u>2,544,824</u>	<u>0</u>

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

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

	<u>2015</u>
County's proportion of the net pension liability (asset)	0.038333%
County's proportionate share of the net pension liability (asset)	\$ 5,925,525
County's covered-employee payroll	\$ 2,394,838
County's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	247.429054%
Plan fiduciary net position as a percentage of the total pension liability	61.703983%

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

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

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

	<u>2015</u>
Contractually required contribution	\$ 377,942
Contributions in relation to the contractually required contribution	<u>377,942</u>
Contribution deficiency (excess)	<u>\$ -</u>
County's covered-employee payroll	\$ 2,399,626
Contributions as a percentage of covered-employee payroll	15.75%

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

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

PERRY COUNTY

(This page left blank intentionally.)

# PERRY COUNTY

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

### A. Budgetary Information.

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

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

### B. Basis of Presentation.

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

### C. Budget/GAAP Reconciliation.

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

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

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

	Governmental Fund Types
	General Fund
Budget (Cash Basis)	\$ (249,153)
Increase (Decrease)	
Net adjustments for revenue accruals	(181,537)
Net adjustments for expenditure accruals	189,101
GAAP Basis	\$ <u>(241,589)</u>

PERRY COUNTY

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

Pension Schedules

A. Changes of assumptions.

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



PERRY COUNTY

SUPPLEMENTARY INFORMATION

PERRY COUNTY

(This page left blank intentionally.)

PERRY COUNTY  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title or Cluster	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture - Forest Service/ Schools and roads - grants to states (Direct Award)*	10.665	N/A	\$ 141,016
Passed-through the Mississippi State Treasurer's Office Schools and roads - grants to states (Note B)*	10.665	N/A	<u>801,856</u>
Total U.S. Department of Agriculture			<u>942,872</u>
U.S. Department of Justice - Bureau of Justice Assistance/ Passed-through the Mississippi Department of Public Safety Edward Byrne memorial justice assistance grant program	16.738	13LB1561	<u>10,000</u>
U.S. Department of Transportation - Federal Aviation Administration Airport improvement grant program (Direct Award)*	20.106	N/A	328,207
U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation Highway planning and construction	20.205	BR NBIS 081 B (56)	<u>19,500</u>
Total U.S. Department of Transportation			<u>347,707</u>
U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency Emergency management performance grant	97.042	N/A	<u>21,353</u>
Total Expenditures of Federal Awards			\$ <u><u>1,321,932</u></u>

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting.

Note B - CFDA #10.665 Schools and roads - grants to states

Of the federal expenditures presented in the schedule, the County provided federal awards totaling \$400,928 to subrecipients during the year ended September 30, 2015.

\* Denotes major federal award program

PERRY COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2015

Operating Expenditures, Cash Basis:

Salaries	\$	298,584
Expendable Commodities:		
Gasoline and petroleum products		39,429
Repair parts		9,799
Maintenance		12,113
Insurance on equipment		6,160
Solid waste disposal fees		122,816
Telephone and utilities		2,464
Supplies		3,005
		<hr/>

Solid Waste Cash Basis Operating Expenditures		494,370
---	--	---------

Full Cost Expenses:

Indirect administrative costs		9,283
Depreciation on equipment		50,976
Interest on solid waste debt		725
Net effect of other accrued expenses		5,360
		<hr/>

Solid Waste Full Cost Operating Expenses	\$	<u><u>560,714</u></u>
--	----	-----------------------

PERRY COUNTY

OTHER INFORMATION

PERRY COUNTY

(This page left blank intentionally.)

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

Name	Position	Company	Bond
Bobby R. Bolton	Supervisor District 1	Brierfield Insurance Company	\$100,000
William K. Shows	Supervisor District 2	Brierfield Insurance Company	\$100,000
Thomas Walley	Supervisor District 3	Brierfield Insurance Company	\$100,000
Mitchell Hinton	Supervisor District 4	Brierfield Insurance Company	\$100,000
Lanny Mixon	Supervisor District 5	Hartfield Fire Insurance Company	\$100,000
Natalie Harvison	Comptroller	Brierfield Insurance Company	\$100,000
Vickie Walters	Chancery Clerk	Brierfield Insurance Company	\$100,000
Jennifer H. Sullivan	Purchase Clerk	Brierfield Insurance Company	\$75,000
Natalie Harvison	Assistant Purchase Clerk	Brierfield Insurance Company	\$50,000
Russell D. Carnahan	Receiving Clerk	Brierfield Insurance Company	\$75,000
Rebecca D. Breland	Receiving Clerk	Sure Tec Insurance Company	\$75,000
Sheryl Bradley	Receiving Clerk	Sure Tec Insurance Company	\$75,000
Patrick L. Thomas	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Billy J. Mills	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Phillip Dunnam	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Bradley McCardle	Assistant Receiving Clerk	RLI Insurance Company	\$50,000
Winston Henderson	Assistant Receiving Clerk	Brierfield Insurance Company	\$50,000
Natalie Harvison	Inventory Control Clerk	Brierfield Insurance Company	\$75,000
James Barnes	Constable	Brierfield Insurance Company	\$50,000
Wayne Penton	Constable	Brierfield Insurance Company	\$50,000
Martha F. Clark	Circuit Clerk	Brierfield Insurance Company	\$100,000
Christy P. Mayo	Deputy Circuit Clerk	Brierfield Insurance Company	\$50,000
Leslie A. Deakle	Deputy Circuit Clerk	RLI Insurance Company	\$50,000
Jimmy Dale Smith	Sheriff	Brierfield Insurance Company	\$100,000
James V. Poe	Justice Court Judge	Brierfield Insurance Company	\$50,000
Barry L. Pitts	Justice Court Judge	Brierfield Insurance Company	\$50,000
Teresa Watford	Justice Court Clerk	Brierfield Insurance Company	\$50,000
Spicie Christine Dunnam	Deputy Justice Court Clerk	Brierfield Insurance Company	\$50,000
Leslie A. Cochran	Tax Assessor-Collector	Brierfield Insurance Company	\$100,000
Barbara Stallings	Deputy Tax Collector	RLI Insurance Company	\$50,000
Pattie Beall	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Kayla Fulmer	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Greta E. Gavin	Deputy Tax Collector	Brierfield Insurance Company	\$50,000
Hallie O. Sullivan	Deputy Tax Collector	Brierfield Insurance Company	\$50,000

PERRY COUNTY

(This page left blank intentionally.)



PERRY COUNTY

SPECIAL REPORTS

PERRY 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  
Perry County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Perry 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 August 10, 2017.

**Internal Control Over Financial Reporting**

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

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

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as 2015-002, 2015-003, 2015-004 and 2015-005 to be significant deficiencies.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Perry 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Perry County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated August 10, 2017, included within this document.

## **Perry County's Responses to Findings**

Perry County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Perry 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 black ink, appearing to read "Joe E. Mcknight".

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

August 10, 2017



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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors  
Perry County, Mississippi

**Report on Compliance for the Major Federal Program**

We have audited Perry County, Mississippi's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Perry County, Mississippi's major federal programs for the year ended September 30, 2015. Perry County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Perry County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Perry County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Perry County, Mississippi's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Perry County, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2015.

**Report on Internal Control Over Compliance**

Management of Perry County, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Perry County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate

in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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 black ink, appearing to read "Joe E. Mcknight". The signature is fluid and cursive, with the first name "Joe" being particularly prominent.

JOE E. MCKNIGHT CPA  
Director, County Audit Section

August 10, 2017



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

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

Members of the Board of Supervisors  
Perry County, Mississippi

We have examined Perry County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2015. The Board of Supervisors of Perry 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 Perry County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

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

In our opinion, Perry County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2015.

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

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

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

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

August 10, 2017



PERRY COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder

For the Year Ended September 30, 2015

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

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

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
9/21/2015	Repair	\$ 12,402	B&E Communication	Repair fire alarm system
9/21/2015	Repair	8,040	Comsouth	Repair to radio system & dispatch
9/21/2015	Fax Machine	299	South Mississippi Business	Fax machine struck by lightning
9/21/2015	Repair	1,927	B&E Communication	Repair jail door system

PERRY COUNTY

Schedule 3

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

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

PERRY COUNTY

(This page left blank intentionally.)



**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  
Perry County, Mississippi

In planning and performing our audit of the financial statements of Perry County, Mississippi for the year ended September 30, 2015, we considered Perry 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 Perry 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 August 10, 2017, on the financial statements of Perry County, Mississippi.

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

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

Board of Supervisors.

1. Perry County should strengthen passwords.

Finding

During our review, we noted that Perry County is using some parameters associated with password strength that meet industry standard best practices. However, as reported in the prior two years' audit reports, the County has some password parameters that would not meet these standards, thereby creating unnecessary risk for Perry County Information Assets.

Recommendation

We recommend that Perry County improve its password strength by changing password parameters to comply with password management best practices and industry standards.

#### Board of Supervisors' Response

Perry County will within the next 30 days implement changes to password parameters to comply with password management industry standards.

2. Perry County should expire all individual's passwords on a periodic basis.

#### Finding

As reported in the prior two years' audit reports, a review of Perry County's security settings revealed that some user's passwords were set to expire on a more infrequent basis than recommended in best business practices. All passwords should be set to expire in accordance with policy to be determined by Perry County.

#### Recommendation

We recommend that a policy be implemented to ensure passwords are expired on a regular basis. In addition, Perry County should conduct access reviews for information assets on a periodic basis (at least annually). Documentation of these reviews should be signed by the person conducting them and retained for review by auditors.

#### Board of Supervisors' Response

A policy will be implemented to expire all individual passwords on a periodic basis.

3. Perry County should establish and test a disaster recovery process.

#### Finding

As reported in the prior two years' audit reports, during our review of the IS controls of the County ("the County"), we noted the County has not established a disaster recovery process. As a result, the County cannot fully ensure that the County's information systems can be restored in a timely manner. Disaster recovery involves defining and documenting plans to help sustain and recover critical information technology resources, information systems, and associated business functions. *Control Objectives for Information and Related Technology* (CobiT, Section DS4), as well as recognized industry best practices, require a written disaster recovery plan be developed and tested regularly to provide orderly recovery of vital functions in the event of a hardware or environmental disaster. Failure to maintain an adequate recovery plan could impede the County's ability to regain computer operations in the event of a disaster.

There are a number of steps that an organization can take to prevent or minimize the damage to automated operations that may occur from unexpected events. One example is routinely backing up data files and programs and periodically restoring these files and programs as part of a formal, documented disaster recovery exercise. Such actions maintain the organization's ability to restore data files, which may be impossible to recreate.

The County is backing up systems containing financial related data via an automated system as well as by manual processes but is not restoring such files as part of a formal, documented disaster recovery exercise. Without proper assurance that backup files can be utilized to adequately restore all critical data in a timely manner in the event of a disaster scenario, material damage could be realized by the County and its processes should a catastrophic event occur involving the County's buildings and servers. Risk and probabilities of material loss escalate in relationship to the longer an exposure goes unmitigated.

#### Recommendation

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

#### Board of Supervisors' Response

Perry County is in the process of developing a disaster recovery plan with testing procedures included.

4. Perry County should implement a formal information security policy.

#### Finding

As reported in the prior two years' audit reports, Perry 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 / 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 Perry 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.

#### Board of Supervisors' Response

Perry County is in the process of creating a plan of compliance.

5. The County should perform a network security assessment.

#### Finding

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 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 types of tests should be conducted by qualified personnel that specialize in such assessments.

#### Board of Supervisors' Response

Itech has entered into a contract with Perry County for support of our Tax Collector, Chancery Clerk, Circuit Clerk and Justice Court offices. We already have a new firewall in place. They will also be handling our email accounts and internet. Within the next 90 days both Itech and Townsend Consultants will be doing security assessments with any recommendations noted.

Perry 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

August 10, 2017



PERRY COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRY COUNTY

(This page left blank intentionally.)

PERRY COUNTY

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

Section 1: Summary of Auditor's Results

***Financial Statements:***

- |   |            |
|---|------------|
| 1. Type of auditor's report issued on the financial statements: | Unmodified |
| 2. Internal control over financial reporting:                   |            |
| a. Material weakness identified?                                | Yes        |
| b. Significant deficiencies identified?                         | Yes        |
| 3. Noncompliance material to the financial statements noted?    | No         |

***Federal Awards:***

- |  |               |
|--|---------------|
| 4. Internal control over major federal programs:   |               |
| a. Material weakness identified?   | No            |
| b. Significant deficiency identified?  | None Reported |
| 5. Type of auditor's report issued on compliance for major federal programs:   | Unmodified    |
| 6. Any audit finding(s) disclosed that are required to be reported in accordance with Section ___510(a) of OMB Circular A-133? | No            |
| 7. Identification of major federal programs:   |               |
| a. CFDA #10.665, Schools and roads - grants to states  |               |
| b. CFDA #20.106, Airport improvement program   |               |
| 8. Dollar threshold used to distinguish between type A and type B programs:  | \$300,000     |
| 9. Auditee qualified as low-risk auditee?  | No            |

PERRY COUNTY

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

Section 2: Financial Statement Findings

Board of Supervisors.

Material Weakness

2015-001. Internal controls should be strengthened to include adequate segregation of duties for the County's general accounting functions.

Finding

An effective system of internal control should include an adequate segregation of duties. As reported in the prior four years' audit reports, the County's accounting system is not adequately segregated to assure a proper internal control structure. Based on test work, we noted the following internal control structure weaknesses in the County's accounting structure:

- a. The comptroller acts as the assistant purchase clerk, prepares the monthly docket of claims, prints disbursement checks, and is the inventory control clerk.
- b. Receipt warrants are posted to the general ledger by the comptroller, who maintains the general ledger.
- c. The comptroller also prepares payroll.

These conditions could result in unrecorded transactions, undetected errors or misappropriation of funds.

Recommendation

The Board of Supervisors should implement effective internal control policies that allow for the proper segregation of duties with respect to control of the general ledger, processing of payroll, purchasing, and inventory accounting functions.

Board of Supervisors' Response

We now have in place two employees who are learning to do the following: The Receiving Clerk is also preparing the monthly claims docket and is reconciling the bank statements. The Purchase Clerk is learning to do the monthly payroll. As Assistant Purchase Clerk, I only issue PO's when the Purchase Clerk is absent. This results in approximately maybe (6) per year.

Justice Court Clerk.

Significant Deficiency

2015-002. The Justice Court Clerk should establish adequate segregation of duties.

Finding

An effective system of internal control over cash should include an adequate segregation of duties. During test work, it was noted that controls were inadequate over cash. The Clerk receipts monies, prepares all bank deposits, reconciles the bank statements, posts receipts to the cash journals, prepares monthly settlement reports, and makes all disbursements. The failure to implement adequate controls over cash in the Justice Court office could result in the loss or misappropriation of public funds.

Recommendation

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

PERRY COUNTY

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

Justice Court Clerk's Response

The Deputy Clerk has always receipted money, prepared bank deposits and taken deposits to the bank. Effective last year, on recommendation from the auditor, she now is learning to post receipts to the cash journals, prepare bank reconciliations and prepare monthly settlements of fees to the County.

Tax Assessor-Collector.

Significant Deficiency

2015-003. The Tax Assessor-Collector should establish adequate segregation of duties.

Finding

An effective system of internal control over cash should include an adequate segregation of duties. During test work, it was noted that controls were inadequate over cash. The Tax Assessor-Collector makes all deposits, reconciles bank statements, maintains cash journals, prepares monthly settlements, and makes all disbursements. The failure to implement controls over cash in the Tax Collector's office could result in the loss or misappropriation of public funds.

Recommendation

The Tax Assessor-Collector should ensure that there is an adequate segregation of duties in the collecting, recording and settlement functions.

Tax Assessor-Collector's Response

Due to monetary constraints, I am not able to hire additional employees to completely segregate these duties.

Significant Deficiency

2015-004. The Tax Assessor-Collector should improve internal controls over cash.

Finding

An effective system of internal control over cash in the Tax Assessor-Collector's office should include adequate physical safeguards over cash collections. During test work, it was noted that personal checks in the amount of \$455.19 were cashed within the deputy clerks' cash drawers. Also, there were two instances where a deputy clerk processed car tags for their personal vehicles. Inadequate controls over cash collections in the Tax Assessor-Collector's office could result in the misappropriation or loss of public funds.

Recommendation

The Tax Collector should implement effective internal controls to ensure there are adequate physical safeguards over cash collections.

Tax Assessor-Collector's Response

In the future deputies or anyone will not be allowed to cash personal checks or renew personal car tags at all.

PERRY COUNTY

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

Sheriff.

Significant Deficiency

2015-005. Internal controls over the inmate canteen should be strengthened.

Finding

An effective system of internal control over the inmate canteen fund should include an adequate segregation of duties and the maintenance and reconciliation of records documenting revenue collections. Controls were inadequate over cash. The following deficiencies were noted:

- a. The duties of the tactical officer include receipting inmate canteen monies, preparing deposits for the inmate canteen account, reconciling the cash journal to the bank statements, preparing settlements of commissions received and disbursing funds. The work of the tactical officer was not reviewed by another person.
- b. All commissions received were not settled to the County in a timely manner.

The failure to implement adequate controls over the collection, recording, and disbursement functions could result in inaccurate reporting, incomplete settlements, and the increased possibility of the loss or misappropriation of public funds.

Recommendation

The Sheriff should ensure that there is an adequate separation of duties in the collecting, recording and settlement functions. The Sheriff should ensure that monies are deposited in a timely manner and that commissions received are properly settled to the County.

Sheriff's Response

The tactical officer will bring the inmate canteen account to the Sheriff for monthly approval. The canteen account will be settled every month and in a timely manner.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.